

TAVISTOCK TOWN COUNCIL

13th FEBRUARY 2018

CAPITAL PROGRAMME OPTIONS

1) PURPOSE OF REPORT

To provide:-

- Opportunity to review and amend, as necessary, the Capital Programme of the Council in light of the availability of reserves, anticipated capital funding requirements and the identification of any areas where prospective savings could be made (Budget & Policy Minute No. 278 refers);
- More specifically to consider proposals from the General Manager in connection with potential improvement works to the Pannier Market, expenditure on play areas and an associated re-configuration of the Capital Programme.

2) CORPORATE POLICY CONSIDERATIONS

The Tavistock Town Council Strategic Plan 2017-2021 identifies a range of objectives which underpin the various projects and programmes incorporated within the Capital Programme for the Council. Sitting alongside and informing all of these is Council Priority Ec1.4 Best Value –

“The Council will work to minimise costs and provide value for money services which are relevant, efficient, economic and effective. In doing so it will reflect good employment and business practices”.

3) LEGAL AND RISK MANAGEMENT ISSUES

The Council is under a continuing obligation to secure economy, efficiency and effectiveness in the use of Council resources. Associated legal and risk management issues include, but are not limited to, procurement/health and safety, legal obligations, availability/application of suitable measures of assurance and control and project management. There are also obligations and risks which may arise from contractual arrangements with third parties as well as organisational capacity and/or resources to deliver.

However, for the purposes of this report the most significant legal and risk management issues are most especially financial (see item 4 below).

4) RESOURCE ISSUES

For the reasons previously reported to Council the present Capital Programme is the most challenging and ambitious that the Council has adopted in its current form.

As outlined in Budget & Policy Minute No. 278 it will be necessary for the Council to source additional funding in order to be able to meet the range of projects it has identified - as well as putting in place a plan to both increase the General Reserve to an appropriate level and meet current and future funding requirements. As indicated during the Budget setting process the Capital Programme remains to be fully funded and the Council will need to review all options available to increase funding – one off and ongoing such as savings, increases in income, increases in precept, reductions in costs, asset rationalisation, re-prioritisation, sourcing of grants, loan funding, etc.

It should be borne in mind that costs associated with the Pannier Market incur VAT which cannot be reclaimed. Council will also be aware that it has previously incurred spend on new play equipment for the Meadows and an additional £100,000 on the Pannier Market for replacement doors. Any items listed below will be in addition to those and, if in full will represent further increases of £50,000 and £159,000 to each of those areas respectively.

5) COMMUNICATION ISSUES

The appendices to this report have been prepared in consultation with the Accountant to the Council. The Pannier Market proposals are acceptable in principle to the Local Planning Authority.

6) RECOMMENDATIONS

That pursuant to consideration of Minute No. 278 (listed previously upon the Agenda) the Council review and consider whether or not any further changes to the funding allocation to the Capital Programme are necessary; and thereafter

- i. if further changes to the funding allocation to the Capital Programme are required, it determine how it wishes to proceed;
- ii. if further changes to the funding allocation to the Capital Programme are not required, it consider the measures put forward in connection with options for improvement works to the Pannier Market and expenditure on play areas.

1) BACKGROUND

1.1 The Council will recall considering a report in November 2017 setting out issues associated with the delivery of the Capital Programme with particular reference to funding arrangements. A copy of the Capital Programme

agreed at that time and as updated at calendar year end is appended at Appendix 1.

- 1.2 Since then work has commenced on the Pannier Market and in that time the General Manager has identified a number of areas where, if funding could be made available, internal improvements could be made to the premises. In normal circumstances having regard to the general funding position of the Council these would not be brought to the Council at this time.
- 1.3 However, it is recognised that the clearing of the Market building for works to the roof does provide an opportunity, should Council consider it to be both appropriate and affordable, to undertake additional internal improvement works with no consequential disruption to traders or market operation. By way of context the completion of the Butchers' Hall and feedback from Traders and the public has provided an opportunity to review what works well and what improvements can be made. Similarly the enclosure of the Café on a temporary basis has drawn attention to improvements that can be made in the East End of the Market business both for that business and in the immediate area through potential market office relocation.
- 1.4 Also identified by the General Manager have been potentially significant resurfacing works to the children's play area in The Meadows arising from a failure of the surfacing in that location causing problems in usage.
- 1.5 However, it is also acknowledged that Council has previously affirmed that no significant new capital (beyond those previously agreed) or other resource heavy projects could be progressed without putting in place compensatory capacity and other resources to facilitate delivery. This reflects that the current programme is unfunded by in the order of £500,000. Consequently this report is premised upon two underlying assumptions:-
 - That Council continues with the view that the existing budget position is both affordable and appropriate;
 - That the policy prohibition on new Capital Projects is rigidly adhered to and any new works (such as that listed above) are funded by the withdrawal, reduction, replacement or similar of existing scheduled projects.
- 1.6 The proposals which follow, if supported, have been developed on the latter basis and are 'funded' through either the withdrawal of projects previously identified, their deferral to a time when funding could become available and the utilisation of any "underspends" in relation to projects which have been

completed. They do not represent any proposal for spend over and above that agreed by the Council last year and are without prejudice to the continuing need to fully fund the Capital Programme by in the order of an additional £500,000.

2) CAPITAL PROGRAMME – OPTIONS

2.1 Appendix 2 should be considered alongside Appendix 1. It indicates areas where your General Manager has identified previous commitments which could be reconsidered to provide a basis for the projects previously outlined:-

- a) Duke Street repointing - underspend £13,109 capable of reallocation;
- b) Abbey Walk resurfacing-underspend £33,909 capable of reallocation;
- c) Property maintenance an underspend of £35,000 which could be vired to the Capital Programme
- d) Rundle Room refurbishment - saving by virtue of not proceeding £46,993 capable of reallocation;
- e) New Depot fit out (Molly Owen Centre) - a reduction in budget by £10,000 giving that amount capable of reallocation;
- f) Town Hall roof - a reduction in budget of £10,000 and commitment to undertake only essential works giving £10,000 capable of reallocation;
- g) Town Hall lift - removal from the Capital Programme at a saving of £30,000 capable of reallocation;
- h) A retention of an emergency capital fund of £30,000 (in the event that there is a failure e.g. Town Hall lift) by setting aside that amount in the 2018-19 financial year from the properties maintenance budget for emergency use only.
- i) A £10,000 virement from the allocation in the Exceptional Maintenance Fund from Courtgate;
- j) A virement/transfer of the monies (£20,000 previously allocated to Pannier Market Shops (East End Stores)) which is not expected to be needed.

2.2 If the Council were to proceed along these lines it would enable the freeing up of previously committed funds in the amount of £209,011 Such could be used to either

- Reduce the capital funding requirements of the Council in the interests of prudence by up to that amount, and/or be
- Deployed toward urgent/replacement works (whilst recognising the ongoing need to fund the capital programme).

2.3 With regard to the latter the following represent substitute projects which the General Manager believes represent either higher priority and/or better long-term value than the current programme, namely:-

- a) Re-surfacing of play areas in the Meadows where surfacing has failed (estimated cost in the region of £50,000);
- b) Some or all improvements to the Pannier Market (note the following estimates include VAT which is not recoverable) in the form of:-
 - Replacement of the lighting in the Pannier Market with new LED lighting to a design consistent with that in the Butchers' Hall (iro £60,000);
 - Re-flooring and improvements to the Pannier Market Customer Toilet Facilities and re-designated office space and improvements to the café area (estimated £50,000);
 - The potential to replace the Pannier Market heating system. The anticipated costs of installation are
 - Heaters in the Arcade Area (ie not the central zone) iro £32,276;
 - Removal of gas heating on one side of the Arcade area iro £3,000;
 - Consequential works in the toilet area £1,784;
 - Potential heating improvements to the existing gas system in the central area £12,000.
 - A Mechanical and Engineering specialist has been engaged to identify the costs of heating on a comparable basis for the existing system (gas) over a replacement electric heating system along the lines included in the Butchers' Hall and a new gas heating system. The findings indicate:-

Thank you for the data below. Gas Vs. Electric compares as follows

- *An old fashioned gas fired radiant panel heater is approx. 70% efficient*
- *A newer gas fired radiant panel heater is approx. 85% efficient*
- *An electric radiant panel is 100% efficient*
- *However, gas only costs approximately 1/3rd of electric*

Therefore if you omit gas altogether and run off electric, you'll see an overall increase in annual running costs of approx. just over double the current annual running costs assuming running time and similar comfort conditions are maintained.

2.4 The proposals in paragraph 2.3 with regard to heating have been developed on a reduced/mixed energy basis in recognition of the additional cost of electricity over gas and include coverage of the southern and eastern arcade areas (which are presently unheated) and removal of the extant gas system from the northern arcade area and replacement with electric. However, it should be recognised that there will be a commensurate increase in revenue/running costs associated with electric heating units.

3) REVIEW

3.1 Any consideration of this Report necessarily takes place within the context of the wider issues raised at the recent Meeting of the Budget & Policy Committee. If it is the will of the Council to continue with a capital programme at the current level of funding commitment then it is invited to consider whether or not to adopt the revised proposals as put forward by the General Manager.

3.2 In the interests of clarity, and given existing funding levels, there are no circumstances currently foreseen in which Officers could recommend any increase in capital funding until both reserves and other funding levels have increased, the existing position is already challenging. However, if adopted the proposals listed above do not represent any increase in funding requirement beyond that approved by Council when setting the budget.

3.3 What is not feasible or appropriate is to seek to increase capital spend or to undertake new capital projects until funding for the existing programme is in place and reserves rebuilt which will, exceptional circumstances notwithstanding, take some years. It is however recognised that if the Council considers improvements to the internal fabric of the Pannier Market both appropriate and affordable then the next 3 months represents the best time to undertake such without affecting future trading.

3.4 It is acknowledged that, in the current circumstances, the consideration of capital spend is very much informed by the appetite of the Council for risk and the priorities it attaches to projects both individually and collectively within the parameters of prudent financial management and the strict obligation to avoid a deficit. The instructions Council are sought.

WAYNE SOUTHALL
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FEBRUARY 2018