Appendix A

Report to: **Cabinet**

Date of Meeting: **5 September 2011**

Report Title: **Review of Capital Programme 2011/12 to 2013/14**

Report By: Neil Dart (Deputy Chief Executive and Director of Corporate Resources), and

Peter Grace (Head of Financial Services)

Purpose of Report

1. The Capital programme for 2011/12 was determined as part of the budget process in February 2011. This report reviews the capital programme for 2011/12 and provides members with the opportunity to review priorities and reallocate resources as appropriate.

2. **Recommendations**

Cabinet is recommended to:-

(i) Delete the East Hill Café scheme and the Purchase of the Drill Hall site (West Marina) from the programme

(ii) Approve the inclusion of the Malvern Way Public House regeneration scheme within the programme (Provision for spending up to £200,000) to be partly funded from the New Homes Bonus (£150,000) and the reallocation of £50,000 received as recoverable housing grants.

(iii) Approve additional resources for the Contact centre (Budget £215,000 from £35,000)

Reasons for Recommendations

3. Since determining the programme in February 2011 the results of bids for external funding have been received. Some have been successful and others not. The receipt of the New Homes bonus from the government also provides an additional resource that was not fully allocated in the budget process.

Introduction

4. The total Capital budget for 2011/12 is £7.369m of which £6.138m was approved in February 2011 and in addition there is a carry forward of £1.231m from 2010/11 in respect of schemes in progress.

5. The current programme includes schemes reliant on external funding e.g. The Castle, Answers in the Carbon Economy (ACE)- in respect of industrial units. The outcome of these bids was unknown when the programme was determined. A number of new schemes were introduced into the programme, e.g. Income Management System, Celandine Playground, Contact Centre, Empty Homes Strategy (CPO) and a provision for match funding in respect of the prospect of a successful lottery bid for Hastings Pier.

6. This report seek to update members on key schemes and new priorities where new or additional funding is required

Capital Programme - Existing

7. **The Castle**

As members will be aware the Castle Access/Interpretation scheme amounting to £2.5m (£250,000 HBC contribution) did not receive support from the Heritage Lottery Fund on this occasion. It is intended to submit a revised bid in due course. The capital programme will need to be adjusted as expenditure will no longer be incurred as profiled in the programme. A revised timetable is to be determined.

8. **East Hill Cafe**

There has been a distinct lack of commercial interest to develop the East Hill café. The opportunity is available to consider whether the Council wishes to progress the scheme in the light of this lack of interest and other competing priorities.

The recommendation is not to proceed with this scheme in the present financial climate and reallocate the budget of £75,000.

9. **West Marina Development – Drill Hall**

The 2011/12 programme includes £133,000 for the purchase and subsequent demolition costs of the Drill Hall. Since agreeing to the inclusion of the site, costs for demolition and the subsequent making good of the currently attached building have been more fully evaluated. The cost of the scheme is now estimated at some £180,000 and as such is no longer considered a value for money investment - especially as regeneration of the area looks increasing unlikely in the near future given current economic conditions.

It is recommended that the offer to purchase is withdrawn and the scheme removed from the programme and the £133,000 budget be reallocated.

10. **Answers in the Carbon Economy (Industrial Units)**

The European Interreg grant application has been successful although in a lesser sum than originally estimated. The total budget amounts to £593,000 compared to £737,000 in the programme. The timing of the spend requires adjustment in the programme to £25,000 in 2011/12 and the balance of £568,000 in 2012/13.

Capital Programme – New schemes/ additional resources

11. **Contact Centre**

This is subject to a separate report elsewhere on the agenda.

The current budget allocated £35,000 for costs associated with this major change project. Costs for building alterations, equipment, and implementation have been now been estimated as being up to £215,000 in 2011/12.

Given the increase in expenditure further approval is required for the scheme to be progressed. It is projected that the Contact Centre will result in significant revenue savings – but are as yet uncosted.

Funding could be made available from the Drill Hall site and East Hill café proposals should they not proceed.

12. **Malvern Way Public House**

This will be the subject of a separate report to your meeting on 3 October.

The purchase and demolition of the above property provides a regeneration opportunity for the area. The costs of doing so are estimated to amount to between £150,000 and £200,000.

The Council will receive £194,000 in 2011/12 in respect of the New Homes Bonus, of which only an element has so far been allocated – namely for the employment of an officer in respect of the Empty Homes Strategy (CPO initiative). The unallocated New Homes Bonus money, together with a sum of £50,000 received as recoverable housing grants would be sufficient to fund this project.

Capital Programme - Incremental Impact on Band D Council Tax

13. In determining the affordability of new capital proposals the Council is required to consider the incremental impact on the Council Tax for future years. The impact is expressed in Band D equivalent amounts on the Council Tax. The purpose is to give the Council the opportunity to consider options for capital proposals and to highlight the potential future financial burden of capital investment decisions.

14. Given that the programme, from 2011/12 onwards is financed by Capital Receipts, Reserves, external grants and contributions rather than by borrowing, the impact purely relates to the loss of investment interest on the capital receipts and reserves. Should the Council determine to finance the new scheme and the additional resource requirements by not progressing existing schemes there will be no additional impact on the revenue budget in terms of borrowing costs.

Policy Implications

15. The purchase of the Drill Hall site was viewed as an opportunity to potentially assist the longer term regeneration of the area. Given current economic conditions this currently seems remote and with the increase in costs consideration needs to be given as to whether this still represents a value for money acquisition.

16. The Contact Centre is a key priority for the Council in terms of improvements to customer service as well as providing ongoing revenue savings.

Equalities and Community Cohesiveness

17. The equalities implications of the original budget proposals were the subject of an Equalities Impact Assessment. The additional resources required in respect of the Contact centre are to help ensure that effective service delivery arrangements are in place. The purchase and subsequent demolition of the Malvern Way Public House site is seen as a significant regeneration opportunity to the benefit of the whole community.

Economic/ Financial Implications

18. The new scheme proposed and additional resources for the contact centre could be financed by reallocating resources from existing projects outlined in the report.

19. Should the Council seek to borrow the additional resources there would be revenue implications and the impact on the Council Tax payer would need to be calculated and disclosed.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

Supporting Documents

Revenue Budgets 2010/11 (Revised) and 2011/12, plus Capital Programme 2010/11 to 2013/14, Cabinet 16 February 2011

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29. REVIEW OF CAPITAL PROGRAMME 2011/12 TO 2013/14

The Head of Financial Services presented the joint report from himself and the Deputy Chief Executive and Director of Corporate Resources that reviewed the Capital programme for 2011/12 and provided members with the opportunity to review priorities and reallocate resources as appropriate.

Councillor Birch moved approval of the recommendations to the report which was seconded by Councillor Webb.

Councillor Beaver proposed an amendment, seconded by Councillor Finch, "to delete recommendation (1) and to add the following words to the end of recommendation (3), "by deleting the East Hill Café scheme from the programme and borrowing the remainder of the funding for the scheme.""

The amendment was lost by 4 votes to 5.

RESOLVED (by 5 votes to 4) – that: -

(1) the East Hill Café scheme and the Purchase of the Drill Hall site (West Marina) be deleted from the programme;

(2) the inclusion of the Malvern Way Public House regeneration scheme be included within the programme (Provision for spending up to £200,000) to be partly funded from the New Homes Bonus (£150,000) and the reallocation of £50,000 received as recoverable housing grants;

(3) additional resources for the Contact centre (Budget £215,000 from £35,000) be approved.

The reason for this decision was:

Since determining the programme in February 2011 the results of bids for external funding had been received. Some had been successful and others not. The receipt of the New Homes bonus from the government also provided an additional resource that was not fully allocated in the budget process