

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**                 **TUESDAY, 18 DECEMBER 2012**

**REPORT BY:**         **HEAD OF FINANCE, CHIEF EXECUTIVE, DIRECTOR  
OF ENVIRONMENT**

**SUBJECT:**           **CAPITAL STRATEGY AND CAPITAL PROGRAMME  
2013/14 TO 2022/23**

**1.00**    **PURPOSE OF REPORT**

1.01    The purpose of the report is to –

- (a)    Propose the allocation of funding to the core capital programme in 2013/14 (with indicative allocations for future years).
- (b)    Set out the work that has been undertaken (and continues), to develop a Council Fund Capital Strategy and 10 year Capital Programme for the Council.

**2.00**    **BACKGROUND**

2.01    The Council plans on a 4 year capital programme timescale. In June 2011, the Council formally adopted its Medium Term Financial Strategy (MTFS). Two of the key objectives of the MTFS are to ensure that revenue and capital resources are used to achieve the Council's priorities and objectives, and to fully integrate revenue and capital expenditure plans. The co-planning of revenue and capital budgets is essential, for example, to meet the repayment of unsupported borrowing to support the core capital programme for investment in infrastructure.

2.02    One of the Council's 10 priorities is to 'Be a modern, efficient and cost effective public organisation through our four resource strategies - MTFS, People, Asset Management and ICT'. The Asset Management Strategy is key to determining which assets the Council wishes to hold in its portfolio for future service delivery. From this, plans can be drawn up as to where capital investment is required (in new or upgraded facilities), and where there are opportunities to release resources through asset disposals. Asset decisions are based on priority to support services, asset condition and deterioration, asset growth to suit service purpose and health and safety and other requirements.

2.03 This report covers the Council Fund only. The Housing Revenue Account (HRA) capital programme will be considered alongside the HRA revenue budget proposals for 2013/14. This will be reported to Cabinet and Scrutiny in January 2013 prior to the final proposals being recommended by Cabinet to County Council in February 2013.

2.04 The Local Government Final Settlement is due to be announced on 11th December 2012, and an update will be provided on the detail at the meeting.

### **3.00 CAPITAL STRATEGY**

3.01 The aim of the Capital Strategy is to have in place a 10 year affordable, prioritised programme of all capital needs.

3.02 Due to the impacts on public expenditure constraint of National UK Government economy management decisions, the Council's core capital programme is constrained and is coming under severe pressure to maintain our assets portfolio from schools to roads. Welsh Government specific funding sources for capital investment in particular services are limited and are being directed to a small number of policy priorities.

3.03 This position means that the Council will:-

- Need to be more strategic and decisive over the asset portfolio it needs to retain to support service priorities and the portfolio it can release.
- Need to be more creative about partnering, e.g. Flintshire Connects, Community Asset Transfer.
- Be more creative over capital access options and models (e.g. directing its own investment, asset backed vehicles.)
- Rely on more unsupported borrowing to fund priorities, e.g. schools.

3.04 The challenges and opportunities were explored at a recent Member Workshop which was well attended. The work programmes of Cabinet and Overview and Scrutiny, and the MTFs, will need to reflect these actions.

3.05 A significant impact will be the School Modernisation Programme as part of the Capital Strategy and Capital programme 2012/13 to 2021/22. Funding support of 50% towards estimated costs of £64.2m will come from Welsh Government through 21st Century Schools finance for the preferred options in the three schools area reviews.

- 3.06 There will be significant pressure on the block allocations for core services in the 'static' programme. Careful decision making on allocations across and within these blocks is required to best match resources to priorities. Council officials, both client and contractor, must ensure that value for money is obtained in service design specifications and contract tendering.

#### **4.00 LOCAL GOVERNMENT BORROWING INITIATIVE (LGBI)**

- 4.01 A further £4m is to be made available across Wales by Welsh Government in 2013/14 under the Local Government Borrowing Initiative (on top of the £4m provided in 2012/13) to support the borrowing charges (revenue) of highways capital works. This equates to £2.7m for Flintshire in both 2013/14 and 2014/15. Proposals on how this funding will be utilised in 2012/13 are included in a separate report on this agenda.
- 4.02 In addition to the above, Welsh Government has recently announced an extension of the LGBI to include schools; this will bring forward funding (between 2014/15 and 2016/17) of £200m across Wales, in relation to their share of the 21st Century Schools Programme.

#### **5.00 CAPITAL FUNDING AVAILABLE**

- 5.01 Capital funding comes from a variety of sources –

General -

- Unhypothecated Supported Borrowing (USB)
- General Capital Grant (GCG)
- Capital Receipts

Specific -

- Specific Capital Grants
- Unsupported (Prudential) Borrowing
- Capital Expenditure financed from Revenue Account (CERA)

- 5.01.1 USB and GCG are as advised by Welsh Government through the Finance Settlement, and are available for the Council to determine their use. Specific Grants are also received from Welsh Government (and other funding bodies), but allocated for specific purposes as defined by the relevant funding body.
- 5.01.2 Capital Receipts are the proceeds from asset disposals - land and buildings, and again are available for the Council to determine their use.
- 5.01.3 Unsupported (Prudential) Borrowing is that borrowing which, as the name implies, is not supported by Welsh Government - borrowing costs (principal and interest) have to be met by the Council from the revenue budget.

- 5.01.4 Capital Expenditure financed from Revenue Account (CERA) is capital expenditure paid for by way of a direct charge to the service revenue account.
- 5.02 The total projected funding available over the 10 year period 2013/14 to 2022/23, by way of the above general sources, amounts to £108.516m as detailed in Appendix 1 (attached); the proposed Core Programme Scheme expenditure (as referred to in Section 6.01 below) amounts to £91.961m (as included in Appendix 1), which produces an available total of £16.555m to fund other programme schemes over the period.
- 5.02.1 In view of the projected shortfall in 2014/15 (£0.140m), which follows a 2013/14 available funding figure of just £0.250m, it may be prudent to consider a consolidated two year programme (2013/14/15). On this basis a cumulative total of £0.110m would be available to provide some headroom for variances.
- 5.03 It can be seen that, taking account of the funding information provided in 5.02 above, there is currently no general funding available to support new capital investment outside of the core programme schemes (see Section 6.00 below) during the consolidated two year programme period (2013/14/15), without the introduction of new and creative ways of delivering capital investment (as described in Section 3.00).

## **6.00 CORE CAPITAL SCHEMES**

- 6.01 'Core' schemes are those that require capital works on an on-going basis in order to ensure life and use enhancement; such schemes include Energy Efficiency Measures, Highways Infrastructure Works, and School Building Works. The proposed Core schemes (as outlined at the Capital Workshop on 22nd November 2012), are detailed in Appendix 2 as attached.
- 6.02 The Appendix 2 information reflects a reviewed position (from that incorporated in the Capital Strategy and Capital Programme 2012/13 to 2021/22) in terms of the listed values, which takes account of the revised available funding projections as referred to in Section 5.02 above. Also included within the Appendix 2 totals are those new schemes approved in 2012/13, funded from the headroom available at the time; these schemes drop out of the analysis in entirety, by the end of 2015/16. The impact on the available funding resources of financing these schemes is recorded in Appendix 1.
- 6.03 A request was received at the Capital Workshop (22nd November 2012) for a reconciliation between the Appendix 2 figures and the indicative Core Programme Schemes list that formed part of the aforementioned Capital Strategy and Capital Programme 2012/13 to 2021/22; this reconciliation is included as Appendix 3. The adjusted

figures reflect those changes referred to in Section 6.02 above, and as noted in the key to Appendix 3; in most cases the 'trimmed' 2013/14 programme scheme budgets are reinstated across the subsequent 9 years (2014/15 to 2022/23).

## **7.00 CONSULTATION**

7.01 A meeting of the Corporate Resources Overview and Scrutiny Committee has been scheduled for 31st January 2013, at which the capital programme proposals as set out in this paper will be considered. The scrutiny meeting will be open to all Members of the Council. Final capital proposals for 2013/14 will be considered by Cabinet in February prior to a recommendation to Council on 1<sup>st</sup> March 2013.

7.02 A public consultation survey which covers aspects of the Council's Revenue and Capital Budget Strategies is due to open between 21st December 2012 and 20th January 2013.

## **8.00 RECOMMENDATIONS**

8.01 Members are recommended to:

- (a) Note the work which has been undertaken (and continues) to develop a Council Fund Capital Strategy and 10 year capital programme.
- (b) Approve the allocation of funding to the core capital programme in 2013/14 as shown in Appendix 2 (and note the indicative allocations for future years), subject to input by Overview & Scrutiny.

## **9.00 FINANCIAL IMPLICATIONS**

9.01 As set out in the report.

## **10.00 ANTI-POVERTY IMPACT**

10.01 Individual Capital Programme Schemes may have specific anti-poverty impacts.

## **11.00 ENVIRONMENTAL IMPACT**

11.01 Individual Capital Programme Schemes may have specific environmental impacts.

## **12.00 EQUALITIES IMPACT**

12.01 Individual Capital Programme Schemes may have specific equality impacts.

**13.00 PERSONNEL IMPLICATIONS**

13.01 None directly as a result of this report.

**14.00 CONSULTATION REQUIRED**

14.01 All Members and Overview & Scrutiny.

**15.00 CONSULTATION UNDERTAKEN**

15.01 An initial workshop on capital was held on 22nd November 2012 for all Members. A public consultation survey is due to open between 21st December 2012 and 20th January 2013.

**16.00 APPENDICES**

16.01 Appendix 1 – Available Funding

Appendix 2 – Core Capital Programme Schemes

Appendix 3 - Core Programme Schemes (Reconciliation to 2012/13 Budget Figures)

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

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## APPENDIX 1

## ESTIMATED AVAILABLE FUNDING 2013/14 - 2022/23

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Financing (Excluding Specific Grants)</b>											
Unhypothecated Supported Borrowing (USB)	*	4.270	4.270	4.270	4.270	4.270	4.270	4.270	4.270	4.270	42.700
General Capital Grant (GCG)	#	2.598	2.598	2.598	2.598	2.598	2.598	2.598	2.598	2.598	25.980
Capital Receipts		3.910	3.475	5.537	4.555	1.320	4.344	4.200	4.200	4.095	39.836
<b>Total</b>		<b>10.778</b>	<b>10.343</b>	<b>12.405</b>	<b>11.423</b>	<b>8.188</b>	<b>11.212</b>	<b>11.068</b>	<b>11.068</b>	<b>10.963</b>	<b>108.516</b>
<b>Expenditure</b>											
Core Capital Programme Schemes - Appendix 1		10.528	10.483	8.895	8.865	8.865	8.865	8.865	8.865	8.865	91.961
<b>Total</b>		<b>10.528</b>	<b>10.483</b>	<b>8.895</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>91.961</b>
<b>AVAILABLE/(SHORTFALL)</b>		<b>0.250</b>	<b>(0.140)</b>	<b>3.510</b>	<b>2.558</b>	<b>(0.677)</b>	<b>2.347</b>	<b>2.203</b>	<b>2.203</b>	<b>2.098</b>	<b>16.555</b>
Cumulative		0.250	0.110	3.620	6.178	5.501	7.848	10.051	12.254	14.457	16.555

* WG funding assumptions - USB		
2013/14	per Provisional Settlement	
2014/15	ref (2013/14) Provisional Settlement	
2015/16	→ as 2014/15	
2012/13 =	USB	£5.141m

# WG funding assumptions - GCG		
2013/14	per Provisional Settlement	
2014/15	ref (2013/14) Provisional Settlement	
2015/16	→ as 2014/15	
2012/13 =	GCG	£2.603m









**CORE PROGRAMME SCHEMES 2013/14 - SUMMARY  
(RECONCILIATION TO 2012/13 BUDGET FIGURES)**

	2013/14 Indicative *	2013/14 Estimate	Variance
	£m	£m	£m
<b>SUMMARY</b>			
<b>COUNCIL FUND</b>			
COMMUNITY SERVICES	2.950	2.750	(0.200)
ENVIRONMENT	3.155	3.280	0.125
LIFELONG LEARNING	2.965	2.760	(0.205)
CORPORATE SERVICES	0.930	1.738	0.808
<b>TOTAL - COUNCIL FUND</b>	<b>10.000</b>	<b>10.528</b>	<b>0.528</b>

<b>FINANCING</b>			
Unhypothecated Supported Borrowing (USB)	4.254	4.270	0.016
General Capital Grant	2.605	2.598	(0.007)
Capital Receipts	5.360	3.910	(1.450)
Specific Capital Grants	0.000	0.000	0.000
Unsupported (Prudential) Borrowing	0.000	0.000	0.000
<b>TOTAL - FINANCING</b>	<b>12.219</b>	<b>10.778</b>	<b>(1.441)</b>

<b>AVAILABLE HEADROOM</b>	<b>(2.219)</b>	<b>(0.250)</b>	<b>1.969</b>
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Analysis (from above)	<b>£m</b>
Increased Net Budget	0.528
Reduced Funding	1.441
<b>Reduced Headroom</b>	<b>1.969</b>

\* as per 2012/13 Budget













## CORE PROGRAMME SCHEMES 2013/14 - 2022/23 (RECONCILIATION TO 2012/13 BUDGET FIGURES)

	KEY (See below)	BUDGET	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
<b>CORPORATE SERVICES (Cont.)</b>													
<b>Clwyd Theatr Cymru</b>													
General		Provision	12/13	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.250
			13/14	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.250
			Variance	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>TOTAL - CORPORATE SERVICES</b>			12/13	<b>0.930</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>0.905</b>	<b>9.075</b>
			13/14	<b>1.738</b>	<b>1.718</b>	<b>0.480</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>7.086</b>
			Variance	<b>0.808</b>	<b>0.813</b>	<b>(0.425)</b>	<b>(0.455)</b>	<b>(0.455)</b>	<b>(0.455)</b>	<b>(0.455)</b>	<b>(0.455)</b>	<b>(0.455)</b>	<b>(1.989)</b>
<b>TOTAL - COUNCIL FUND</b>			12/13	<b>10.000</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>9.245</b>	<b>93.205</b>
			13/14	<b>10.528</b>	<b>10.483</b>	<b>8.895</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>8.865</b>	<b>91.961</b>
			Variance	<b>0.528</b>	<b>1.238</b>	<b>(0.350)</b>	<b>(0.380)</b>	<b>(0.380)</b>	<b>(0.380)</b>	<b>(0.380)</b>	<b>(0.380)</b>	<b>(0.380)</b>	<b>(1.244)</b>

## VARIANCE

Figures in brackets indicate a reduced budget, unbracketed an increased/additional budget.

- KEY 1 2013/14 budget reduced in line with reduced funding projections but re-profiled over future years.  
 2 New to 2013/14 onwards as a result of schemes approved in 2012/13 (From Headroom).  
 3 No longer needed as a result of the Housing Ballot.