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To: Cllr Clive Carver (Chairman)

Councillors: Marion Bateman, Peter Curtis, Andy Dunbobbin, Robin Guest, Ron Hampson, Richard Jones, Brian Lloyd, Richard Lloyd, Vicky Perfect, David Roney, Ian Smith, Nigel Steele-Mortimer, Carolyn Thomas and Arnold Woolley

****ALL MEMBERS ARE INVITED TO ATTEND THIS MEETING****

14 December 2015

Dear Councillor

You are invited to attend a meeting of the Corporate Resources Overview & Scrutiny Committee which will be held at 2.00 pm on Friday, 18th December, 2015 in the Council Chamber, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 APOLOGIES

Purpose: To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Purpose: To receive any Declarations and advise Members accordingly.

3 COUNCIL FUND REVENUE BUDGET 2016/17

Purpose: To review feedback in relation to the specific budget proposals to date by Portfolio for the Council Fund 2016/17 from the individual scrutiny meetings held between 7th and 18th December 2015; and

To review general observations on the budget process and the information available.

4 **DRAFT CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN 2015 - 2020** (Pages 3 - 62)

Report of Chief Officer (Organisational Change). The Portfolio of the Leader of the Council.

Purpose: To consider the overview for the Capital programme for 2016/17 - 2019/20 in conjunction with the draft Capital Strategy and Asset Management Plan.

5 **CAPITAL PROGRAMME 2016/17 - 2019/20: OVERVIEW** (Pages 63 - 72)

Report of Chief Officer (Organisational Change). The Portfolio of the Leader of the Council.

Purpose: To consider the overview for the Capital programme for 2016/17 - 2019/20 in conjunction with the draft Capital Strategy and Asset Management Plan.

Yours faithfully

Peter Evans
Democracy & Governance Manager

CORPORATE RESOURCES OVERVIEW AND SCRUTINY MEETING

Date of Meeting	Friday 18th December 2015
Report Subject	Draft Capital Strategy and Asset Management Plan 2015 – 2020
Cabinet Member	Leader of the Council
Report Author	Chief Officer (Organisational Change)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report introduces the Draft Capital Strategy and Asset Management Plan 2015 - 2020, which is a new Strategy for Flintshire County Council combining medium term plans for managing the Council's assets and its Capital Programme.

The report explains the need for the Strategy, its purpose, key aims, principles and content.

Members views are sought, and approval in principle, before the final version is put forward for Council approval in February 2016.

RECOMMENDATIONS	
1	Members views and comments on the content of the Draft Capital Strategy and Asset Management Plan 2015 – 2020 are sought.
2	Support the Draft Capital Strategy and Asset Management Plan 2015 – 2020 before the final version is produced.

REPORT DETAILS

1.00	CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN 2015 - 2020
	Introduction
1.01	The Councils assets, primarily land and property, are a significant and valued resource with a value of circa £750m (2014/15 Statement of Accounts). Over the last five years in excess of £12m of capital receipts have been generated through the sale and disposal of surplus land and property.
1.02	The need for a comprehensive and structured strategy which merges together capital resource planning and development with asset management planning is quite necessary, even more so in this current period of austerity where prudent use of capital resources in programmes of work or to be used for strategic investment projects can contribute positively in reducing the revenue budget gap that the Council faces.
1.03	In developing the Strategy Officers researched what other Councils had produced and were doing. In a number of cases the Capital Strategy was a stand-alone document as was the Asset Management Plan, in others they were merged. Officers after much deliberation choose to merge both documents as the links between the two are obvious and complementary.
1.04	In preparing the Strategy it became apparent of the need to set out both the Councils strategic position for dealing with its capital resources whilst at the same time providing a degree of guidance in the capital planning process. This more structured approach should lead to greater awareness of the process as well as increased consistency, ownership and transparency of work programmes.
1.05	The key aims of the Strategy are: • Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities as set out in the Improvement Plan. • Sets out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including Improvement Plan, Portfolio Business Plans, and other corporate strategies will be managed within the limited capital resources available. • Critically challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and sustainable to deliver services. • Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments. • Use partnerships, both public and private, more effectively to support our overall strategy. • Establish effective arrangements for managing capital projects including assessment of outcomes and achievement of value for money.

1.06	The document, which is in final draft and subject to refinement and design and layout configuration, is structured into a number of sections which are briefly explained below. It is important to note that the strategy forms a developing suite of branded documents the Council is producing and which it will sit alongside, for example The Medium Term Financial Strategy.
1.06.1	The Here and Now – Explains the size, shape and value of the estate, spend by portfolio, progress in relation to estate rationalisation, vision, and the role of the Asset Programme Board.
1.06.2	Needs and Priorities – The section seeks to identify what we want our capital resources to deliver over the next five years and how these may link into our corporate priorities and plans.
1.06.3	Resourcing – Seeks to explain the sources of capital funding available and which capital schemes these resources would be applied to.
1.06.4	Capital Programme – explains how capital schemes will be prioritised for inclusion in the capital programme.
1.06.5	Governance of the capital programme including how the programme is managed and monitored.
1.06.6	Finally a number of appendices, more operational in nature, to assist Officers in getting a scheme approved and managing the project including the Business Case approach to future capital allocations, and Capital Project Handbook/User Guide. There is also a glossary of capital terms.
1.07	The Strategy's principles are as follows: • Set a capital programme for the medium term split into 3 sections; a reduced core programme of schemes that are regulatory / statutory in nature, a retained asset programme to improve or enhance the life of existing assets, and a larger investment programme in schemes linked to the Council's strategic priorities. • Schemes included in our investment programme will be subject to completion of a business case to include a thorough appraisal of options and sensitivity analysis, with the schemes that generate efficiencies for the MTFS being favoured. • Whole life analysis and using Net Present Value (NPV) calculations will be applied to schemes in the investment programme linked through to the MTFS. • With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets will be sought. • Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt for the Council.
	Summary of what is included in the Capital Strategy and Asset Management Plan Summary of Asset Management Plan

1.08	Corporate Office Accommodation – the main locations will continue to be at Flint and Mold, with a main depot at Alltami. The policy of consolidating occupation into phases 1 and 2 at County Hall with phases 3 and 4 being mothballed to save revenue running costs will continue.
1.09	Industrial Commercial Estate will be reviewed in the first quarter of 2016 with a strategy to be developed, with the longer term option of the offices at Ewloe to be considered; proposed local government reorganisation will be a factor in any future strategy.
1.10	Agricultural Estate. Continuation of current policy of selling to existing tenants or on the open market when vacant. Careful consideration given to any holding which may be more valuable in future due to changes in local planning guidance, medium term retention maybe more favourable.
1.11	Clwyd Theatre Cymru.
1.12	Plans for other assets included have been drawn from the Improvement Plan, Portfolio Business Plans and other strategies. The information on which is already available in the public domain and includes reference to; the Strategic Housing and Regeneration Programme (SHARP), School Modernisation Strategy and the Highways Asset Management Plan (HAMP).
	Summary of the Capital Programme
1.13	The programme has been split into 3 sections; Statutory / Regulatory, Retained Assets and Investment Programmes. 1. Statutory / Regulatory section – annual allocation to cover regulatory and statutory works. Examples include; providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities, any works required to keep buildings open by Health and Safety requirements etc. Portfolios will submit plans for approval to the Assets Programme Board before the start of each financial year. Funded generally by General Capital Grant and Supported Borrowing allocation. 2. Retained Assets section – annual allocation to fund schemes that maintain, enhance and improve retained assets to deliver services. Significant needs identified by service plans / condition surveys etc. Service areas are Schools, Highways, and Corporate Offices. Portfolios will submit plans for approval to the Assets Programme Board before the start of each financial year. Funded generally by General Capital Grant and Supported Borrowing allocation. 3. Investment section – new schemes arising from Portfolio business plans, the Improvement Plan and other strategies approved through selection process based on the provision of a sound business case. Funded by Capital Receipts and Debt / Alternative source of funding.

	Sections 1 and 2 above are similar to the current core capital programme but will be much reduced compared with current expenditure levels to create room to fund the Investment section.
1.14	Future Capital Programmes will be set on a 4 year rolling basis reflecting that schemes span more than, and don't match with, financial year boundaries. Schemes starting in year 1 will be approved along with costs and funding in the subsequent 3 years. Schemes starting in years 2 onwards will be given indicative approval to enable service to plan more efficiently, but will ultimately be approved in the subsequent years' Capital Programme.
1.15	Headroom will be built in to enable the Programme to be more flexible to allocate funding to small schemes as they present in year either as a result of opportunities or unforeseen circumstances.
1.16	The annual timetable for creating and approving the Capital Programme will be as follows: Investment Section • Expressions of interest put forward by Portfolios – Reviewed by Asset Programme Board in July. • Following the success of the 'Expression of Interest' Portfolios will submit a full Business Case – Considered by Asset Programme Board in October. • All schemes put forward for Cabinet and Corporate Resources Overview and Scrutiny approval in December. Statutory / Regulatory and Retained Assets Sections • Lump sum allocations considered by Asset Programme Board in November, and put forward for Cabinet and Corporate Resources Overview and Scrutiny approval in December. • Portfolios detailed plan for use of lump sum allocations to be reviewed by the Assets Programme Board in January. The full rolling Capital Programme including schemes funded by capital grants will be put forward for Cabinet and Council approval in February. Please note that the 2016/17 – 2019/20 Capital Programme is slightly different due to time constraints in introducing the Strategy and the need to explain the changes to Members and Officers.

2.00	**RESOURCE IMPLICATIONS**
2.01	Implications for assets and financial implications as set out within the report. Other resource implications include Officer time in delivering the Strategy and associated capital programme which is not considered to be a significant change.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required. Consultations undertaken include the Assets Programme Board and the Chief Officer Team both supported the proposals and principles.

4.00	RISK MANAGEMENT
4.01	Decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. The purpose of the Capital Strategy and Asset Management Plan is to set a clear framework within which such decisions can be made mitigating the risks involved.

5.00	APPENDICES
5.01	Appendix 1 – Draft Capital Strategy and Asset Management Plan 2015 – 2020. Appendix 2 – Investment Section approval process Appendix 3 – Capital Project Handbook / User Guide

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various working papers **Contact Officer:** Neal Cockerton – Chief Officer, Organisational Change **Telephone:** 01352 703169 **E-mail:** neal.cockerton@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	**Asset Management Plan** - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs.
7.02	**Capital Expenditure** - Expenditure on the acquisition of **Non-current Assets** or expenditure that extends the life or value of an existing asset.
7.03	**Capital Programme** - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.
7.04	**Capital Receipt** - Receipts (in excess of £10,000) from the disposal of an asset.

7.05	**Capital Scheme** - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the **Capital Programme.**
7.06	**Capital Strategy** - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the **Asset Management Plan (AMP)** to from a single document.
7.07	**Disposal** - The decommissioning or transfer of an asset to another party.
7.08	**Financing** - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy.
7.09	**Non-current Asset** - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months.
7.10	**Whole Life Costs** - The costs of acquiring or creating an asset, operating it, maintaining it over its useful life and finally any costs of disposal (i.e. the total cost of ownership).

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CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

2015 TO 2020

INTRODUCTION

The Council's capital strategy and assets are fundamental to the effective delivery of the priorities identified in our Improvement Plan. The provision of the right asset in the right place at the right time will ensure the effective and efficient delivery of a comprehensive range of quality services.

The unprecedented financial constraints, which all Local Authorities and other public sector partners are experiencing means that we have to be ever more efficient in the use of our resources. This involves developing a culture of innovation and co-operation. We have made significant progress already and the benefits of sharing assets and working in partnership are clear to see. We have demonstrated that a reduction in the running costs of our assets and the provision of enhanced customer service is achievable and we will continue to develop this approach. Ultimately our aim is to use fewer buildings but use these far more efficiently.

This document sets out an integrated plan for the future management of the Council's assets and its capital programme. It facilitates a seamless interface between business planning within the Council and the management of our assets and capital resources. This will ensure that the provision of resources and future investment are prioritised. It is a key document running alongside the Council's Improvement Plan and Medium Term Financial Strategy (MTFS) and will provide the framework for ensuring the effective and affordable management of our assets.

Key Aims

- Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities as set out in the Improvement Plan.
- Sets out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including Improvement Plan, Portfolio Business Plans, and other corporate strategies will be managed within the limited capital resources available.
- Critically challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and sustainable to deliver services.
- Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments.
- Use partnerships, both public and private, more effectively to support our overall strategy.
- Establish effective arrangements for managing capital projects including assessment of outcomes and achievement of value for money.

Principles

- Set a capital programme for the medium term split into 3 sections; a reduced core programme of schemes that are regulatory / statutory in nature, a retained asset programme to improve or enhance the life of existing assets, and a larger investment programme in schemes linked to the Council's strategic priorities.
- Schemes included in our investment programme will be subject to completion of a business case to include a thorough appraisal of options and sensitivity analysis, with the schemes that generate efficiencies for the MTFS being favoured.
- Whole life analysis and using Net Present Value (NPV) calculations will be applied to schemes in the investment programme linked through to the MTFS.
- With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets will be sought.
- Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt for the Council.

Contents

The Here and Now

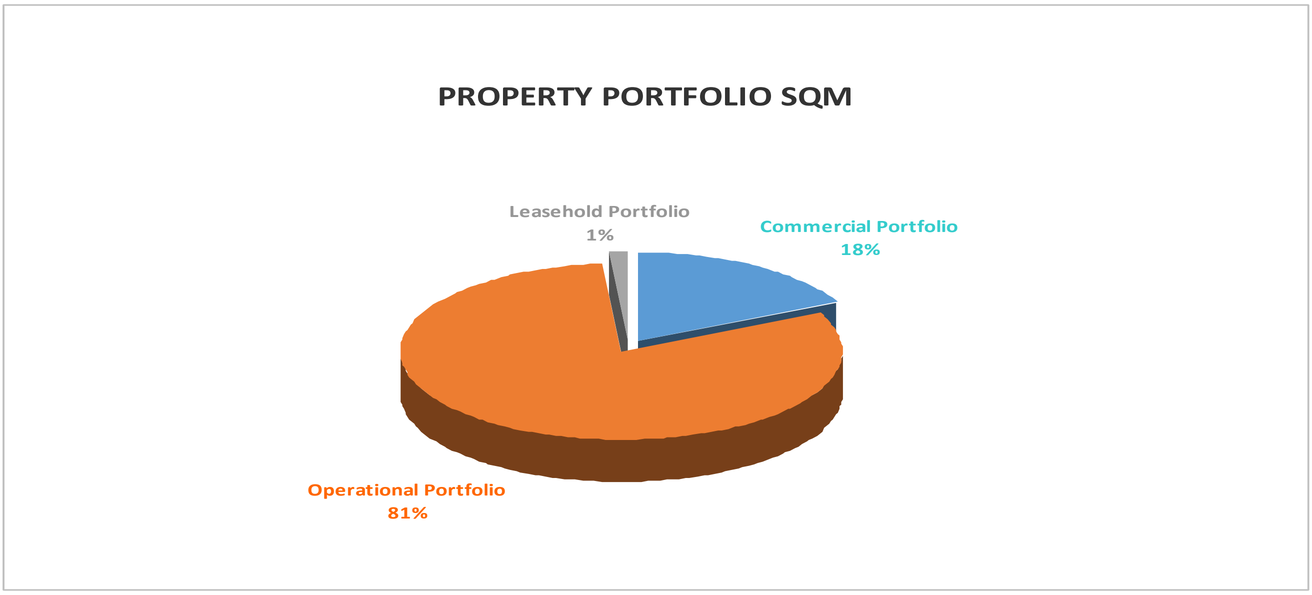
Local Authority property and land assets are a significant resource for Flintshire County Council the current book value is circa £760m. Our current estate comprises over 1,500 property assets and parcels of land throughout the County, we are therefore a significant landowner on this basis alone. The majority of our freehold assets are used directly in the delivery of Council services, these operational assets form 81% our estate. In addition to this the Council currently owns 169 commercial industrial units and shops, also 29 farms and smallholdings which are leased.

Many of our significant assets are broadly in the same locations delivering different but often complimentary services. This is not logical nor is it cost effective, we have to change this model of delivery.

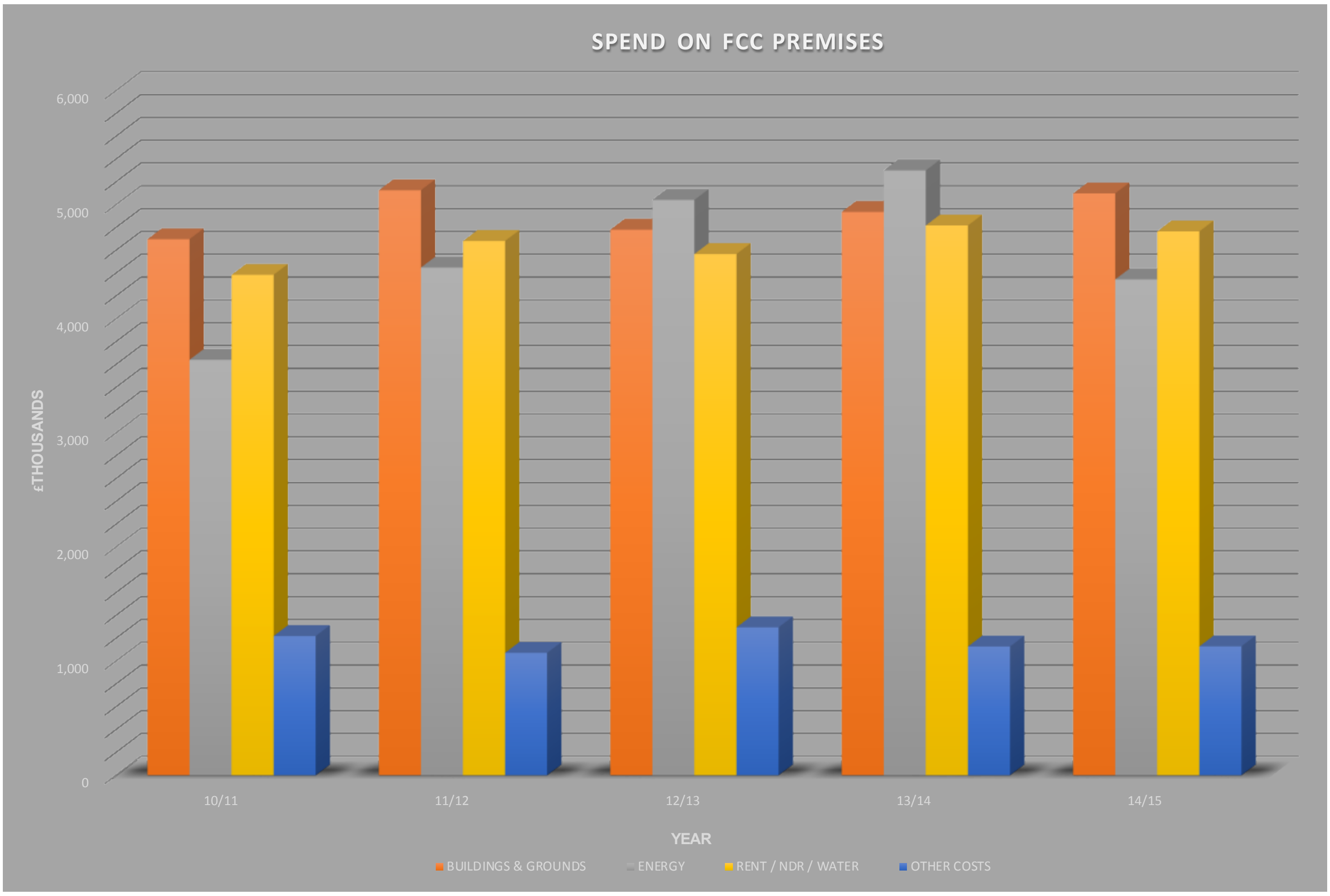
The Council's assets can be broadly classified as Operational or Non-Operational. Operational assets are those which are used either indirectly or directly to provide Council services such as schools, offices, libraries, leisure centres etc.

Non-Operational properties are those which the Council own and don't occupy but lease out in order to derive an income such as County Farms, Industrial Unit and shops.

The Council owns the freehold of the majority of its assets but, in very limited cases, has had to lease in some properties to maintain service delivery. The number of these leasehold properties has been significantly reduced in recent years.



Many of our assets are tired with ever increasing maintenance liabilities and are energy hungry. They are putting significant strain on our resources. The graph below shows the running costs of our assets over the past 5 years. The ongoing nature of these costs is unsustainable, the diversion of revenue and capital resources into these, often poorly performing, assets creates an additional burden and limits opportunities to invest this resource in front line service delivery.



Estate Rationalisation – what we have done so far:

- Agricultural estate review, disposing of farms and land in line with the Councils agricultural disposal policy.

- Reduction in the number of properties let by 80% saving the council over £200,000 per year.

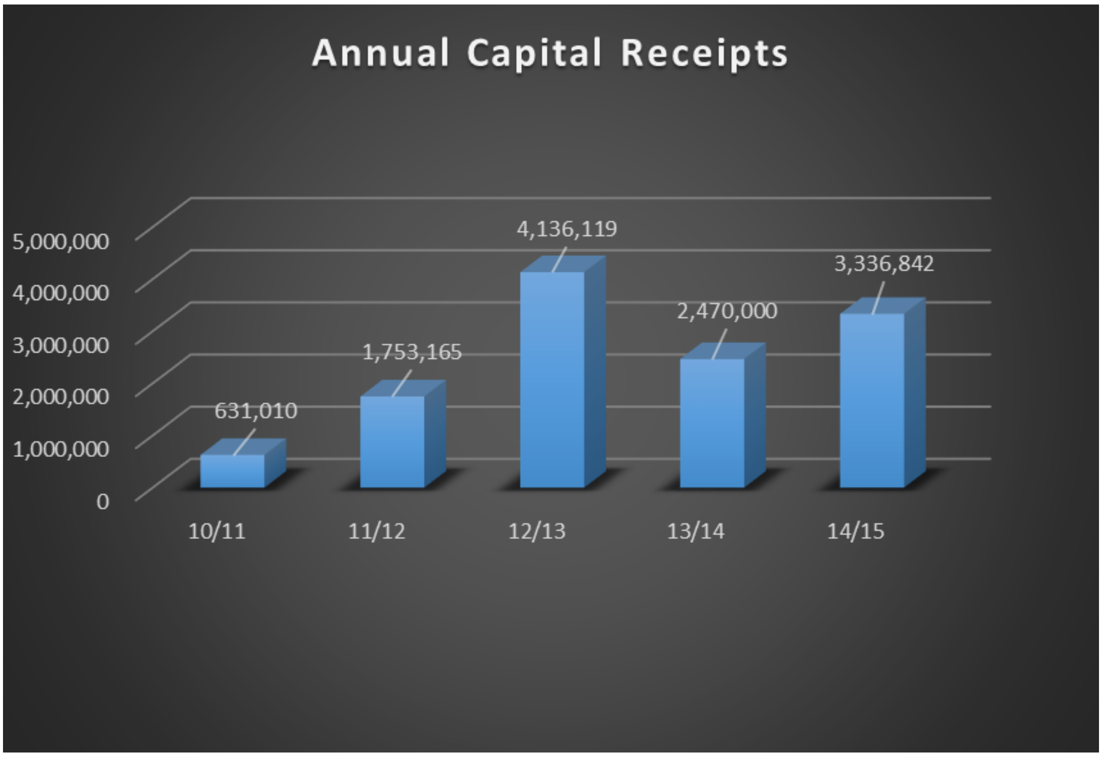
- Reduction in occupation of other operational assets (excluding schools) by 5% (based on floor area).

- In our Flint office we have developed a Connects facility where we have shared 16% of our office space with partner organisations. This has resulted in efficiencies for all. Despite this reduction in office space the Council has increased the number of staff based there by 80%. This has been achieved by increasing the number of workstations together with the adoption of agile working. This has resulted in a reduction in the running cost per member of staff by 58% (from £1122 to £469 per head)

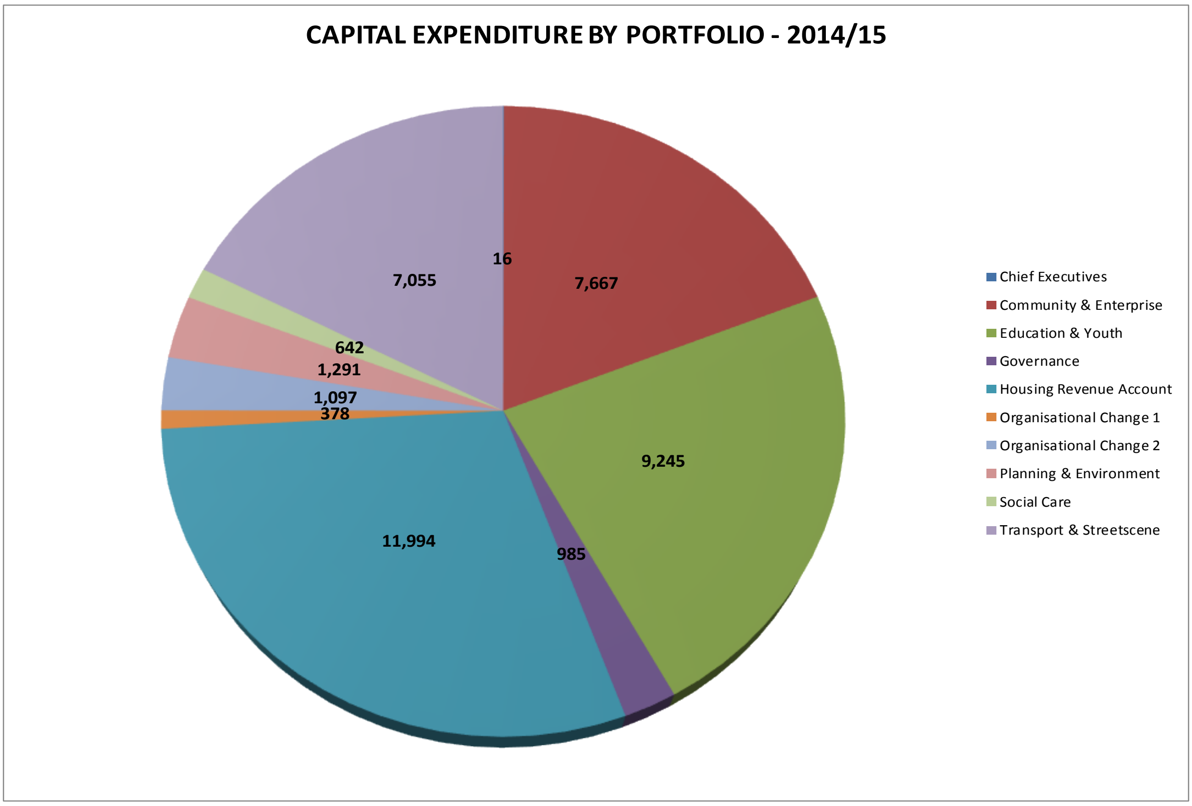
- Energy use from non domestic buildings such as schools, leisure centres and offices has fallen by 3,824,876 kWh / 1,134 tonnes of carbon from 2011 to 2015, achieved through a variety of energy efficiency measures including the installation of new and more efficient lighting, upgrading heating and hot water controls, loft and cavity wall insulation, pipework and valve insulation and pool covers.

These reductions have been achieved through careful planning and have had no detrimental impact on the delivery of our services.

Capital Receipts:
Our assets provide a valuable source of income to our capital programme via the sale of surplus land and property which has resulted in capital receipts of £11.64m over the last four years. Our disposal programme will continue to contribute toward this income in the future.



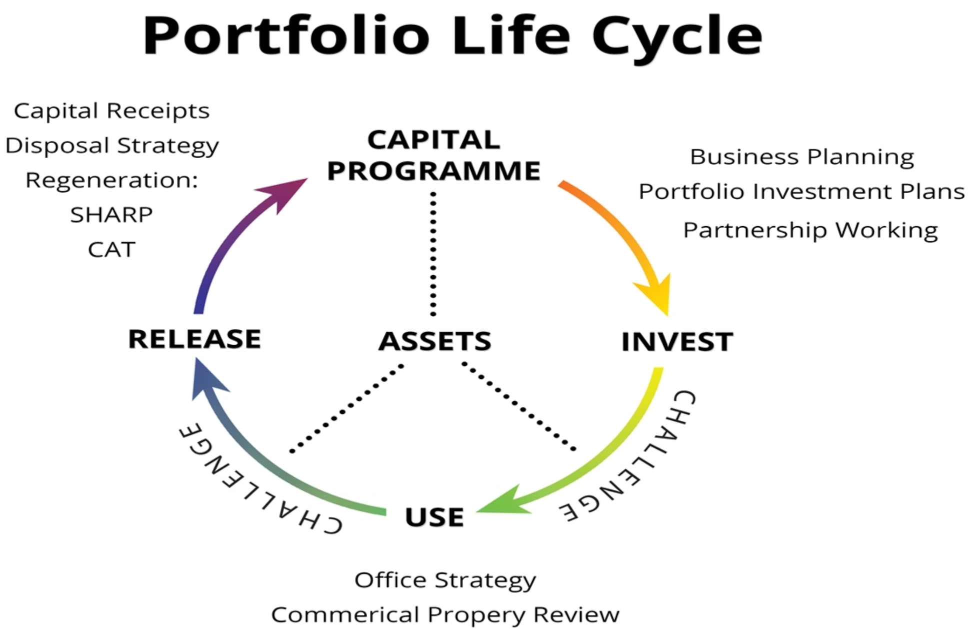
Current capital programme:
The Council's 2015/16 capital programme in total is £50,359m Council Fund and £21,200m HRA. The graph below shows the projects funded.



The Future – A Vision for our Assets

'To ensure that the property and land assets we retain are efficient, sustainable and in the right locations to support the delivery of our services and the achievement of key priorities.'

To facilitate this we will adopt a joined up, responsive and consistent approach in terms of the planning and delivery of sound property management throughout the life cycle of the portfolio.



Business Planning: a dynamic approach

In relation to budget challenges and the achievement of our asset vision we will ensure that the Council's land and property assets play a pivotal role in the delivery of change and adopt a more dynamic approach to supporting organisational change.

We know that our buildings can be a catalyst for change. We have demonstrated what we can achieve in our offices at Flint and how major improvements can be delivered by re-inventing how we use our assets and workspace, sharing with partners and implementing different ways of working. Over the next five years there will be further significant changes required within the organisation. These changes will need to happen in a short time frame and we need to be able to respond to these changing needs and must be able to respond to this changing landscape quickly using innovative approaches that we have already developed.

Robust links with Portfolio business planning needs to be further developed. We need to identify as early as possible within the business planning process any capital and/or asset implications so that we can be more responsive.

Chief Officers as part of business planning at Portfolio level will include medium term capital and asset requirements – this will provide a clear link mapping out and supporting strategic thinking and identifying specific areas where there will be capital requirements or asset related issues to consider. The process for consideration of capital allocation is detailed below, including capital and asset implications in Portfolio business plans will involve services giving much earlier consideration to their requirements which can then be considered on a Council wide priority basis, clearly linked to portfolio business plans, the improvement plan and other strategic plans over a medium term time frame.

Links to the Medium Term Financial Strategy (MTFS)

The MTFS forecasts funding levels and resource requirements over the medium term, identifies the gap between the two, and enables specific actions to be identified to balance the budget and manage resources.

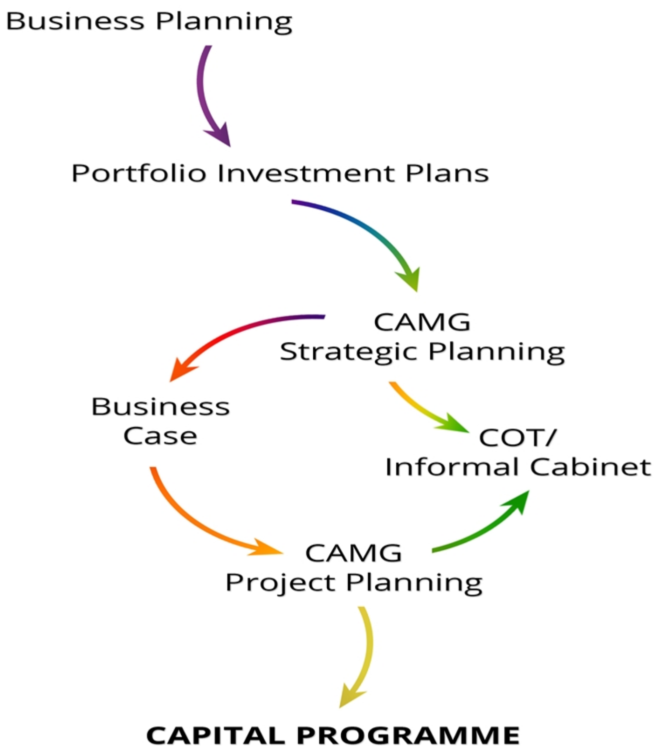
Any asset investment plan that results in a capital project will have consequences for the revenue budget, both positive and negative. These may be savings to running costs, schemes that generate income or resultant revenue costs of servicing any borrowing associated with the scheme. It is therefore essential that the capital and revenue budget cycles are aligned to ensure that these revenue implications are properly costed and fed into our MTFS.

Asset Programme Board

The Asset Programme Board comprises a group of senior officers from each Chief Officer portfolio who have an interest, proactive approach and enthusiasm around the development and management of work streams relating to the councils capital programme and wider asset base. The Board will manage and oversee the following activities:-

- Capital Receipt Planning (manage the delivery of capital receipts to maximise resources for the capital programme);
- Capital programme forward planning (to provide a forward look and anticipate likely work items for future capital programmes and to understand the potential revenue implications)
- Principal capital programme management (to ensure key principal programme items run to plan and deliver the Councils Core Programme and other agreed programmes of work – Portfolio Business Planning and Investment Plans);
- Consider reports to Cabinet, Council, or Scrutiny Committees regarding capital programme delivery;
- Capital and Asset Management Strategies (to develop and maintain the strategy ensuring strategic linkage into the MTFS);
- Public sector shared asset planning (develop partnership solutions to strategic asset delivery through shared resources);
- Estate depreciation planning and management (effective management of assets, retention, disposal strategies and plans)
- Section 106 planning agreement strategy and management and any other contributions to capital schemes
- Regeneration and market stimulation (consider proposals for wider regeneration, linkages to SHARP and the contribution the Councils land and property makes to this activity by acting as a catalyst or lever);

- Creative capital funding solutions (regularly explore opportunities for innovative funding solutions which reduce the burden of interest charges and revenue impact);
- Prepare reports for consideration relating to land disposals, acquisitions and lettings;
- Contribute proactively to the delivery of the Councils Community Asset Transfer strategy and where applicable Alternative Delivery model strategies



nb this diagram will change to reflect Asset Programme Board

NEEDS AND PRIORITIES: What we want our capital resources and assets to deliver in the next five years

Underlying our needs and priorities is the recognition that financial resources are constrained in the current economic and political climate. Capital grants from Welsh Government have been reducing, and increasingly capital grants are being replaced with repayable loans or Local Government Borrowing Initiative (LGBI), where the Council borrows the capital funding, and the Welsh Government provides the revenue funding associated with the borrowing.

Furthermore it is recognised that the Council needs to rely more on its internal resources and look to invest in schemes that are self-sustaining or generate positive returns in terms of meeting corporate priorities and producing revenue savings.

We have a significant backlog of maintenance work across the property portfolio, and to bring up to current standards would require investment at levels which are simply unaffordable, and so any investment needs to be strategically targeted reflecting the need to consider future investment plans, property rationalisation outcomes and investment linked to delivering the Councils improvement priorities . Limited capital resources need to be prioritised to maximise outcomes with minimal ongoing future revenue costs.

- **Housing: Appropriate and Affordable Homes that are Modern, Efficient and Adapted (as necessary to maintain independence)**

The local population of Flintshire has diverse housing and accommodation needs. The Welsh Government has set a target for all social housing to meet the Welsh Housing Quality Standard. Our priorities are to provide good quality housing for residents, reduce the number of empty properties, and maximise funding opportunities to improve homes. Demand for extra care schemes which provide self-contained homes for people with varying levels of care and support needs are increasing following the success of existing schemes.

The Council aims to improve the choice and quality of local housing by:-

- Increasing the supply of new Council and affordable homes through the Strategic Housing and Regeneration Programme (SHARP) to build 500 new homes over the next 5 years
- Delivering the six year asset management strategy to meet the Welsh Housing Quality Standard across all Flintshire Council Homes.
- Using Section 106 planning agreements and the Community Infrastructure Levy (CIL) to increase the supply of affordable homes in the County.
- Contribute to the provision of extra care facilities in Flint and Holywell (in association with partners).
- Providing financial support to repair, improve and adapt private sector homes (in conjunction with grant funding from Welsh Government)
- Bringing empty homes back into use for residential living using the Houses into Homes Scheme – a Welsh Government backed scheme to provide loans to bring back empty houses or commercial buildings back into use as homes for sale or rent.

- **Economy and Enterprise: Town and Rural Regeneration**

The provision of sustainable infrastructure supports the local and regional economy. The commercial viability of our town centres and rural areas must be protected, along with the vitality of town centres as centres for economic activity and social contact.

Flintshire has a challenging agenda for regeneration which is being undertaken in a number of towns and areas assisted by the Vibrant and Viable Places initiative and the Regeneration Zone area allocations. The unemployment rate in Flintshire is currently low at 2.6% and the Council remains committed to ensuring that the County remains a preferred location to invest, live and work.

An Investment Zone has been established in Deeside which will be an increasingly important centre of additional commercial focus in the area.

The Council aims to create jobs and grow the local economy by;

- Developing and implementing long-term regeneration plans for town centres through projects including streetscape improvements and the Flint regeneration programme.
- Implementing the Vibrant and Viable Places programme to deliver an integrated programme of regeneration for Deeside, which will include redevelopment of vacant sites and properties and the provision of grant assistance to high street businesses.

- **Skills and Learning: Modernised and High Performing Education**

The Schools Modernisation Strategy was updated and approved by Cabinet January 2015.
The Council has a responsibility to review and modernise all school provision, to make sure that we are providing the best possible opportunities for learners, so that they can achieve their full potential.

Estyn (the education inspectorate in Wales) note that “improvements in the quality of buildings have a very beneficial effect on the quality of teaching and morale of staff which has a positive effect on pupil performance”. The Council needs to ensure there are a sufficient number of school places, of the right type, in the right locations. The need to maintain a large number of ageing school buildings and the supporting infrastructure is unsustainable.

The Council will review and modernise the way education is delivered through a rolling programme of area reviews. This will be programmed on an area by area basis. When the Council carry out an area review, we will consult with children, young people, parents and carers connected with schools in that area.

The Council is committed to ensuring that school buildings will meet 21st century expectations, are fit for purpose and are a community resource.

There are serious shortcomings in the current suitability of a number of buildings, including pressing health and safety issues that question the long term viability of some of our existing schools. In terms of the condition of our school stock, the current backlog of repairs and maintenance remains high at £25.6m. (2015). School organisational change remains the key tool available to Council to address such deficits.

The percentage of surplus places in Flintshire schools continues to remain above the Welsh Government target of 10%. Since funding for schools is largely driven by pupil numbers, surplus capacity means a disproportionate amount of funding is spent on infrastructure (such as buildings) and the “fixed costs” of running a school (such as leadership and administration). This funding could be better used to ensure that pupil teacher ratios are minimised to make a direct difference to learners. As public service funding reduces over forthcoming years the case for reprioritisation and change becomes even more compelling.

School modernisation options will drive an investment strategy that will address the needs of the schools. This is evident in the Councils Band A modernisation programme with a £64m school investment programme planned between 2014 and 2017. The Welsh Government has indicated that they intend to roll out Band B of the programme from 2019 onwards. It is expected that Welsh Government will provide further information in the next twelve months on securing the next phase of the investment.

The Council will develop its strategies to ensure that we are maximising the potential investment opportunities that may be available via Welsh Government funding. The Welsh Government funding criteria for 21st Century schools will only potentially fund modernisation projects; refurbishment or maintenance projects are not eligible for grant via this programme.
The Council aims to improve learning provision and opportunities to achieve better learner outcomes through its modernisation programme by:

- Delivering the current Band A programme (2014-2017) jointly funded with Welsh Government
- Positioning ourselves to access external funding via WG 21st Century Schools Programme Band B (2019)
- Present a rolling programme of implementation plans to Cabinet to; ensure continuation of the rise in educational standards, create conditions for school leaders to succeed, ensure that school buildings suitable and in good condition to provide attractive learning and working environments, reduce the number of surplus places and the inequity of variation in cost per pupil, and provide resilience against falling revenue funding.

➢ **Environment: Transport Infrastructure and Services**

The Council has a statutory duty to maintain the adopted highway, maintained at public expense in a safe condition for the passage of the user. A strategic approach has been used to develop the Highways Asset Management Plan (HAMP) in identifying and allocating resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers. Current gross replacement cost of these assets are £1.6bn.

An Annual Status and Options Report is produced that summarises the status of the main asset groups in terms of condition, compliance with meeting repair standards, level of public complaint/contact etc. The report describes the result of the previous year's investment in terms of meeting the target service standards, enabling the Council to determine if the standards in the HAMP are being met or not. This report also sets out future options available, including long term (20 year) predictions of defect levels, condition and other relevant data in sufficient detail to enable future investment plans and any necessary revisions to service standards contained in the HAMP.

Accessibility to and from employment, homes, leisure, health and social activity must be maintained. Economic growth needs to be facilitated. Congestion and delays on our highway network should be minimised. The Council aim to deliver safe access to employment, local services and facilities by;

- Using available funding to support Council priorities for accessing employment, health, leisure and education, and improve road safety on the county's highway network.

- Prioritising the Council's road infrastructure for repairs and maintenance and implement network improvement programmes.

- **Environment: Sustainable Development & Environmental Management**

Our carbon emissions need to continue to reduce to meet Welsh Government targets and play a part in helping to address the consequences of climate change. Reducing the Council's energy costs will assist in addressing the deficit in the MTFS. The Council aims to establish environmental development which maximises social and economic benefits by:

- Identifying and developing large scale renewable energy schemes through the creation of solar farms on Council land and reducing the Council's carbon emissions.

- **Modern and Efficient Council: Developing Communities**

New approaches need to be developed in community and social sectors to the design and ways services are delivered, known as Alternative Delivery Models (ADMs), to sustain important services and meet future needs.

Our assets are helping community organisations to develop and become more sustainable by putting them on a firmer footing for the future. We have developed a Community Asset Transfer programme (CATs) where we have actively sought interest from community groups with a social purpose in having assets transferred to them on a long term lease basis for the benefit of local communities.

We have had a number of successes already and will continue to develop this programme and provide help and support to organisations which want to move in this direction.

The Council aims to support local communities to become more resilient by:

- Designing and implementing alternative delivery models to sustain important services to meet future need.
- Empowering communities to run and manage facilities in their locality through Community Asset Transfers.

- **Modern and Efficient Council: Improving Resource Management**

Despite the reductions to public sector resources and funding, the Council continues to be ambitious and has prioritised making the best use of our capability and capacity in these challenging times. Smarter purchasing needs to be used to make our money go further, we need to have the right buildings in the right paces for the right use, and we aim to achieve the highest possible standards of customer services.

Reviewing our estate: rationalisation and reduction of running costs
We will reduce the number of assets we have. We have already achieved our target of a reduction of 5% of operational assets (excluding schools and offices) by 2016/17. We will seek to reduce this by a further 5%. This will be achieved by constantly challenging the retention of assets. We will target poorly performing assets and those where service delivery can be maintained by sharing and/or using remaining assets more efficiently. We will seek to eliminate any duplication in the function of our assets.

Corporate Office Accommodation
Our corporate offices are located in Flint and Mold with our depot and associated offices in Alltami. Our current office strategy sees the retention and increased use of Flint offices, together with our Connects facility this will form a hub for Housing and some Social Care services providing improved accessibility to key services.

The re-development of our depot in Alltami facilitated the co-location of the majority of Streetscene and Transportation teams. This modernisation work has resulted in both enhanced facilities for staff and operational efficiencies in the delivery of these services. We will ensure that by the end of 2015 all remaining Streetcsene and Transportation staff will be relocated to Alltami.

We shall retain County Hall in Mold in the short to medium term as our main headquarter building. This property is coming to the end of its economic life with repair works estimated at £26m. With the increasing implementation of agile working together with workforce reduction, it is and will increasingly be far too large for our needs. Initially we will consolidate our occupation into Phases 1 and 2, mothballing the rear section of the building (phases 3 and 4) and therefore making savings on running costs.
We will continue to modernise the way we work and develop agile working throughout our offices. We will build on the success in our Flint office where a modern and flexible approach to working patterns has facilitated an 80% increase in staff located there. We will continue to engage with teams to progress agility and understand the further investment required including ICT systems and hardware to deliver a contemporary and efficient office accommodation model.

Overall we will reduce the floor space we occupy in our offices by a minimum of 30% by 2017.

Industrial Commercial Estate
The Council owns a large number of industrial commercial units dispersed along the coastal strip and our larger towns including Mold and Buckley. The units vary in size from large warehouses to much smaller business incubator units. They are in varying conditions but some will inevitably, given their age, require significant investment if they are to remain in the Council's ownership.

The origin of our commercial estate stems from the decline of the steel industry, since this time the industrial economics of the area has shifted and Deeside Industrial Park now accommodates a large proportion of demand from both local and national interest. There are also legislative changes in connection with energy efficiency measures which will add further costs and disproportionate financial pressure on this portfolio. Bearing all these factors in mind our rationale for continuing to hold such assets must be reviewed.

Opportunities may present themselves in terms of potential redevelopment of some of the core sites which predominantly border England, however this strategy needs developing in more detail. Some sites may be suitable for meeting housing needs and could possibly feed into our Social Housing and Regeneration Programme (SHARP), alternatively we may seek to transfer liability altogether and receive a much reduced income from a managing organisation.

The imperative is that a root and branch review be undertaken which robustly challenges the reasons for continuing to hold this estate in the future. This review is to be completed in early 2016 and from this a detailed plan will be developed which will determine the outcome for each asset.

Longer term, further options will be explored relating to the future use of offices at Ewloe which will be returned to the Council in 2016. The proposed reorganisation of local government in Wales will be a further factor to consider in any future strategy.

Agricultural Estate
The County Council has a smallholding estate we have been gradually reducing through a variety of disposals. A small number of piecemeal disposals were undertaken previously. However in 2011 following a fundamental review looking at the liabilities for the estate against income it became clear major changes and disposals were essential. Two fundamental issues drove this approach. Nitrate Vulnerable Zones (NVZs) which affect a number of our holdings meaning the Council would have to make major investment and expenditure on a peripheral activity. Secondly the authority had no manageable cluster of farms enabling a coherent farmer tenant enabled asset strategy.

As a result we have sold vacant holdings on the market and other holdings to the sitting tenants. These negotiations can be quite protracted but help receipt planning. We have also sold vacant land quite successfully through careful disposal. The ongoing sale of the holdings continues and in each of the last few years we have generated capital receipts of several million pounds by this route alone. For the longer term we are looking at planning opportunities which will see the value of some of our purposely retained assets substantially increase.

Clwyd Theatre Cymru
PARA ON CTC TO BE INSERTED

Working with Partners
In recent years we have developed a progressive approach to sharing accommodation and integrating services with other public sector organisations. We have contributed to efficiencies within the public estate by sharing accommodation with partners such as North Wales Police, Jobcentre Plus and Communities First at our Flintshire Connects centres in Holywell and Flint, .

With our partners, we will continue to identify opportunities to optimise the use of the public sector estate in terms of service benefits, overall costs and financial return. In doing so, there will be an opportunity to explore innovative ways of using our land and property assets and how they can be used to aid service development and integration.

ICT
The Information Technology Strategy is in the process of being updated and will be finalised in autumn 2015. Its focus will remain in terms of detailing how we can apply and develop Information Technology (IT) in Flintshire to support the delivery of Corporate and Service objectives and priorities, enable change and drive forward improvement.

The Council has developed a secure, resilient, reliable and high performing IT infrastructure which provides us with the foundations to deliver real benefits for our services and our customers, the citizens of Flintshire. However, the extremely rapid pace of change and development in terms of IT means we have to constantly identify opportunities for further improvements.

The service has been engaged with the corporate change programme since its inception and as such have been able to target investments and resources to best meet the priorities identified through the various work streams within it. The Assets programme, in particular, has influenced this prioritisation with major investments in technologies to support agile working such as; Virtual Desktop Infrastructure (VDI), Telephony and Contact Centre technologies, Mobile Device provisioning and management, Electronic Document Management (EDM), Wireless technologies etc.

The Council aims to support frontline services efficiently and effectively by:

- Rationalising the Council's use of corporate accommodation by reducing floor space occupied by office accommodation thus reducing costs and increasing the number / percentage of employees who work in an agile way.
- Develop options for main Council Offices including a review of the County Hall campus
- Review and develop options for the industrial commercial estate
- Extending and improving customer access to Council information and service using technology and our Flintshire Connects Centres.
- Developing and delivering our ICT strategy.

Social Services

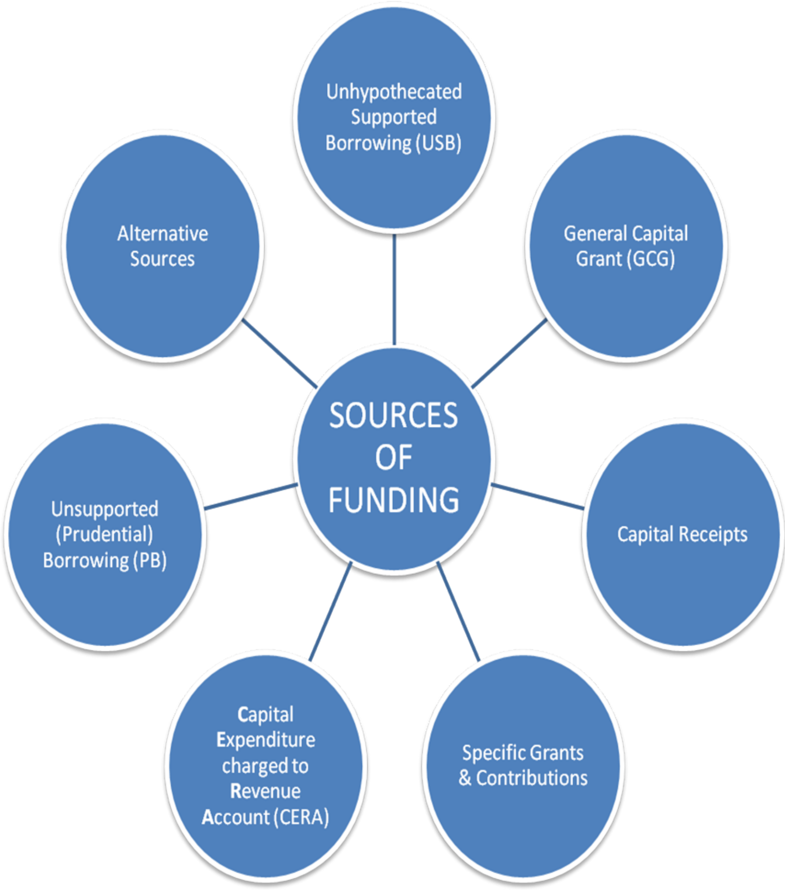
The Council has a number of assets within the social service portfolio, including three Residential Care Homes for older people, six small business premises and a day service for people with learning disabilities. The Council has a duty under the Care Social Service Inspectorate for Wales (CSSIW) legislation to ensure these premises are well maintained and in safe condition.

- The three care homes are currently in a reasonability good condition and do not require significant capital investment at present. However such environments can deteriorate through continued 24 hours usage by individual with high level care and support needs and need to be suitably maintained.

- The six small business premises - all form part of the Council's Alternative Delivery Model programme (ADM), and it is anticipated that the premises will transfer o a Social Enterprise during 2016/17

- Glanrafon Day Centre Deeside. The current building isn't suitable to deliver a service of quality efficiently, and to keep the existing building would require significant capital investment. Options are being developed for consideration.

RESOURCING: What are our sources of capital funding and what types of capital schemes will the sources be applied to



Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing
Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

General Capital Grant
Annual capital grant from Welsh Government which the Council decides how to use the funding.

Supported borrowing and general capital grant will be used to fund capital schemes which;
- invest in, or maintain the life of, existing assets that will be retained for future service delivery
- are statutory / regulatory in nature

Specific Grants
Grant allocations received from a range of sponsoring bodies including Welsh Government, Wales European Funding Office (commonly referred to as WEFO), Lottery, etc for associated specific programmes and projects with limited local discretion how the funding is spent. Often the terms and conditions of such funding will require unused funding to be returned, and can require the Council to match fund. In times where capital resources are declining the Council will seek to maximise such funding streams, subject to the initiative/scheme reflecting both the 3rd party's agenda and the Council's priorities.

Specific Contributions
Represent contributions from developers towards the provision of public assets or facilities. Sometimes these are to mitigate the impact of their development on communities and often referred to as section 106 contributions. Contributions are earmarked for specific purposes in planning agreements and often relate to infrastructure projects including; play areas, open spaces, and schools, but also includes affordable housing. Developers also contribute to highways infrastructure developments through section 38 and 278 agreements. The Council will also consider implementing a Community Infrastructure Levy.

Specific Capital Loans
Increasingly as Welsh Government's funding comes under pressure, capital funding that was previously issued as a specific capital grant is converted into a repayable loan, examples include Home Improvement Loans fund, and Vibrant and Viable Places funding. Grant funding will always be preferable to loan funding as it does not require repayment, however loan funding does have benefits. Its use to date has been to provide recyclable loan funding for regeneration purposes; the benefit being rather than grant funding a single project, the funding as it's a loan can be recycled and used to fund a number of projects over the term. As with grants the Council will seek to maximise such developments that are in line with its priorities, however will carefully consider the additional administrative burden in issuing and collecting loans, and the risk it carries from loan defaults.

Local Government Borrowing Initiative (LGBI)
Similar to supported borrowing. In recent years as Welsh Government funding has been under pressure, schemes that would have been funded by capital grant have been funded by LGBI. Welsh Government provides the revenue support for borrowing costs incurred by the Council in borrowing to fund capital schemes (the difference with supported borrowing being that it's for a specific purpose aligned to Welsh Government priorities). LGBI has recently been used for highways maintenance and is now being used to part fund the Welsh Government element of the 21^{st} century schools programme.

Capital Expenditure charged to Revenue Account (CERA)
Capital expenditure can be funded via a direct contribution from revenue funding (note capital financing regulations mean is it not possible to use capital funding to fund revenue expenditure). This method of funding is extensively used by the HRA and will continue to be in the future. Its use for Council Fund activity is generally quite limited as this would add to forecast budget deficit on the MTFS.

Capital Receipts
Funds raised from the sale of council assets, usually, but not restricted to, land and buildings. Other examples include repayments of loans for capital purposes and release of restrictive covenants.

Capital finance regulations dictate that capital receipts can only be used to fund capital expenditure or repay debt. In the past regulations required a proportion of all receipts be set aside to repay debt, this was removed some time ago for the Council Fund and was removed for the HRA with the introduction of self-financing. The Council's policy is to use capital receipts to fund capital expenditure rather than voluntarily set aside to repay debt; the Council sets a Minimum Revenue Provision policy each year which sets out our prudent methods for repayment of debt.

The current policy of pooling all capital receipts to allocate to capital schemes in accordance with the Council's strategic aims and priorities will continue. Receipts will not be ring-fenced to fund schemes in the same service or geographical areas (with the exception of the HRA). Capital receipts represent a finite funding source based on a planned structured manner of asset disposals created to support Council's priorities. Receipts will be used to fund new capital investment schemes.

Generation of capital receipts depends on our ability to identify assets that are surplus to requirements, and to sell them at an appropriate time which will be subject to local economic factors. In recent years this has been challenging. Careful and prudent planning around the timing of capital receipts is needed to ensure schemes funded by capital receipts don't begin until we have received the receipt.

Over the next 5 years capital receipts will be generated by continuing with our agricultural disposal policy, our policy to reduce the number of assets that we have and the forthcoming review of the commercial estate.

Our assets are also supporting the Strategic Housing and Regeneration Programme (SHARP) in innovative ways; we have identified surplus Council owned sites which will be used to develop new housing. This input will need to continue throughout the life of the programme. The impact of which, on the generation of capital receipts, will need to be carefully mapped and reflected within the wider Capital Programme.

Unsupported Prudential Borrowing (commonly referred to as Prudential Borrowing)
The Prudential Code for Capital Finance in Local Authorities supports local authorities in determining their programmes for capital investment in assets (we are required by regulation to follow its requirements). The Prudential Code gives Council's discretion to undertake borrowing to fund capital projects with the full cost of borrowing funded from future council revenue resources subject to the Council demonstrating, within a clear framework, that the capital investment plans are affordable, prudent and sustainable. A range of prudential indicators must be produced and approved demonstrating the impact of the programme.

The option for funding additional capital developments is one which is funded from within existing revenue budgets or from generating additional and ongoing income streams, there is no support from any external funding and is a major constraint on its use as any scheme funded by prudential borrowing will add to the forecast budget deficit in the MTFS.

To date limited use has been made of the option following cautious and prudent consideration of long term impacts. This approach will continue to be used with schemes that have a clear financial benefit such as 'invest to save', 'spend to earn', and those that generate returns over and above the costs of debt. The focus will be to fund schemes that are the Council's priorities, attract 3rd party funding and that generate revenue benefits in future financial years in the form of revenue savings, income generation or increasing Council Tax yield.

Alternative Sources
There are a number of other alternative sources of capital funding which the Council could make use of, depending on circumstances and cost:-

- Finance Leases - Leases that transfers substantially (to the lessee) all the risks and rewards of ownership of an asset, even though ownership may not be transferred. This method was used for the equipment at Deeside Leisure Centre and the Jade Jones Pavilion, Flint.

- Public Private Partnerships (PPPs) - This is a broad term for various arrangements in which the Council has a longer and more intensive relationship with a private sector supplier than it does under a traditional contract. It includes:-

    - PFI contracts;
    - Local Asset Backed Vehicles (LABVs);
    - Strategic partnering;
    - Sale and Lease back;
    - Joint Ventures; and
    - Deferred Purchase

To date the Council has made very limited use of alternative funding options listed above. In future all options along with any new initiatives will be explored and used carefully.

Capital schemes funded from alternative sources are likely to increase the Council's debt liability therefore use will be restricted and considered in the same way as prudential borrowing.

CAPITAL PROGRAMME: How will capital schemes be prioritised for inclusion in the capital programme

The purpose of the Capital Programme is to optimise the Council's use of capital resources by allocation to those areas identified as representing the strategic priorities of the Council. The next 5 years will see the Programme split into 3 sections;

- Statutory / Regulatory Programme consisting of an annual allocation to fund schemes of a statutory / regulatory nature. Examples include; providing financial support to repair, improve and adapt private sector homes, and adapting schools for disabled children. Service areas will be required to submit plans for approval before the start of each financial year.

- Retained Asset Programme consisting of an annual allocation to fund schemes that maintain, improve or lengthen the economic life of the assets that we retain to use in delivering services where there is already a significant amount of capital work needed, identified by service plans / condition surveys etc. Service areas identified are; schools, highways, and corporate office accommodation. Service areas will be required to submit plans for approval before the start of each financial year.

The above sections of the capital programme are similar to the current core programme but will be much reduced compared with the current expenditure levels.

- Investment Programme consisting of allocations to fund new schemes arising from Portfolio Business Plans. Such schemes will be necessary to achieve revenue efficiencies included within Portfolio Business Plans and the MTFS and our strategic priorities as included in the Improvement Plan. Approval of such schemes will be through the submission of a full business case identifying the source of capital funding and the assets lifetime costs going forward. See Appendix C – Business Case process.

Funding of schemes will be allocated as shown below:

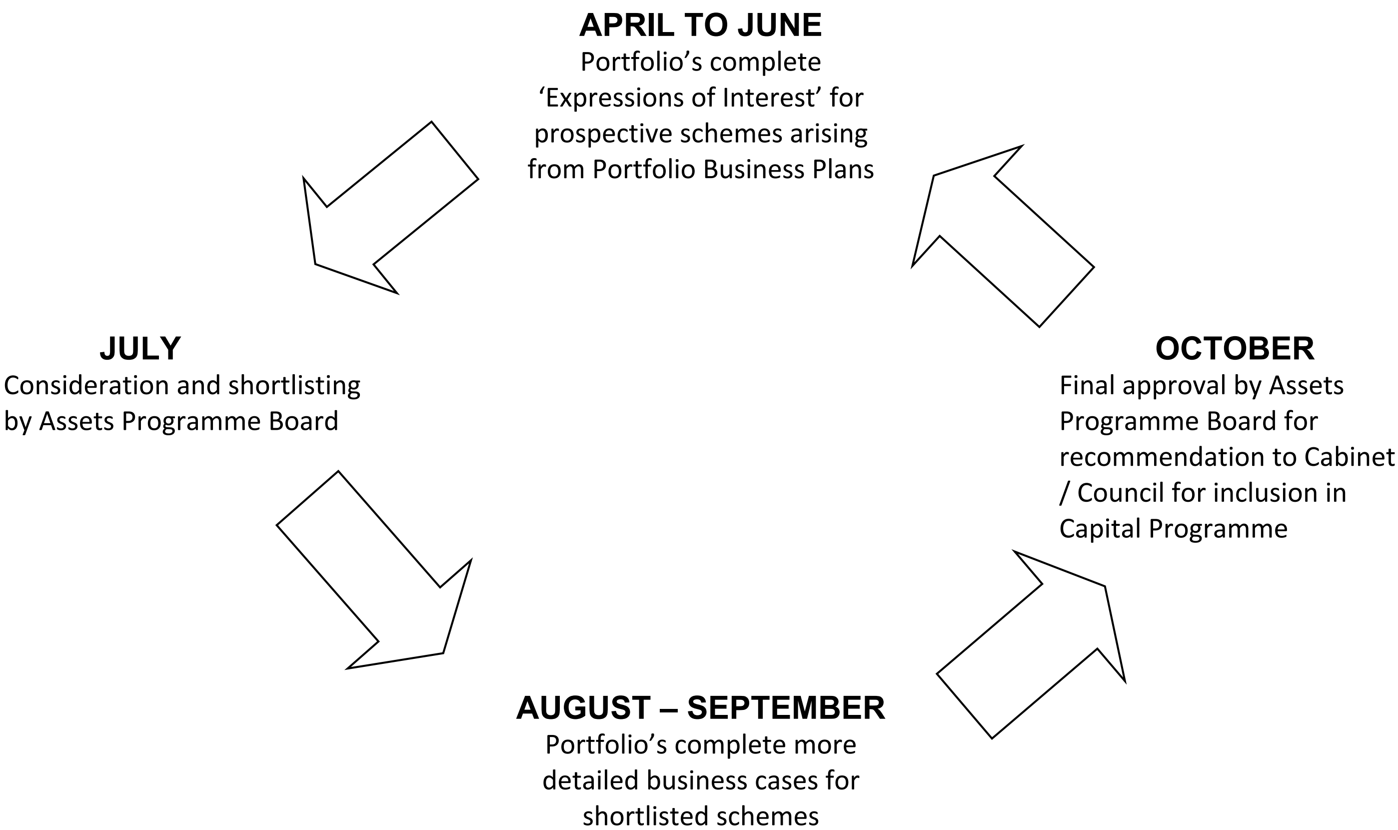
Statutory / Regulatory Programme	Retained Asset Programme	Investment Programme

General Capital Grant	Supported Borrowing	Capital Receipts	Debt and Alternative Sources of Funding

Capital Programmes will be set every year covering a timeframe of the next 4 financial years on a rolling basis, reflecting that capital schemes don't match financial years and span more than 1 financial year. Schemes starting in that first financial year will be approved along with any costs and funding required in the subsequent 3 financial years. Schemes starting later than the first financial year will be given indicative support to enable services to plan, but will ultimately require formal approval through the process of approving the subsequent years' capital programme.

Sufficient headroom will be built into the Capital Programme to facilitate more flexibility thus allowing smaller schemes to be presented, considered and approved by Cabinet in year. Such schemes arise in year due to; opportunities presenting such grants that require an element of match funding or unforeseen events such as regulatory works etc.

The annual timetable for setting the capital programme is as shown below:



GOVERNANCE of the Capital Programme

Planning for the Capital Programme is determined in parallel with service and revenue budget planning process within the framework of the MTFS.
New investment capital schemes will be rigorously appraised through submission of full business case which will include schemes funded by grants or contributions from 3rd parties. Large schemes that are programmes in their own right will be subject to gateway reviews at stages during the programme. For example: 21st century schools, SHARP. Ensuring that the evidence and the case for change when the scheme was initially approved is still valid, and that lessons learned from early stages can be applied to future stages.

Those portfolios with Core allocations will submit annual plans for assessment and challenge by the Assets Programme Board to ensure compliance with Capital Strategy and Asset Management Plan.

The Capital Programme will be set for each coming financial year at the same time as the annual budget, and will include indicative figures spanning the same time frame as the MTFS.

Monitoring of the annual Capital Programme will be undertaken at a Portfolio level with progress updates given to the Assets Programme Board. Reporting to Members will take place quarterly to Cabinet and Corporate Resources Overview and Scrutiny Committee including:

- New schemes or additions to existing schemes
- Removal of or reductions to schemes
- Slippage on schemes, and impact on future years capital programme
- Funding virements between schemes
- Other necessary revisions to the scheme

The Assets Programme Board will develop processes for monitoring the outcomes of capital schemes and measures to monitor the performance of assets.

APPENDICES

Appendix A: Capital allocation process via Business Case

Appendix B – Capital Project Handbook/Userguide

Appendix C: Glossary of Capital Terms

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REFERENCE

APPLICATION FOR CAPITAL RESOURCES

EXPRESSION OF INTEREST

SERVICE:

NAME OF PROJECT:

CHIEF OFFICER :

PROJECT OFFICER: **Ext.**

SCHEME DETAILS:-

REVENUE CONSEQUENCES

ESTIMATED COST OF THE SCHEME

	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	TOTAL £000
Project					
Works (Detail)					0
Works (Detail)					0
Works (Detail)					0
Works (Detail)					0
Funding (If applicable)					
Revenue					0
Grant/Contrib					0
	0	0	0	0	0

EXAMPLE

CERTIFICATION

Important - All pressures requiring resources **MUST** now be identified in Business Plans Please certify that this is the case.

Service Manager			
Chief Officer			
Cabinet Member			
Portfolio Finance Manager		Ext.	
Contact for queries		Ext.	

EXPRESSION OF INTEREST - GUIDANCE NOTES

EXPRESSIONS OF INTEREST FORMS ARE TO BE COMPLETED FOR EVERY POTENTIAL CAPITAL SCHEME REGARDLESS OF FUNDING SOURCE

The guidance notes below give more detail on what should be included in each Section and / or how it is to be completed.

REFERENCE

This will be provided by Finance

STRATEGIC PLANNING

Please note that all applications for capital reources MUST arise from issues raised in the relevant Portfolio Business Plan, Improvement Plan, or other relevant Corporate Strategy

DETAILS OF THE SCHEME

Please provide brief but meaningful details of the scheme, to include:-

Summary of work(s)
Location
Reasons for the scheme including any standards / statutory / regulatory justification
Links between proposed scheme and Portfolio business plan / Improvement plan / other corporate startegy and an explanation of how the scheme acheives strategic aims / objectives
Consequences of not completing the scheme
Timescales
Any other relevant information

ESTIMATED COST OF THE SCHEME

Please use the box to detail the estimated cost of the scheme, including any funding available.
The figures should be in £000's and includes formulas to produce the totals.
If the scheme includes a number of elements, please provide summary details of each eg:-

Refurb of Primary School - Total £300k

	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	TOTAL £000
Project					
Refurb Kitchen	50				50
Replace Windows	100	100			200
DDA Access		100			100
Car Park		50			50
Funding (If applicable)					
Revenue					0
Grant/Contrib		(100)			(100)
	150	150	0	0	300

EXAMPLE

Funding

If any funding has been identified for the scheme, whether externally via grant/contribution or via a revenue contribution, please enter the amount on the appropriate line as a minus figure (See above).

REVENUE CONSEQUENCES

Please provide details of the associated revenue consequences and an estimate of the annual amount.

Some schemes will have negative revenue consequences, e.g. increased running costs from a higher spec building, NNDR etc
If the revenue costs can be met from existing budgets, please indicate clearly and identify the relevant budget.
If the revenue costs cannot be met from existing budgets, please indicate clearly. Any revenue pressures as a result of capital schemes need to be flagged for early consideration

Some schemes will have positive revenue consequences, perhaps as a result of income generation, energy efficiency measures or service efficiencies.

Some schemes which may be wholly funded from Grant or other sources may have significant ongoing revenue implications, hence the need to include them as part of the process.

CERTIFICATION

All pressures requiring resources **MUST** be identified in Business Plans. Please certify that this is the case.
The Portfolio Finance Manager also signs to certify that they are happy with the figures quoted.
Once the form is completed please have it signed by the relevant persons and forwarded as a PDF document.

Cyngor Sir y Fflint
Flintshire County Council

GENERIC BUSINESS CASE

Project Details	
Brief Description:	
Portfolio:	
Project Officer:	

Business Need

Strategic Context of the Project

Outcomes of the Project

Current Position

Impact on Stakeholders

Partnerships

Timescales & Exit Strategy

Description of Alternatives Considered	
Option A – Do Nothing (Base Case):	
Option B:	
Option C:	

Anticipated Benefits of the Project - Cash Releasing	
Option A:	
Option B:	
Option C:	

Anticipated Benefits of the Project - Other	
Option A:	
Option B:	
Option C:	

Anticipated Risks of the Project	
Option A:	
Option B:	
Option C:	

Risk Mitigation	
Option A:	
Option B:	
Option C:	

Implementation Implications	
Option A:	
Option B:	
Option C:	

Operational Implications	
Option A:	
Option B:	
Option C:	

Personnel Implications	
Option A:	
Option B:	
Option C:	

Cost Summary (Whole Life Basis – Use attached Spreadsheet)	
Option A:	
Option B:	
Option C:	

External Funding	
Option A:	
Option B:	
Option C:	

Sustainability / Long Term Viability	
Option A:	
Option B:	
Option C:	

Option Appraisal Evaluation

Preferred Option

Sensitivity Analysis

Supporting Information

Business Case Sign-Off - Author	
Name:	
Date:	
Signature:	

Business Case Sign-Off - Line / Business Manager	
Name:	
Date:	
Signature:	

Business Case Sign-Off - Accountant	
Name:	
Date:	
Signature:	

Business Case Sign-Off – Chief Officer	
Comments:	
Name:	
Date:	
Signature:	

Business Case Sign-Off - Cabinet Member	
Comments:	
Name:	
Date:	
Signature:	

GUIDANCE NOTES FOR COMPLETION

Whilst some of the boxes may be self-explanatory, the following provides brief guidance as to what is expected within each.

Business Need: What is the business/service need that is driving this request?

Strategic Context of the Project: How does the proposed project fit in with the Council's strategies/priorities?

Outcomes of the Project: What are the desired outcomes at the completion of the project?

Current Position: A brief description of how the service/asset currently operates.

Impact on Stakeholders: What impact will he project have on clients/service users?

Partnerships: Will there be any opportunity for partnership working, will existing arrangements be strengthened/undermined?

Timescales/Exit Strategy: What is the expected duration of the project, if time limited, is a robust exit strategy in place?

Description of Alternatives Considered: What options (if appropriate), were considered for the project (add more lines if necessary). Give a brief description.

Anticipated Benefits of the Project - Cash Releasing: If approved, what will be the revenue benefit arising from the project?

Anticipated Benefits of the Project - Other: Will the project produce other benefits e.g. streamlined processes/time saving?

Anticipated Risks of the Project: What factors could affect the outcome of the project - timescales/external funding/planning etc.

Risk Mitigation: Can anything be done to mitigate the above, if so is there a cost involved?

Implementation Implications: Are there any factors which need to be taken into account in implementing this project - planning permission/procurement/consultation?

Operational Implications: Are there any operational factors which need to be taken into account in implementing this project - client transport/moving location?

Personnel Implications: Are there any factors which need to be taken into account which affect FCC staff – outsourcing/working patterns/moving location?

Cost Summary: Please use the attached spreadsheet to detail all costs relating to this project, both capital and revenue. At this stage ignore the costs of borrowing associated with funding the project.

External Funding: Is any external funding available for some/all of the project. Is the project dependant on this funding?

Sustainability/Long Term Viability: Is this a short term project, are there factors which may limit its long term viability?

Option Appraisal Evaluation: Include a brief summary of the above points for each option.

Preferred Option: Indicate from the above evaluation which is the preferred option.

Sensitivity Analysis: Are there any areas which could cause concern if they deviate from the assumed levels – legislation/higher costs/lower revenues?

Supporting Information: Use this section to provide any further information which may not be covered by any of the above.

SCHEME NAME

SCHEME REFERENCE

Whole life costing NPV calculator

Discount Rate 4.5%

		Yr 0 £000	Yr 1 £000	Yr 2 £000	Yr 3 £000	Yr 4 £000	Yr 5 £000	Yr 6 £000	Yr 7 £000	Yr 8 £000	Yr 9 £000	Yr 10 £000	Yr 11 £000	Yr 12 £000	Yr 13 £000	Yr 14 £000	Yr 15 £000	Yr 16 £000	Yr 17 £000	Yr 18 £000	Yr 19 £000	Yr 20 £000	Yr 21 £000	Yr 22 £000	Yr 23 £000	Yr 24 £000	Yr 25 £000	Totals £000
CAPITAL COSTS																												
Acquisition	Land																											0
	Buildings																											0
Building Works																												0
ICT																												0
Furniture																												0
Fees etc																												0
Other (Specify)																												0
																												0
																												0
TOTAL CAPITAL COSTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WHOLE LIFE COSTS - COSTS OF THIS SCHEME																												
Employees	Sals / Wages																											0
Energy	Electricity																											0
	Gas																											0
Water																												0
Repair & Maint	Planned																											0
	Ad Hoc																											0
NNDR																												0
Other Premises																												0
																												0
Transport																												0
Equipment																												0
Comms & Computing																												0
Other Costs (Specify)																												0
																												0
																												0
TOTAL - COSTS OF THIS SCHEME		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WHOLE LIFE COSTS - SAVINGS FROM THIS SCHEME																												
Employees	Sals / Wages																											0
Energy	Electricity																											0
	Gas																											0
Water																												0
Repair & Maint	Planned																											0
	Ad Hoc																											0
NNDR																												0
Other Premises																												0
																												0
Transport																												0
Equipment																												0
Comms & Computing																												0
Other Costs (Specify)																												0
ROC																												0
																												0
TOTAL - SAVINGS FROM THIS SCHEME		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COST		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COST - NPV		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COST - IRR %			#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	

Assumptions

Flintshire County Council

Capital Project Management Handbook

Contents

Capital Handbook

The purpose of this document is to set out general guidance covering procedures for the management of capital projects.

The process builds upon established County Council procedures and regulations and, where appropriate, reference is made to these to provide additional information. Changes in Legislation or County Council Financial Procedure Rules (FPR) or Contract Procedure Rules (CPR) may require procedures to be reviewed from time to time.

AN OUTLINE OF ROLES AND RESPONSIBILITIES

Capital Accounting

Responsible for the management and reporting of progress of the Councils capital programme as well securing sources of capital funding and supporting the programme of capital receipt generation.

Service Portfolios

Responsible for identifying programme of work through surveys and other analysis, preparing business cases, programming and planning the delivery of capital projects. Reporting regularly to Capital Accounting and the Assets Programme Board on progress of the agreed capital programme.

Assets Programme Board

Managing the Councils overall programme of capital activity, reviewing capital receipts and supporting the Councils asset disposal programme.

BACKGROUND

The County Council operates an ongoing forward programme of Capital Schemes which is normally planning on a three-year cycle. The programme brings together portfolio proposals for capital expenditure.

In **XXX** each year, following the setting of the County Council's budget, a comprehensive list of all capital expenditure proposals for the following financial year will be published. This list, "The Capital Programme", will include all proposals to be implemented that year, and also those named projects for the subsequent year, which can proceed to the design stage.

The lead-in period, up to commencement of works will be agreed with the respective Portfolio Chief Officer with overall responsibility for the capital programme falling to the the Chief Officer (Organisational Change) As a guide this could be about six months for a project up to £150,000 contract value to twelve months for projects of £500,000 and over. This will enable adequate resources to be made available for implementation, and allow suitable timescales for design, approvals, invitation of tenders, forming of contracts etc.

All projects which form part of The Capital Programme, will have been subject to the County Council's Capital Appraisal Process to determine its viability, justification and (positive) effect on revenue budgets. This process is designed to allow proper consideration of project timetabling for effective implementation. All blocks of expenditure, and all individual projects exceeding the capital appraisal threshold (currently £150,000 gross cost) are subject to this process

The minor capital works block will be managed by Portfolio Service Managers. Projects costing less than the deminimus of £20,000 are normally dealt with as revenue expenditure.

Capital Receipts

The Council determined a number of years ago that it would not 'ring fence' capital receipts for project specific purposes and this position remains.

Joint Schemes

These compromise projects jointly funded by two or more Service areas, or partly funded by other agencies and for the purposes of this document are dealt with in the same way as other capital schemes. Normally these projects would be instigated, and finance arranged by a "lead" service.

This category of scheme may include Fire Damage, Grant Aided Projects.

PROCESS

This part of the document sets out the main sequence of events in developing and implementing a capital project.

In essence the prime responsibility for managing the project from inception to completion rests with the portfolio service area. Once a capital project is identified as the agreed solution the service manager and Chief Officer will work develop the scheme and deliver it to a pre-defined programme.

It is important to ensure that regular monthly capital monitoring is undertaken for all projects so that officers in Corporate Finance can provide accurate, regular and timely reports to Cabinet, Scrutiny and Council.

The process can more clearly be explained in the four main stages as follows:-

Stage 1	-	Inception/evaluation
Stage 2	-	Feasibility
Stage 3	-	Implementation
Stage 4	-	Project Review

STAGE 1 – INCEPTION / EVALUATION STAGE

This stage will link with the County Council's capital appraisal process and includes assessing a projects requirements, gathering together of relevant information and establishing timetables and financial limits, as well as considering which may be the best way to proceed with a project. Early discussions on the appropriate procurement route and funding are important. Having identified a piece of work or project the task at this stage is to define and present the matter and consider possible approaches.

All projects will generally follow this route even where there is little input required at this stage.

The above will therefore take into account:

a) Justification

b) Budget

c) Source of funding, (capital receipts, external funding, grants etc).

d) Timescales

Suggested checklist

- What is issue or requirement?
- Has problem been discussed with the Chief Officer, Service Manager?
- Have alternative approaches been considered?
- Do others need to be consulted? Cabinet Member, Local Members? Staff? Public?
- What is timescale involved?
- What are financial implications? Has account been taken of ongoing revenue costs which will ensue and more importantly what revenue savings may this project create?
- Where is the funding coming from?
- Does the Assets Programme Board or Informal cabinet need to approve in principle at this stage? (e.g. politically sensitive proposals, rationalisations etc.)
- Has a capital appraisal been submitted?
- Does there need to be any formal publicity to proposals at this stage or other communication plan?
- Does an equality impact assessment need to be undertaken and if so at what stage?

STAGE 2 – FEASIBILITY

Stage 2 will include such studies as are necessary to determine the feasibility of the overall requirement and to assess possible solutions and cost implications.

This more detailed study will enable the development of the project brief (if necessary ie instructing consultants), refine budget costs and identify technical problems. The project will now be established as a named project in a future Capital Building Programme or form part of a larger block (core programme) for which approval has already been obtained. The source of funding will have been identified.

This stage in the process will also need to establish those key personnel who will be involved in the project through to completion.

This stage will need to ensure, where these are applicable that the following have been fully considered:-

(a) the application of specific standards (construction, highway etc)
(b) integration of future maintenance works with new construction
(c) energy management, where applicable
(d) health and safety
(e) Constraints which may need to be placed upon the project ie specific spend conditions in the case of some grants

In relation to the feasibility stage it may also be helpful to consider the following when undertaking this stage of work:-

1. Background / philosophy indicating broad purpose of the proposal, with reference to the Capital Appraisal where appropriate.
2. Project Description
3. Scheme details (as applicable).
4. Cost limit information and accompanied by budget cost/limit presented in standard format with basis of costing, expenditure profile over implementation period, source of funding and any fee implications if commissioning a Consultancy Services.
5. Timescale for implementation of the project with key dates. Where a number of projects are involved the aim should be to provide a balanced workload throughout the year without detriment to the specific needs of individual projects.
6. Procurement strategy clear and any evaluation panel needed or proposed?
7. Any Corporate Standards and constraints, including reference to Health and Safety Legislation, and Energy Conservation, where applicable.
8. Project related information based upon research/feasibility work undertaken to date.

In effect this is likely to be the last opportunity for fundamental changes to be made to the content of a scheme as any alterations beyond this stage are likely to incur additional costs

The ongoing capital appraisal process will confirm all elements at this stage are either in place or on schedule prior to start year. Before progressing to the next stage. It is also important to confirm that the site or building will be available for the Contractors possession at the agreed date.

Suggested Checklist

- Has project found a place in the capital programme?
- Are there any changes to timescale?
- If new site or change of use will outline planning permission be required before proceeding further?
- Does site/scheme/property/land need to be acquired before proceeding further?
- Have proposals been examined in sufficient detail to establish actual content of project and to assess a more accurate budget costs, including ongoing revenue implications?
- Has a revised capital appraisal been submitted reflecting refined proposals?
- If joint funded or externally funded. Has funding been secured?
- Consider the procurement strategy, discuss with the Councils procurement team and consider the need for any evaluation panel

- Have any proposed maintenance works been included?
- Will site/property be available for works to take place?
- Should the opportunity be taken to consider the timing of publicity proposals at this stage? Press release? Exhibition?

STAGE 3 - IMPLEMENTATION

This stage involves the development of the scheme through a number of workstages from outline proposals to finalised design, followed by implementation on the site.

OUTLINE PROPOSALS

This stage can involve, depending on the degree and complexity of the scheme, the following activities. It generally involves a more detailed analysis of the issues and requirements for the project and can often involve the production of a number of outline proposals for group consideration.

Suggested Checklist

- Have a series of meetings been arranged with key stakeholders to develop the scheme?
- Is any additional information required to progress the scheme at this stage?
- Does the cost information show proposals to be within budget?
- Where applicable does the pre-contract programme highlighted any difficulties?
- Has sufficient time been allowed for tender analysis and contract preparation prior to commencement of work?
- Do others need to be consulted over the proposals?

SCHEME DESIGN

On the basis that the outline proposals are acceptable scheme designs of sufficient detail should be developed. Where required, this will enable an application to be made for planning permission.

Input at this stage may also be required from specialists, development of this stage will enable programmes and costs to be refined and these should again be confirmed to be within acceptable limits.

Suggested Checklist

- Are regular stakeholder review meetings in place and being undertaken?
- Is any additional information required to progress the scheme at this stage?
- Have the project specialist, where engaged, highlighted any difficulties?
- Has Contractor's access to site/scheme been discussed?
- Have running costs, energy efficiency, been discussed?
- Is the project still achievable within programmes? If not what action is required?
- Is the project still achievable within cost? If not what action is required?
- Do others need to be consulted over the proposals before approval is given?
- Has a Planning Application (if required) been made?
- Should the opportunity be taken to publicise proposals at this stage?

- Are there any specialist services or equipment required as part of this work and are all clear what this is and who is responsible for its installation?

DETAILED DESIGN

During this stage the scheme design will be developed further. At the completion of this stage the detailed content of the scheme including materials, construction, fittings, workmanship and any installations to be incorporated should now be fully approved and applications for any further statutory approvals eg Building Regulations, notices

Cost and programme will need to be reviewed and these, together with the scheme design will be presented to the Assets Programme Board for final approval where required.

Suggested Checklist

- Have the detailed proposals been presented to any specific stakeholder groups for approval
- Do the proposals now incorporate all aspects required to deliver the scheme successfully?
- Have all statutory consents been applied for?
- Are any Government approvals required?
- Is project still achievable within cost of programme?
- Is the project cleared with the respective Cabinet Member and local Ward Member where considered necessary. Has single tender action been applied for, if required, and been approved in accordance with the Councils Contract Procedure Rules (CPRs)

PRODUCTION INFORMATION

Following completion of the detail design, working drawings working drawings, specifications, bills of quantities etc., in sufficient detail for contractors to prepare tenders and for the scheme to be constructed on site will be prepared.

Suggested Checklist

- Has all information been incorporated so that this stage can be successfully completed?
- Are statutory approvals in place and has allowance been made for any requirements made a condition of the approvals?
- Standard Forms and cost plans where applicable
- Pre- Contract information and clarification

TENDER ACTION

During this stage tenders are invited appraise and advise upon those received is considered.

This is an important stage and throughout the other stages there should have been active dialogue with the Councils Procurement Officers in relation to development of the tender pack, implications on European legislation, where applicable, and the use of electronic tendering.

Suggested Checklist

- Where necessary have evaluation panels been set up and are attendees aware?
- Once received, have the favourable tenders been analysed all who need to know been advised of the outcome?

PROJECT PLANNING

During this stage the contract documentation will be prepared for the contractor and arrangements for commencement of work on site will be progressed.

A completed contract must be available before works commence on site.

The issue of 'letters of intent' will only be considered in very exceptional circumstances

Suggested checklist

- Confirmation that tender details are in order and that contracts can be entered into?
- Authority to proceed given and cost codes for charging purposes?
- Have contract documents been forwarded to Legal and Member Services for processing?
- Has a pre-start meeting been arranged?
- Prior to Contractor commencing work has the contract been formed?
- Does any special ceremony/publicity need to be arranged to mark commencement of the work? Check with Press office and Portfolio Cabinet Member and Chief Officer.
- Has the wording of the contract sign board (Flintshire County Council format) been agreed for erection on site? Refer to the Councils Communications Team for further information.

OPERATIONS ON SITE

From this point on the Contractor takes possession of the site (or those parts under his control) and carries out the work in accordance with the contract conditions

Suggested checklist

- Are progress meeting minutes being taken? (where requested)
- Is scheme progressing according to programme?
- If not, why? What action is required to remedy situation?
- Is anticipated expenditure within contract sum? If not, why?
- What action is required to remedy situation?
- Is the Contractor ensuring that proper precautions are being taken on site with regard to safety, noise, disruption?

COMPLETION

At 'practical' completion of the works on site the project will be handed over to the service/lead Portfolio for use/occupation. The contractor's responsibility for the site will cease at this point other to attend to any minor items outstanding or defects which might arise during the defects liability period

Suggested Checklist

- Has adequate notice been given of handover and who will attend the handover meeting?
- Is the building or scheme in an acceptable condition for handover?
- Has the contractor provided the relevant certification to show project complies with required standards?
- Has adequate advice been given on maintenance procedures?
- Have copies of drawings and user manuals and health and safety files (where applicable) been provided?
- Are outstanding items / defects being attended to promptly?
- What publicity is proposed? Press Release? Official Opening photo opportunity?

STAGE 4 – PROJECT REVIEW

For all projects over £150,00 in value the servive area sponsor will undertake a review of the project. This review will be undertaken within 3 months of the handover of the project/scheme. This is intended to ensure that the project/scheme meets its original objectives of cost, quality and timing.

It is proposed that future capital reports to Cabinet will include a 'summary of learning' so that the Council can understand better how its projects are delivered and reflect on any positive and negative outcomes which will be used to inform future projects/schemes.

Proposed Checklist and suggested areas to explore

Project information

Did the information clearly establish:-

- Background/purpose of proposals?
- Descriptions of requirements?
- Site/scheme details?
- Budget?
- Timescale?
- Any corporate standards and constraints
- Were changes made to the project information during the course of the project?
- If so, why, and what impact did these changes have?

Site or scheme

Were there any difficulties encountered with regard to:

- Availability?
- Contractors access?
- Planning Permission?
- Ground conditions?
- Mains Services?
- Neighbours?
- Health and Safety Issues?
- Other?

Project Team

- Was a Design Team Leader nominated?
- Did the Design Team leader change during the course of the project?
- Is so, why and with what effect?
- Did the Design Team leader perform effectively?
- Did the Client Service appoint a Project Officer to implement the project and liaise with the Consultant?
- Were communications between the Client and Consultant satisfactory and did they work together effectively?

Design Process

- Was adequate information provided to enable any designs to develop effectively?
- Where consultants were engaged did the customer feel they had been adequately consulted over their requirements and been sufficiently involved in the design process?

Project Programme

- Was a pre-contract programme prepared at the outset
- Did the project adhere to the programme?

a) Pre-contract

b) The construction period?

- If not, why not?
- Were adequate steps taken to keep all those informed of progress, and were adequate steps taken to attempt to rectify the situation?

Cost

- Was the project adequately cost-planned and 'tailored' to the budget set?
- Were tenders received within budget?
- If not, were reductions made or was additional funding sought?
- Was adequate cost analysis information prepared or provided?
- Were financial statements provided as necessary?
- Was the project completed within budget?
- (With additions where appropriate)

- If not, why?

a) Unforeseen items, e.g. foundation problems on site?

b) Changes to the brief?

c) Contractual claims (with reasons)?

d) Items outside the Contractors control e.g legislation charges, work by statutory undertakers, specialist Client sub-contractors?

e) Liquidation of Contractor or Sub Contractor?

Works on Site

- Did the Contractor and his Sub-Contractors perform satisfactorily?
- Is there any reason to recommend that the contractor, or any of his Sub Contractors be deleted from the County Council's approved list?

Contract Completion

- Was adequate notice given of the handover?
- If applicable, were there any overriding reasons why the scheme should be accepted with incomplete work or defects?

- Was adequate advice on the operation and maintenance of plant and equipment provided?
- Where applicable was certification provided show that any services installed were in accordance with required standards?
- Were drawings and services information provided?
- Were any defects or outstanding items satisfactorily completed?

Early Impressions

- Where applicable was the building user made aware of design brief philosophy?
- Are there different perceptions of the success of the project e.g by Service Manager, or users/customers?
- What are the projects good points?
- Are there any bad points?

Has the project:

a) Complied with the brief

b) Satisfied the real building needs?

- Is there any need for a further Review to be undertaken at a later date?

County Council Procedures

Did the project/scheme comply with the County Council's Contract Procedure Rules and Financial Procedure Rules?

Feedback

What key issues raised by this Review should be fed back for the benefit of future projects?

Cabinet Report - capital

- Should report that the Review has taken place, indicate whether quality and timescales were satisfactory and indicate out-turn cost compared to budget provision.
- What points, if any arising from the Review should be particularly drawn to the attention of Cabinet?
- Is any consequent action recommended?

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Friday 18th December 2015
Report Subject	Capital Programme 2016/17 – 2019/20: Overview
Cabinet Member	Leader of Council
Report Author	Chief Officer, Organisational Change Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

Following on from the previous agenda item introducing the Draft Capital Strategy and Asset Management Plan, this report puts forward an overview of the 2016/17 – 2019/20 Capital Programme for Member comments.

RECOMMENDATIONS	
1	Continue to support the existing proposal of allocating capital receipts to fund capital schemes generally only when the receipts have been actually received (paragraphs 1.04 and 1.05).
2	Support the allocations in Table 2 (paragraph 1.08) for Statutory / Regulatory and Retained Assets sections of the Capital Programme 2016/17 – 2019/20.
3	Support the schemes included in Table 3 (paragraph 1.12) for the Investment section of the Capital Programme 2016/17 – 2019/20.
4	Endorse the remainder of the report.

REPORT DETAILS

1.00	CAPITAL PROGRAMME 2016/17 – 2019/20: INITIAL PROPOSALS
	Projected Funding Available 2016/17 – 2019/20
1.01	Table 1 below shows the general capital funding currently projected to be available to fund the capital programme over the next 4 years.

Table 1

ESTIMATED AVAILABLE FUNDING 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Financing (Excluding Specific Funding)					
Unhypothecated Supported Borrowing (USB) [1]	4.181	4.181	4.181	4.181	16.724
General Capital Grant (GCG) [1]	2.544	2.544	2.544	2.544	10.176
Capital Receipts Available (As at M6 2015/16)	2.629	0.000	0.000	0.000	2.629
Total	**9.354**	**6.725**	**6.725**	**6.725**	**29.529**
Estimated Capital Receipts (As at M6 2015/16)	5.427	1.757	2.757	2.414	12.355

1 As per 16/17 Provisional Settlement.

1.02	Table 1 above assumes that the Unhypothecated Supported Borrowing allocation and the amount General Capital Grant received from Welsh Government in the years 2016/17 to 2019/20 remains the same as the information provided in the 2016/17 draft financial settlement for welsh local government. The Welsh Government won't publish the final settlement until March 2016. Compared with 2015/16 final financial settlement the Unhypothecated Supported Borrowing allocation has reduced by £0.089m and General Capital Grant by £0.054m, a total reduction of £0.143m.
1.03	Grants for specific schemes have not been included in Table 1 as is usual at this stage in developing the Capital Programme as sufficient information regards grant funding for schemes is not available at this point in the year. Amounts will be included in later reports when more information is available.
1.04	The only capital receipts included in the total funding available in Table 1 are those that have been received to date (£2.629m). That is 2014/15 receipts - unspent in 2015/16, and 2015/16 receipts (to date, as at the month 6 capital monitoring report 2015/16) - unspent in 2015/16. In doing the above we continue with the prudent policy of allocating capital receipts to fund capital schemes when actually received rather than when we anticipate the receipt.

	Further receipts received in 2015/16 will be retained for allocation to schemes in year or later on in the development of the 2016/17 – 2019/20 Programme.
1.05	Future estimated capital receipts have been included for reference in Table 1, they are not being relied upon to fund future schemes. The 2016/17 figure includes anticipated receipts from now until the end of 2015/16 and anticipated receipts in 2016/17.
1.06	The figures in Table 1 relate to the Council Fund only with the HRA Capital Programme being reported to the Housing Overview and Scrutiny Committee.
	Capital Programme 2016/17 – 2019/20
1.07	Before proceeding to explain the context and background to the capital programme 2016/17 onwards it is important to note that this is a transitional year to enable service areas to prepare for business cases which will draw from the investment fund. The new Capital Strategy and Asset Management Plan has split the Capital Programme into 3 sections; Statutory / Regulatory, Retained Assets and Investment Programmes. 1. Statutory / Regulatory section – annual allocation to cover regulatory and statutory works. Examples include; providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities, any works required to keep buildings open by Health and Safety requirements etc. Funded generally by General Capital Grant and Unhypothecated Supported Borrowing allocation. 2. Retained Assets section – annual allocation to fund schemes that maintain, enhance and improve retained assets to deliver services. Significant needs identified by service plans / condition surveys etc. Service areas are Schools, Highways, and Corporate Offices. Funded generally by General Capital Grant and Unhypothecated Supported Borrowing allocation. 3. Investment section – new schemes arising from Portfolio business plans, the Improvement Plan, other relevant and emerging plans, and other strategies approved through selection process based on the provision of a sound business case. Funded generally by Capital Receipts and Debt / Alternative source of funding. Items 1.07.01 and 1.07.2 above are similar to the current core capital programme but will be much reduced compared with current expenditure levels to create appropriate capacity to fund the Investment section of future capital programmes.
	Statutory / Regulatory and Retained Asset Allocations – 2016/17 – 2019/20

1.08	Table 2 below shows the proposed allocations for the period 2016/17 – 2019/20 for the Statutory / Regulatory and Retained Asset sections of the Capital Programme.

Table 2

PROPOSED ALLOCATIONS 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Statutory / Regulatory Section					
DD Act - Individual Pupils	0.250	0.250	0.250	0.250	1.000
Private Sector Renewals & Improvements	1.465	1.000	1.000	1.000	4.465
Housing Renewal Area Support	0.190	0.000	0.000	0.000	0.190
School Building Works	0.100	0.100	0.100	0.100	0.400
Corporate Property Works	0.300	0.300	0.300	0.300	1.200
Total Statutory / Regulatory	**2.305**	**1.650**	**1.650**	**1.650**	**7.255**
Retained Assets Section					
School Building Works	0.900	0.900	0.900	0.900	3.600
Corporate Property Works	0.300	0.300	0.300	0.300	1.200
Highways Asset Management Plan	0.600	0.600	0.600	0.600	2.400
Headroom	0.250	0.250	0.250	0.250	1.000
Total Retained Assets Section	**2.050**	**2.050**	**2.050**	**2.050**	**8.200**

1.09	Chief Officers will develop detailed programmes of work and reports will be provided to Cabinet as part of regular capital monitoring.
1.10	Headroom has been built in to enable the programme to be more flexible; either to allocate funding to small schemes as they present in year as a result of opportunities, or to fund urgent unforeseen activity.
1.11	The draft Capital Strategy and Asset Management Plan provides for Capital Programmes that will be set on a four year rolling programmes reflecting schemes of a larger and more complex nature which span more than one financial year, and which may not match with, financial year boundaries. Schemes starting in year one will be approved along with costs and funding in the subsequent three years. Schemes starting in year two onwards will be given indicative approval to enable the service to commence planning, but will ultimately be approved in the subsequent years' Capital Programme. Allocations in Table 2 above are therefore approved for 2016/17, and given indicative approval for 2017/18 through to 2019/20 to enable services to plan more efficiently. Final approval for 2017/18 through to 2019/20 will be given in future Capital Programmes.
	Investment Section of the Capital Programme 2016/17 – 2019/20

1.12	Table 3 below shows the proposed schemes for the period 2016/17 – 2019/20 for the Investment section of the Capital Programme. This programme will grow throughout next year as business plans are developed. **Table 3**

PROPOSED INVESTMENT SCHEMES 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Investment Section					
Community Asset Transfers	0.500				0.500
Solar PV Farms*	1.450				1.450
Town Centre Regeneration	0.100				0.100
Townscape Heritage Initiative	0.075				0.075
Total Investment Section	**2.125**	**0.000**	**0.000**	**0.000**	**2.125**

* Subject to approval of business case & confirmation of amount

1.13	The granting of capital funding to community groups to 'pump prime' Community Asset Transfers (CATs) was approved by Cabinet at its meeting of 15 June 2015, funding of £0.500m in 2015/16 and £0.500m in 2016/17 was allocated.
1.14	Portfolios through their business plans and the Improvement Plan have identified significant capital investment needed to improve services and achieve revenue efficiencies. Business cases are being prepared with the intention that additional capital schemes are brought to Cabinet for approval in the current and/or future financial years.
1.15	A report requesting support for the installation of photovoltaic (PV) arrays at ex landfill sites in Buckley was approved by Cabinet at its meeting of 15 June 2015. The provisional costs are included in table 3 above and a further report will come to Cabinet once all the details of the business are finalised.
1.16	Other Portfolios are in the process of considering options for future capital schemes before submitting business cases for approval. Examples of such schemes are listed below.
1.17	Glanrafon Day Centre Deeside. The current building is not suitable to deliver a service of quality efficiently and effectively. To retain the existing building would require significant capital and revenue investment. Options are currently being developed for consideration.
1.18	The Welsh Government has indicated that they intend to roll out Band B of the 21st Century Schools programme from 2019 onwards. It is expected that Welsh Government will provide further information in the next twelve months on securing the next phase of the investment. The Council will develop its strategies to ensure that we are maximising the potential investment opportunities that may be available via Welsh Government

	funding. The Welsh Government funding criteria for 21st Century schools will only potentially fund modernisation projects; refurbishment projects are not eligible for grant via this programme.
1.19	New approaches for delivering community and social sector schemes through Alternative Delivery Models (ADMs) and to sustain important services to meet future needs need to be considered within the Councils future capital programmes. In addition Community Asset Transfers also have potential for capital funding to be made available to support their transition to Community organisations.
	Summary Capital Programme 2016/17 – 2019/20
1.20	Table 4 below summarises the initial proposals for the 2016/17 – 2019/20 Capital Programme.

SUMMARY CAPITAL PROGRAMME 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Statutory / Regulatory Section	2.455	1.800	1.800	1.800	7.855
Retained Assets Section	1.900	1.900	1.900	1.900	7.600
Investment Section	2.125	0.000	0.000	0.000	2.125
Total Programme (All Sections)	**6.480**	**3.700**	**3.700**	**3.700**	**17.580**
Total Projected Financing*	**9.354**	**6.725**	**6.725**	**6.725**	**29.529**
Balance of Funding Available for Future Allocation	**2.874**	**3.025**	**3.025**	**3.025**	**11.949**

* **As per 16/17 Provisional Settlement.**

2.00	**RESOURCE IMPLICATIONS**
2.01	Implications for assets and financial implications as set out within the report. Other resource implications include Officer time in delivering the capital programme which is not considered to be a significant change from previous years.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	None required. Consultations undertaken include the Assets Programme Board and the Chief Officer Team both supported the proposals and principles.

4.00	**RISK MANAGEMENT**
4.01	Decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications.

5.00	**APPENDICES**
5.01	None

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Various working papers **Contact Officer:** Liz Thomas – Technical Finance Manager **Telephone:** 01352 702289 **E-mail:** liz.thomas@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	**Asset Management Plan** - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs **Capital Expenditure** - Expenditure on the acquisition of **Non-current Assets** or expenditure that extends the life or value of an existing asset **Capital Programme** - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme. **Capital Receipt** - Receipts (in excess of £10,000) from the disposal of an asset **Capital Scheme** - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the **Capital Programme** **Capital Strategy** - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the **Asset Management Plan (AMP)** to from a single document **Council Fund** - The fund to which all the Council's revenue and capital expenditure is charged **Disposal** - The decommissioning or transfer of an asset to another party

Financing - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy

General Capital Grant - Annual capital grant from Welsh Government which the Council decides how to use the funding.

Housing Revenue Account - The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.

Local Government Borrowing Initiative (LGBI) - Similar to **supported borrowing**. In recent years as Welsh Government funding has been under pressure, schemes that would have been funded by capital grant have been funded by LGBI. Welsh Government provides the revenue support for borrowing costs incurred by the Council in borrowing to fund capital schemes (the difference with supported borrowing being that it's for a specific purpose aligned to Welsh Government priorities). LGBI has recently been used for highways maintenance and is now being used to part fund the Welsh Government element of the 21st century schools programme.

Non-current Asset - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months

Prudential Code - The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment needs

Prudential Indicators - Required by the **Prudential Code**, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment

Revenue Expenditure - All expenditure incurred by an authority that cannot be classified as capital expenditure

Revenue Financing - Charges made to the revenue account to finance capital expenditure. May also be referred to as Capital Expenditure charged to Revenue Account (CERA).

Non-current Asset - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months

Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing - Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

	Unsupported Prudential Borrowing - Borrowing administered under the **Prudential Code**, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years. **Whole Life Costs** - The costs of acquiring or creating an asset, operating it, maintaining it over its useful life and finally any costs of disposal (i.e. the total cost of ownership).

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