

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 DECEMBER 2014**

REPORT BY: **CHIEF OFFICER ORGANISATIONAL CHANGE,
CORPORATE FINANCE MANAGER**

SUBJECT: **COUNCIL FUND CAPITAL PROGRAMME 2015/16 AND
INDICATIVE FUNDING TO 2018/19**

1.00 **PURPOSE OF REPORT**

- 1.01 The purpose of the report is to set out initial proposals for the Council Fund Capital Programme for 2015/16 (with indicative funding estimates for future years).
- 1.02 This report covers the Council Fund only. The Housing Revenue Account (HRA) capital programme proposals will be considered alongside the HRA revenue budget proposals for 2015/16 by Cabinet and the Housing Overview and Scrutiny Committee in January 2015.

2.00 **BACKGROUND**

- 2.01 The Council plans on a 4 year capital programme timescale. Each year, the Council sets its capital programme for the coming year and provides an indication of the estimated level of resources available and has historically shown the potential allocation to service areas in future years.
- 2.02 Indicative amounts for 2015/16 were shown in the Capital programme 2014/15 report which was agreed by Council on 18th February 2014.
- 2.03 A meeting hosted by Corporate Resources Overview and Scrutiny Committee will be held on 30th January to enable all Members to consider the 2015/16 capital programme.

3.00 **CAPITAL STRATEGY**

- 3.01 Flintshire, along with all Councils, has experienced significant pressure on its capital programme in recent years. This results from reduced funding available through the annual financial settlement from Welsh Government and the impact the austerity measures have had on the generation of capital receipts.

Furthermore, as WG seeks to manage its own budgets, the specific grants available to Councils for capital investment in particular services have become more limited. For example, the initial funding proposal for the 21st Century Schools programme was; half unsupported (prudential) borrowing and the remaining half from WG specific capital grant. The WG half is now a mixture of grant and further Council borrowing with the WG providing revenue funding to support principal repayments and interest on the debt.

- 3.02 With Flintshire likely to have to make revenue efficiencies of circa £50m over the next three years, the pressure on capital resources comes at the same time as these revenue pressures and is set to continue until at least the end of the decade. The combination of the two means that it is more important than ever that the Council's revenue and capital service delivery and financial planning are fully integrated.
- 3.03 In approving the 2014/15 Capital Programme Members endorsed a more prudent approach to setting the capital budget, particularly in relation to the recognition of capital receipts (Sections 5.02.2 to 5.02.6 of the Council Fund Capital Programme 2014/15 report to Cabinet on 18th February, 2014 refer). This led to a reduced core programme in 2014/15 and in proposing the budget for 2015/16 this approach has been replicated again.
- 3.04 Against this backdrop it is important that the Council sets its core capital programme and puts in place funding to meet urgent needs for 2015/16 to enable the resources to be in place to:-
- Support emerging requirements for change flowing from the business planning process;
 - Support key services e.g. schools maintenance;
 - Support investment which enables change e.g. ICT networks; and
 - Provide funding for property related costs e.g. Health & Safety measures, as well as measures to improve accessibility to our properties by those with disabilities.
- 3.05 In addition to the work and position detailed above the Council is currently developing its Capital Strategy which will be significantly influenced by its Asset Management Plans. The strategy will set out clearly the overall approach to capital management, alternative sources of funding and the effective delivery of its capital programmes of work in the future and will also support a more structured and focussed delivery of its capital budget.

4.00 FUNDING SHORTFALL OF APPROVED SCHEMES

4.01 The final 2013/14 outturn was a shortfall carried into 2014/15 of £1.578m, as a result of receipts in previous years not reaching anticipated levels. The aim when setting the 2014/15 programme was to eradicate this shortfall in order to place the capital programme on a sound footing going into 2015/16. This was to be achieved by the reduction in the core programme described in paragraph 3.03, and capital receipts generated in-year. The projection (to date) is that this aim will be achieved (Section 3.07.3 of the Month 6 monitoring report on this agenda refers).

5.00 FUNDING THE CAPITAL PROGRAMME

5.01 The capital programme includes the following elements which are funded as shown below:-

(a) A core capital programme resourced by:-

- The funding mechanisms within the WG financial settlement (general capital grant and supported borrowing where WG recognise the cost of this level of borrowing through funding in the revenue financial settlement in the Revenue Support Grant); and
- Capital receipts from the sale of Council assets in accordance with the disposal programme.

The Council has discretion to allocate both of these resources as it determines to meet its local priorities and needs.

(b) Capital schemes funded from specific grants which are for specific purposes as directed by WG or other grant providers;

(c) WG supported borrowing through the Local Government Borrowing Initiative (LGBI) for the 21st Century Schools (WG element); and

(d) Locally determined unsupported (prudential) borrowing, the costs of which are met from the Council's revenue budget without support from WG.

6.00 CORE CAPITAL PROGRAMME

6.01 The total projected (to date) core funding available over the 4 year period 2015/16 to 2018/19, by way of the sources in 5.01 (a) above, is shown in the table below and amounts to £27.488m.

ESTIMATED AVAILABLE FUNDING 2015/16 - 2018/19					
	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m
Financing (Excluding Specific Grants)					
Unhypothecated Supported Borrowing (USB) ¹	4.272	4.272	4.272	4.272	17.088
General Capital Grant (GCG) ¹	2.600	2.600	2.600	2.600	10.400
Capital Receipts (Received in 2014/15)	0.000	0.000	0.000	0.000	0.000
Capital Receipts (Received in 2015/16)	0.000	0.000	0.000	0.000	0.000
Total	6.872	6.872	6.872	6.872	27.488
1 As per 15/16 Provisional Settlement.					

6.02 This shows that the total projected (to date) resources available in 2015/16 to fund the core capital programme are £6.872m.

Funding

6.03 The basis for the estimates of funding levels are as follows:-

Unhypothecated Supported Borrowing (USB) and General Capital Grant (GCG)

6.04 The provisional financial settlement received from WG on 8th October 2014 indicated a total of £6.872m, £4.272m through USB and £2.600m via GCG for 2015/16. This has been assumed to be consistent throughout the reporting period.

The total is £0.043 less than the 2014/15 final financial settlement.

The 2015/16 final financial settlement is due on 10th December 2014.

Capital Receipts

6.05 The issue of capital receipts continues to be a problematic one for the Council. In the current economic climate it is difficult to predict with certainty when disposals will be effected and the funds therefore realised to support the capital programme.

6.06 As a consequence of this continued position it is considered to be imprudent to set capital budgets where the funding may not be realised. In setting the 2014/15 Capital Programme a budget with a minimal target was set which the Council could be confident in achieving and would address the shortfall described in Section 4 above. Any additional receipt over and above this target figure would be allocated in 2015/16, placing the Capital Programme on a more secure footing during difficult economic times.

6.07 The current projection for capital receipts in 2014/15 is sufficient to meet 2014/15 core capital expenditure (Section 4 above refers), though receipts actually received to date are minimal. Given past experience and the legal complexities that can occur in generating a capital receipt; the recommendation at this stage in the 2015/16 capital budget setting process is to assume no receipts from 2014/15 are available to fund 2015/16 core programme.

Further, it is therefore recommended that the 2015/16 core capital programme budget be set based without reliance on any capital receipts generated in 2015/16.

6.08 It is possible that receipts generated in 2014/15 will exceed those needed to fund core capital expenditure. Any receipts generated over and above anticipated need during the remainder of 2014/15 could either be:-

- Allocated to the 2015/16 programme during the budget setting process through subsequent reports to the core capital programme or utilised to fund capital works arising from corporate priorities; or
- Allocated to the 2015/16 programme in year through quarterly budget monitoring reports; or
- Allocated for use in future years.

6.09 It is further recommended that any capital receipts generated in 2015/16 be kept until the 2016/17 financial year, so continuing the process whereby each subsequent year's budget is based on actual receipts from the previous year.

Allocation of the available funding

6.10 As indicated in 6.02, the total amount available to fund the core capital programme in 2015/16 is £6.872m.

6.11 A review of the core schemes has been carried out and the resulting recommended allocations for 2015/16 are summarised in the table below, with a more detailed breakdown in Appendix 1. The allocations total £6.535m.

CORE ALLOCATIONS BY PORTFOLIO	
	£m
Chief Executives	0.020
People & Resources	0.075
Governance	0.170
Education & Youth	2.035
Community & Enterprise	2.265
Planing & Environment	0.290
Transport & Streetscene	0.860
Organisational Change 2	0.820
TOTAL - COUNCIL FUND	6.535

Detailed programmes for future years will be drawn up in the light of actual levels of receipts becoming known.

- 6.12 The recommended allocations above results in a balance of £0.337m of funding unallocated.
- 6.13 The intention at this stage in the budget setting process is to consider the emerging requirements for capital funding from the business plans to enable change and deliver the necessary revenue efficiencies over the medium term.

It is recommended that this unallocated core funding, along with surplus capital receipts realised in 2014/15 (if any, and over and above requirements set out in paragraph 6.07), be allocated to capital schemes arising from the business plans. This would be subject to Portfolios submitting a sound business case and approval of Cabinet at a later date.

Current requirements under assessment include; investment in buildings subject to Community Asset Transfer (CAT) and the installation of energy generating equipment on closed landfill sites.

7.00 ESTIMATED TOTAL COUNCIL FUND CAPITAL PROGRAMME

- 7.01 The total projected funding available (including the core programme) over the 4 year period 2015/16 to 2018/19, by way of the sources in 5.01 (a) to (d) above, is shown in the table below and amounts to £82.735m.

ESTIMATED AVAILABLE TOTAL FUNDING 2015/16 - 2018/19					
	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m
Funding (Total)					
<u>General Funding</u>					
Unhypothecated Supported Borrowing (USB) ¹	4.272	4.272	4.272	4.272	17.088
General Capital Grant (GCG) ¹	2.600	2.600	2.600	2.600	10.400
Capital Receipts (Received in 2014/15)	0.000	0.000	0.000	0.000	0.000
Capital Receipts (Received in 2015/16)	0.000	0.000	0.000	0.000	0.000
Sub Total	6.872	6.872	6.872	6.872	27.488
<u>Specific Funding</u>					
Specific Capital Grants	19.959	4.250	0.504		24.713
Unsupported (Prudential) Borrowing	20.290	4.637	0.443		25.370
Local Govt Borrowing Initiative - 21st C Schools	3.575	1.589			5.164
Sub Total	43.824	10.476	0.947	0.000	55.247
Total Funding Available	50.696	17.348	7.819	6.872	82.735
1 As per 15/16 Provisional Settlement.					

- 7.02 This shows that the total resources available in 2015/16 to fund the capital programme are £50.696m.
- 7.03 Appendix 2 sets out the estimated total capital programme for 2015/16, taking account of all funding sources referred to in Section 5. These are detailed below.
- 7.04 The core allocations, as funded by those sources referred to in Section 5, can be found in the column 'General'.
- 7.05 Specific allocations can be found in the column 'Specific'. In 2015/16 this adds further investment of £43.824m (See 7.06 to 7.09 below).
- 7.06 Specific grants amount to £19.959m, the majority of which is 21st Century Schools (£19.122m). The amounts included are based on historical allocations and information available at the time of writing the report, any subsequent variation in the level of individual grants will be dealt with by amendments in subsequent budget setting reports, or by amending the budget in monitoring reports as necessary in year (2015/16). These allocations are for specific time durations hence the variation in amount year on year.
- 7.07 Unsupported (prudential) borrowing of £20.290m relates to Flintshire's element of the 21st Century Schools programme.

7.08 Welsh Government Local Government Borrowing Initiation (LGBI) funding mechanism for 21st Century Schools comprises an element of LGBI and specific capital grant. This equates to £22.697m for Flintshire in 2015/16 (£3.575m LGBI, £19.122m specific grant).

7.09 The funding for 2015/16 includes £42.907m related to 21st Century Schools. Whilst preliminary expenditure on the programme has taken place in 2013/14 and 2014/15, the profile is for significant expenditure to commence from 2015/16 to deliver on the £64m of investment in Flintshire schools under the 21st Century programme which is funded equally by Flintshire and WG.

8.00 CONSULTATION

8.01 A meeting of the Corporate Resources Overview & Scrutiny Committee will be held on 30th January 2015, at which the capital programme proposals as set out in this paper will be considered. The scrutiny meeting is open to all Members of the Council.

9.00 RECOMMENDATIONS

9.01 Cabinet is recommended to:

- (a) Note the report.
- (b) Approve the allocation of funding to the core capital programme in 2015/16, as shown in Appendix 1 (and note the indicative funding available for future years), subject to input by Overview and Scrutiny.

10.00 FINANCIAL IMPLICATIONS

10.01 As set out in the report.

11.00 ANTI-POVERTY IMPACT

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

12.00 ENVIRONMENTAL IMPACT

12.01 Individual Capital Programme Schemes may have specific environmental impacts.

13.00 EQUALITIES IMPACT

13.01 Individual Capital Programme Schemes may have specific equality impacts.

14.00 PERSONNEL IMPLICATIONS

14.01 None directly as a result of this report.

15.00 CONSULTATION REQUIRED

15.01 All Members through Overview & Scrutiny.

16.00 CONSULTATION UNDERTAKEN

16.01 Corporate Resources Overview & Scrutiny Committee on 30th January 2015.

17.00 APPENDICES

17.01 Appendix 1 – Core Capital Programme Schemes 2015/16

Appendix 2 – Total Capital Programme 2015/16

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

Contact Officer: Gary Ferguson
Telephone: 01352 702271
Email: gary.ferguson@flintshire.gov.uk