

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, 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 proposals for the Council Fund Capital Programme for 2015/16 (with indicative funding estimates for future years).

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 was held on 30th January to enable all Members to consider the 2015/16 capital programme. Members raised various comments and questions, responses were provided and a summary of these are in Appendix 3.

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 (WG) and the impact the current austerity measures and related financial climate continues to have on the Councils ability to generate 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 Flintshire has to achieve revenue efficiencies of circa £50m over the next three years and 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 to note 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 Council's current business planning process;
 - Support key service needs e.g. schools maintenance;
 - Support investment which enables change and service flexibility 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 for those with disabilities.
- 3.05 In addition to the work and position detailed above the Council is currently developing its Capital Strategy and integrated Asset Management Plan. The document 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 which are likely to move from the current core programme approach to one which is business case derived. This approach to future capital programme delivery will form one of the strands of an overall approach which will be set out within the Medium Term Financial Plan and will also assist and support a more structured and focussed delivery of the capital budget.

4.00 FUNDING SHORTFALL OF APPROVED SCHEMES

4.01 The final 2013/14 outturn of approved schemes was a shortfall carried into financial year 2014/15 of **£1.578m**, as a direct result of receipts in previous years not being achieved or not achieving their anticipated levels. The aim, when setting the 2014/15 programme, was to focus on and 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.

5.00 FUNDING THE CAPITAL PROGRAMME

5.01 The capital programme includes the following parts 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 £27.472m.

ESTIMATED AVAILABLE FUNDING 2015/16 - 2018/19					
	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Financing (Excluding Specific Grants)					
Unhypothecated Supported Borrowing (USB) ¹	4.270	4.270	4.270	4.270	17.080
General Capital Grant (GCG) ¹	2.598	2.598	2.598	2.598	10.392
Total	6.868	6.868	6.868	6.868	27.472
¹ As per 15/16 Final Settlement.					

6.02 This shows that the total projected (to date) resources available in 2015/16 to fund the core capital programme are **£6.868m**.

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 final financial settlement received from WG on 10th December 2014 indicated a total of £6.868m, £4.270m through USB and £2.598m via GCG for 2015/16. This has been assumed to be consistent throughout the reporting period.

The total is £0.004m less than the 2015/16 provisional financial settlement reported to Cabinet on 16th December 2014.

Capital Receipts

6.05 The issue of capital receipts continues to be problematic and is negatively impacted upon by the current economic climate which leads to lower than anticipated disposal values in the current market. It is therefore difficult to predict with certainty when disposals will be effected and the funds 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 (£1.578m). 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, 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 is to assume no receipts from 2014/15 are available to fund the 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.

For information the Council is currently estimating a level of anticipated capital receipts in the order of £2.800m for financial year 2015/16, however, and for the reasons stated above, the delivery of these receipts is subject to negative market forces and legal complexities and at this stage in the budget setting process the delivery of this level of receipts should be treated with some caution.

6.08 It is of course 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 in year through quarterly budget monitoring reports to fund the core capital programme or works arising from corporate priorities; or
- Allocated for use in future years.

Allocation of the available funding

6.09 As indicated in 6.02, the total amount available to fund the core capital programme in 2015/16 is £6.868m.

6.10 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
Planning & Environment	0.290
Transport & Streetscene	0.860
Organisational Change	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.

- 6.11 The recommended allocations above result in a balance of **£0.333m** of core funding unallocated. This is a prudent position moving into the new financial year and provides a degree of protection to the core programme to deal with any issues which may arise in the delivery of those programmes.
- 6.12 The intention is to consider the emerging requirements for capital funding from the business plans to enable organisational change and deliver the necessary revenue efficiencies over the medium term.

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

Current requirements under assessment at this stage include; investment in schools in support of school modernisation and repair programmes, investment to facilitate Community Asset Transfers (CAT's) and the installation of income generating energy installation facilities.

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 £82.719m.

ESTIMATED AVAILABLE TOTAL FUNDING 2015/16 - 2018/19					
	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Funding (Total)					
<u>General Funding</u>					
Unhypothecated Supported Borrowing (USB) ¹	4.270	4.270	4.270	4.270	17.080
General Capital Grant (GCG) ¹	2.598	2.598	2.598	2.598	10.392
Sub Total	6.868	6.868	6.868	6.868	27.472
<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	50.692	17.344	7.815	6.868	82.719
1 As per 15/16 Final Settlement.					

7.02 This shows that the total resources available in 2015/16 to fund the capital programme are £50.692m.

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 was held on 30th January 2015, at which the capital programme proposals as set out in this paper were considered. The scrutiny meeting was open to all Members of the Council and the feedback from the meeting is incorporated at Appendix 3.

9.00 RECOMMENDATIONS

- 9.01 Cabinet is invited to recommended to Council on 17th February:
- Approval of 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).

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

Appendix 3 - Feedback from Overview and Scrutiny

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 1

	2015/16 Estimate £m
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SUMMARY	
CHIEF EXECUTIVES	0.020
PEOPLE & RESOURCES	0.075
GOVERNANCE	0.170
EDUCATION & YOUTH	2.035
SOCIAL CARE	0.000
COMMUNITY & ENTERPRISE	2.265
PLANNING & ENVIRONMENT	0.290
TRANSPORT & STREETSCENE	0.860
ORGANISATIONAL CHANGE 2	0.820
TOTAL - COUNCIL FUND	6.535

FINANCING	
Unhypothecated Supported Borrowing (USB)	4.270
General Capital Grant	2.598
(Unallocated - Headroom) / Under Financing	(0.333)
TOTAL - FINANCING	6.535

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

	2015/16 Estimate £m
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CHIEF EXECUTIVES	
Clwyd Theatr Cymru	
General Provision	0.020
TOTAL - CHIEF EXECUTIVES	0.020

PEOPLE & RESOURCES	
Corporate Finance	
General Capital Works - Health & Safety	0.075
TOTAL - PEOPLE & RESOURCES	0.075

GOVERNANCE	
ICT and Customer Services	
General ICT Infrastructure	0.170
TOTAL - GOVERNANCE	0.170

EDUCATION & YOUTH	
Education - General	
Various School Building Works	1.700
Various DD Act - Individual Pupils	0.250
Various Furniture and Equipment	0.045
Primary Schools	
Various Learning Environments (Foundation Phase)	0.040
TOTAL - EDUCATION & YOUTH	2.035

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

		2015/16 Estimate £m
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SOCIAL CARE	
Social Care	
General Capital Works	0.000
TOTAL - SOCIAL CARE	0.000

COMMUNITY & ENTERPRISE	
Grants	
Various Private Sector Renewal & Improvements	1.730
Shotton Housing Renewal Area Support	0.155
Flintshire Connects	
Various Flintshire Connects	0.250
Regeneration	
Various Town Centre Regeneration	0.130
TOTAL - COMMUNITY & ENTERPRISE	2.265

PLANNING & ENVIRONMENT	
Energy Services	
Various Energy Efficiency Measures	0.100
Engineering	
Various Land Drainage Works	0.045
Various Coast Protection Works	0.070
Townscape Heritage Initiative	
Flint Townscape Heritage Initiative	0.075
TOTAL - PLANNING & ENVIRONMENT	0.290

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

	2015/16 Estimate £m
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TRANSPORT & STREETSCENE		
Highways		
Various	Highways Infrastructure	0.520
Various	Bridge Assessments and Replacement	0.100
Various	Street Lighting Replacement	0.120
Various	Structural Maintenance	0.120
TOTAL - TRANSPORT & STREETSCENE		0.860

ORGANISATIONAL CHANGE 2		
Administrative Buildings		
Various	Disability Discrimination Act (DDA) Works	0.175
Various	Asbestos Removal	0.070
Various	Legionella Works	0.070
Various	Upgrading Fire and Intruder Alarms	0.055
Various	Fire Safety Order Works	0.100
Various	Corporate Property Maintenance	0.350
TOTAL - ORGANISATIONAL CHANGE 2		0.820

TOTAL - COUNCIL FUND	6.535
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CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2

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Estimate 2015/16		
Estimated Payments £m	Financing	
	General £m	Specific £m

SUMMARY
CHIEF EXECUTIVES
PEOPLE & RESOURCES
GOVERNANCE
EDUCATION & YOUTH
SOCIAL CARE
COMMUNITY & ENTERPRISE
PLANNING & ENVIRONMENT
TRANSPORT & STREETSCENE
ORGANISATIONAL CHANGE 2
TOTAL - COUNCIL FUND

0.020	0.020	0.000
0.075	0.075	0.000
0.170	0.170	0.000
45.022	2.035	42.987
0.000	0.000	0.000
2.841	2.265	0.576
0.551	0.290	0.261
0.860	0.860	0.000
0.820	0.820	0.000
50.359	6.535	43.824

FINANCING
Unhypothecated Supported Borrowing (USB)
General Capital Grant
Capital Receipts
Specific Capital Grants
Unsupported (Prudential) Borrowing
LGBI - 21st Century Schools
(Unallocated - Headroom) / Under Financing
TOTAL - FINANCING

4.270	4.270	
2.598	2.598	
19.959		19.959
20.290		20.290
3.575		3.575
(0.333)	(0.333)	0.000
50.359	6.535	43.824

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments £m	Financing	
	General £m	Specific £m

CHIEF EXECUTIVES	
Clwyd Theatr Cymru	
General	Provision
TOTAL - CHIEF EXECUTIVES	

0.020	0.020	
0.020	0.020	0.000

PEOPLE & RESOURCES	
Corporate Finance	
General	Capital Works - Health & Safety
TOTAL - PEOPLE & RESOURCES	

0.075	0.075	
0.075	0.075	0.000

GOVERNANCE	
ICT and Customer Services	
General	ICT Infrastructure
TOTAL - GOVERNANCE	

0.170	0.170	
0.170	0.170	0.000

EDUCATION & YOUTH	
Education - General	
Various	School Building Works
Various	DD Act - Individual Pupils
Various	Furniture and Equipment
Primary Schools	
Various	Learning Environments (Foundation Phase)
School Modernisation	
Shotton	Taliesin Junior/Shotton Infant
Various	21st Century Schools
TOTAL - EDUCATION & YOUTH	

1.700	1.700	
0.250	0.250	
0.045	0.045	
0.040	0.040	
0.080		0.080
42.907		42.907
45.022	2.035	42.987

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments £m	Financing	
	General £m	Specific £m

SOCIAL CARE	
Social Care	
General	Capital Works
TOTAL - SOCIAL CARE	

0.000	0.000	
0.000	0.000	0.000

COMMUNITY & ENTERPRISE	
Grants	
Various	Private Sector Renewal & Improvements
Shotton	Housing Renewal Area Support
Flintshire Connects	
Various	Flintshire Connects
Regeneration	
Various	Town Centre Regeneration
Travellers' Sites	
Queensferry	Riverside Caravan Site
TOTAL - COMMUNITY & ENTERPRISE	

1.878	1.730	0.148
0.433	0.155	0.278
0.250	0.250	
0.130	0.130	
0.150		0.150
2.841	2.265	0.576

PLANNING & ENVIRONMENT	
Energy Services	
Various	Energy Efficiency Measures
Engineering	
Various	Land Drainage Works
Various	Coast Protection Works
Townscape Heritage Initiative	
Flint	Townscape Heritage Initiative
Ranger Services	
Connahs Quay	Wepre Park Development
TOTAL - PLANNING & ENVIRONMENT	

0.100	0.100	
0.045	0.045	
0.070	0.070	
0.309	0.075	0.234
0.027		0.027
0.551	0.290	0.261

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments	Financing	
	General	Specific
£m	£m	£m

TRANSPORT & STREETSCENE	
Highways	
Various	Highways Infrastructure
Various	Bridge Assessments and Replacement
Various	Street Lighting Replacement
Various	Structural Maintenance
TOTAL - TRANSPORT & STREETSCENE	

0.520	0.520	
0.100	0.100	
0.120	0.120	
0.120	0.120	
0.860	0.860	0.000

ORGANISATIONAL CHANGE 2	
Administrative Buildings	
Various	Disability Discrimination Act (DDA) Works
Various	Asbestos Removal
Various	Legionella Works
Various	Upgrading Fire and Intruder Alarms
Various	Fire Safety Order Works
Various	Corporate Property Maintenance
TOTAL - ORGANISATIONAL CHANGE 2	

0.175	0.175	
0.070	0.070	
0.070	0.070	
0.055	0.055	
0.100	0.100	
0.350	0.350	
0.820	0.820	0.000

TOTAL - COUNCIL FUND

50.359	6.535	43.824
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OVERVIEW & SCRUTINY Corporate Resources – Council Fund Capital Programme

No.	Comments and Questions:	Responses:
1.0	<p><u>School Repair & Maintenance</u></p> <ul style="list-style-type: none"> • The repairs allocation is £1.700m. How does this compare with the rate of deterioration in our school buildings? 	<ul style="list-style-type: none"> • It is accepted that the £1.700m is insufficient to redress the level of outstanding repair and maintenance. • Lifelong Learning Overview & Scrutiny have requested further information as to how this can be addressed, including the use of Prudential Borrowing.

