

## CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Friday 18 <sup>th</sup> December 2015
<b>Report Subject</b>	Capital Programme 2016/17 – 2019/20: Overview
<b>Cabinet Member</b>	Leader of Council
<b>Report Author</b>	Chief Officer, Organisational Change Corporate Finance Manager
<b>Type of Report</b>	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	<b>CAPITAL PROGRAMME 2016/17 – 2019/20: INITIAL PROPOSALS</b>																																																						
	<b>Projected Funding Available 2016/17 – 2019/20</b>																																																						
1.01	<p>Table 1 below shows the general capital funding currently projected to be available to fund the capital programme over the next 4 years.</p> <p><b>Table 1</b></p> <table border="1" data-bbox="304 577 1369 1048"> <thead> <tr> <th colspan="6" data-bbox="304 577 1369 629"><b>ESTIMATED AVAILABLE FUNDING 2016/17 - 2019/20</b></th> </tr> <tr> <th data-bbox="304 629 821 719"></th> <th data-bbox="821 629 917 719">2016/17 £m</th> <th data-bbox="917 629 1013 719">2017/18 £m</th> <th data-bbox="1013 629 1109 719">2018/19 £m</th> <th data-bbox="1109 629 1236 719">2019/20 £m</th> <th data-bbox="1236 629 1369 719">Total £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 719 821 763"><b>Financing (Excluding Specific Funding)</b></td> <td data-bbox="821 719 917 763"></td> <td data-bbox="917 719 1013 763"></td> <td data-bbox="1013 719 1109 763"></td> <td data-bbox="1109 719 1236 763"></td> <td data-bbox="1236 719 1369 763"></td> </tr> <tr> <td data-bbox="304 763 821 808">Unhypotheated Supported Borrowing (USB) <sup>1</sup></td> <td data-bbox="821 763 917 808">4.181</td> <td data-bbox="917 763 1013 808">4.181</td> <td data-bbox="1013 763 1109 808">4.181</td> <td data-bbox="1109 763 1236 808">4.181</td> <td data-bbox="1236 763 1369 808">16.724</td> </tr> <tr> <td data-bbox="304 808 821 853">General Capital Grant (GCG) <sup>1</sup></td> <td data-bbox="821 808 917 853">2.544</td> <td data-bbox="917 808 1013 853">2.544</td> <td data-bbox="1013 808 1109 853">2.544</td> <td data-bbox="1109 808 1236 853">2.544</td> <td data-bbox="1236 808 1369 853">10.176</td> </tr> <tr> <td data-bbox="304 853 821 898">Capital Receipts Available (As at M6 2015/16)</td> <td data-bbox="821 853 917 898">2.629</td> <td data-bbox="917 853 1013 898">0.000</td> <td data-bbox="1013 853 1109 898">0.000</td> <td data-bbox="1109 853 1236 898">0.000</td> <td data-bbox="1236 853 1369 898">2.629</td> </tr> <tr> <td data-bbox="304 898 821 943"><b>Total</b></td> <td data-bbox="821 898 917 943"><b>9.354</b></td> <td data-bbox="917 898 1013 943"><b>6.725</b></td> <td data-bbox="1013 898 1109 943"><b>6.725</b></td> <td data-bbox="1109 898 1236 943"><b>6.725</b></td> <td data-bbox="1236 898 1369 943"><b>29.529</b></td> </tr> <tr> <td data-bbox="304 943 821 987">Estimated Capital Receipts (As at M6 2015/16)</td> <td data-bbox="821 943 917 987">5.427</td> <td data-bbox="917 943 1013 987">1.757</td> <td data-bbox="1013 943 1109 987">2.757</td> <td data-bbox="1109 943 1236 987">2.414</td> <td data-bbox="1236 943 1369 987">12.355</td> </tr> <tr> <td colspan="6" data-bbox="304 987 1369 1048"><b>1 As per 16/17 Provisional Settlement.</b></td> </tr> </tbody> </table>	<b>ESTIMATED AVAILABLE FUNDING 2016/17 - 2019/20</b>							2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m	<b>Financing (Excluding Specific Funding)</b>						Unhypotheated Supported Borrowing (USB) <sup>1</sup>	4.181	4.181	4.181	4.181	16.724	General Capital Grant (GCG) <sup>1</sup>	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	<b>Total</b>	<b>9.354</b>	<b>6.725</b>	<b>6.725</b>	<b>6.725</b>	<b>29.529</b>	Estimated Capital Receipts (As at M6 2015/16)	5.427	1.757	2.757	2.414	12.355	<b>1 As per 16/17 Provisional Settlement.</b>					
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1.02	<p>Table 1 above assumes that the Unhypotheated 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.</p> <p>Compared with 2015/16 final financial settlement the Unhypotheated Supported Borrowing allocation has reduced by £0.089m and General Capital Grant by £0.054m, a total reduction of £0.143m.</p>																																																						
1.03	<p>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.</p>																																																						
1.04	<p>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.</p> <p>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.</p>																																																						

	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.
	<b>Capital Programme 2016/17 – 2019/20</b>
1.07	<p>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.</p> <p>The new Capital Strategy and Asset Management Plan has split the Capital Programme into 3 sections; Statutory / Regulatory, Retained Assets and Investment Programmes.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p>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.</p>
	<b>Statutory / Regulatory and Retained Asset Allocations – 2016/17 – 2019/20</b>

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**

<b>PROPOSED ALLOCATIONS 2016/17 - 2019/20</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Statutory / Regulatory Section</b>					
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
<b>Total Statutory / Regulatory</b>	<b>2.305</b>	<b>1.650</b>	<b>1.650</b>	<b>1.650</b>	<b>7.255</b>
<b>Retained Assets Section</b>					
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
<b>Total Retained Assets Section</b>	<b>2.050</b>	<b>2.050</b>	<b>2.050</b>	<b>2.050</b>	<b>8.200</b>

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	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m
<b>Investment Section</b>					
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
<b>Total Investment Section</b>	<b>2.125</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.125</b>

\* 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 21<sup>st</sup> 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

	<p>funding.</p> <p>The Welsh Government funding criteria for 21<sup>st</sup> Century schools will only potentially fund modernisation projects; refurbishment projects are not eligible for grant via this programme.</p>																																																						
1.19	<p>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.</p>																																																						
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1.20	<p>Table 4 below summarises the initial proposals for the 2016/17 – 2019/20 Capital Programme.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="6" style="text-align: center;"><b>SUMMARY CAPITAL PROGRAMME 2016/17 - 2019/20</b></th> </tr> <tr> <th></th> <th style="text-align: center;">2016/17</th> <th style="text-align: center;">2017/18</th> <th style="text-align: center;">2018/19</th> <th style="text-align: center;">2019/20</th> <th style="text-align: center;">Total</th> </tr> <tr> <th></th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td>Statutory / Regulatory Section</td> <td style="text-align: center;">2.455</td> <td style="text-align: center;">1.800</td> <td style="text-align: center;">1.800</td> <td style="text-align: center;">1.800</td> <td style="text-align: center;">7.855</td> </tr> <tr> <td>Retained Assets Section</td> <td style="text-align: center;">1.900</td> <td style="text-align: center;">1.900</td> <td style="text-align: center;">1.900</td> <td style="text-align: center;">1.900</td> <td style="text-align: center;">7.600</td> </tr> <tr> <td>Investment Section</td> <td style="text-align: center;">2.125</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">2.125</td> </tr> <tr> <td><b>Total Programme (All Sections)</b></td> <td style="text-align: center;"><b>6.480</b></td> <td style="text-align: center;"><b>3.700</b></td> <td style="text-align: center;"><b>3.700</b></td> <td style="text-align: center;"><b>3.700</b></td> <td style="text-align: center;"><b>17.580</b></td> </tr> <tr> <td><b>Total Projected Financing*</b></td> <td style="text-align: center;"><b>9.354</b></td> <td style="text-align: center;"><b>6.725</b></td> <td style="text-align: center;"><b>6.725</b></td> <td style="text-align: center;"><b>6.725</b></td> <td style="text-align: center;"><b>29.529</b></td> </tr> <tr> <td><b>Balance of Funding Available for Future Allocation</b></td> <td style="text-align: center;"><b>2.874</b></td> <td style="text-align: center;"><b>3.025</b></td> <td style="text-align: center;"><b>3.025</b></td> <td style="text-align: center;"><b>3.025</b></td> <td style="text-align: center;"><b>11.949</b></td> </tr> </tbody> </table> <p>* As per 16/17 Provisional Settlement.</p>	<b>SUMMARY CAPITAL PROGRAMME 2016/17 - 2019/20</b>							2016/17	2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	£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	<b>Total Programme (All Sections)</b>	<b>6.480</b>	<b>3.700</b>	<b>3.700</b>	<b>3.700</b>	<b>17.580</b>	<b>Total Projected Financing*</b>	<b>9.354</b>	<b>6.725</b>	<b>6.725</b>	<b>6.725</b>	<b>29.529</b>	<b>Balance of Funding Available for Future Allocation</b>	<b>2.874</b>	<b>3.025</b>	<b>3.025</b>	<b>3.025</b>	<b>11.949</b>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>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.</p>

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

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

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Asset Management Plan</b> - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs</p> <p><b>Capital Expenditure</b> - Expenditure on the acquisition of <b>Non-current Assets</b> or expenditure that extends the life or value of an existing asset</p> <p><b>Capital Programme</b> - 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.</p> <p><b>Capital Receipt</b> - Receipts (in excess of £10,000) from the disposal of an asset</p> <p><b>Capital Scheme</b> - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the <b>Capital Programme</b></p> <p><b>Capital Strategy</b> - 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 <b>Asset Management Plan (AMP)</b> to form a single document</p> <p><b>Council Fund</b> - The fund to which all the Council's revenue and capital expenditure is charged</p> <p><b>Disposal</b> - The decommissioning or transfer of an asset to another party</p>

**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 21<sup>st</sup> 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).