

CABINET

Date of Meeting	Tuesday 16 th February 2016
Report Subject	Council Fund Capital Programme 2016/17 and indicative programme to 2019/20
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive, Chief Officer (Organisational Change), Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

This report proposes the 2016/17 Council Fund Capital Programme and indicative programme for 2017/18 - 2019/20.

The report is linked with the 'draft Capital Strategy and Asset Management Plan 2016 – 2020' agenda item, where it is proposed to split the Council Fund Capital Programme into 3 sections; Statutory / Regulatory, Retained Assets and Investment sections.

RECOMMENDATIONS

1	<p>Cabinet is invited to recommend to Council on 16th February 2016:</p> <ul style="list-style-type: none"> • Approval of the allocations in Table 2 (paragraph 1.07) for Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2016/17 - 2019/20 • Approval of the schemes included in Table 3 (paragraph 1.11) for the Investment section of the Council Fund Capital Programme 2016/17 - 2019/20 • Continued support for the existing process of allocating capital receipts to fund capital schemes generally only when the receipts have been actually received (paragraphs 1.03 and 1.04)
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REPORT DETAILS

1.00	CAPITAL PROGRAMME 2016/17 - 2019/20																																																
	Projected Funding Available 2016/17 - 2019/20																																																
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>Table 1</p> <table border="1" data-bbox="347 577 1401 1122"> <thead> <tr> <th colspan="6" style="text-align: center;">ESTIMATED AVAILABLE FUNDING 2016/17 - 2019/20</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 colspan="6">Funding (Excluding Specific Funding)</td> </tr> <tr> <td>Unhypothecated Supported Borrowing (USB) ¹</td> <td style="text-align: center;">4.181</td> <td style="text-align: center;">4.181</td> <td style="text-align: center;">4.181</td> <td style="text-align: center;">4.181</td> <td style="text-align: center;">16.724</td> </tr> <tr> <td>General Capital Grant (GCG) ¹</td> <td style="text-align: center;">2.544</td> <td style="text-align: center;">2.544</td> <td style="text-align: center;">2.544</td> <td style="text-align: center;">2.544</td> <td style="text-align: center;">10.176</td> </tr> <tr> <td>Capital Receipts Available (As at M6 2015/16)</td> <td style="text-align: center;">2.629</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;">2.629</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">9.354</td> <td style="text-align: center;">6.725</td> <td style="text-align: center;">6.725</td> <td style="text-align: center;">6.725</td> <td style="text-align: center;">29.529</td> </tr> </tbody> </table> <p>¹ As per 16/17 Provisional Settlement.</p>	ESTIMATED AVAILABLE FUNDING 2016/17 - 2019/20							2016/17	2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	£m	Funding (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
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1.02	<p>Table 1 above assumes that the Unhypothecated Supported Borrowing allocation and the General Capital Grant received from Welsh Government (WG) in the years 2016/17 to 2019/20 remains the same as the information provided in the 2016/17 provisional financial settlement for Welsh local government. Welsh Government will not publish the final settlement until March 2016.</p> <p>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.</p>																																																
1.03	<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>This strategy continues and builds upon the prudent policy of allocating capital receipts to fund capital projects; (which are predominately investment schemes, larger and more complex to deliver), when these receipts are actually received rather than when we anticipate the receipt.</p> <p>Further receipts received in 2015/16 will be retained for allocation to investment schemes or urgent capital requirements in year or in future years. The current estimate is for a further £2.1m to be received by the end of 2015/16.</p>																																																

1.04	Future capital receipts over the period 2016/17 – 2019/20 are estimated to be in the region of £10.067m, which will be retained and allocated to investment schemes or urgent capital requirements when received.
1.05	The figures in Table 1 relate to the Council Fund only with the HRA Capital Programme being reported separately on this agenda.
	Capital Programme 2016/17 – 2019/20
1.06	<p>The draft Capital Strategy and Asset Management Plan has been developed during the latter part of 2015 and proposes to split the Capital Programme into 3 sections; Statutory / Regulatory, Retained Assets and Investment Programmes (as detailed below). As the document is still in draft when setting the Capital Programme it is important to note that 2016/17 is a transitional year to enable services to prepare business cases to draw from the investment fund.</p> <ol style="list-style-type: none"> 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 or emerging Council priorities approved through a selection process based on the provision of a sound business case. Funded generally by Capital Receipts and Debt / Alternative source of funding. <p>Items 1.06.01 and 1.06.2 above are similar to the current core capital programme but are much reduced compared with current expenditure levels to create appropriate capacity to fund the Investment section of future larger and/or more complex capital projects.</p>
	Statutory / Regulatory and Retained Asset Allocations – 2016/17 – 2019/20
1.07	Table 2 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	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£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

1.08 Chief Officers are developing detailed programmes of work and reports will be provided to Cabinet as part of regular capital monitoring.

1.09 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.

1.10 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

1.11 Table 3 shows the proposed schemes for the period 2016/17 - 2019/20 for the Investment section of the Capital Programme. This programme will grow through 2016/17 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
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

1.12 Portfolios through their business plans and the Improvement Plan have identified significant capital investment needed to improve services and achieve revenue efficiencies. Detailed 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.

The schemes included in the Investment section will therefore increase from what is included in Table 3 above as business cases are completed.

Decisions made that commit the Council to capital schemes have long term financial implications, especially for revenue budgets, that cannot be easily undone. It is therefore important that enough time is taken to develop robust business cases that; consider all available options, are fully costed and tested for longer term sensitivities. These business cases then need to be assessed corporately to ensure they fit absolutely with the Council's strategic priorities.

1.13 The schemes identified in Table 3 above are explained below in more detail.

- 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.
- 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 for final approval once all the details are finalised.

	<ul style="list-style-type: none"> • Ongoing programme of Town Centre Regeneration one of the sub priorities in the Council's current Improvement Plan. • The Council's match funding required to secure capital grant received for the Townscape Heritage Initiative.
1.14	Other Portfolios are in the process of considering options for future capital investment schemes before submitting business cases for approval. Examples of such schemes are listed below.
1.15	The WG has indicated that they intend to roll out Band B of the 21 st Century Schools building programme from 2019 onwards. It is expected that WG 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.
1.16	The WG funding criteria for 21 st Century schools will only potentially fund modernisation projects; refurbishment projects are not eligible for grant via this programme. The Education and Youth Portfolio are developing a rolling programme of implementation plans, that the Council will need to fund, which will; ensure continuation of the rise in educational standards, create conditions for school leaders to succeed, ensure that school buildings are 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.
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.
1.17	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.
1.18	The Governance Portfolio are at present critically reviewing the ICT strategy with the refreshed plan being finalised over the summer 2016. The new ICT strategy will form the backdrop to business cases that will be put forward requiring investment in our ICT infrastructure to generate savings and efficiencies.
1.19	As well as the above there are a number of projects which are being considered by officers linked to Coastal Protection and flood protection, highway and road safety initiatives.
1.20	Table 4 below summarises the proposals for the 2016/17 - 2019/20 Council Fund Capital Programme financed from general funding.

Table 4**SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2016/17 - 2019/20**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Statutory / Regulatory Section	2.305	1.650	1.650	1.650	7.255
Retained Assets Section	2.050	2.050	2.050	2.050	8.200
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

* As per 16/17 Provisional Settlement.

Specific Grants and Borrowing

1.21

In addition to those schemes funded from general resources, as summarised in Table 4 above, there are also schemes funded from specific grants and unsupported (prudential) borrowing. A summary of known funding and borrowing commitments is shown in Table 5.

Table 5**ESTIMATED AVAILABLE SPECIFIC FUNDING 2016/17 - 2019/20**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Specific Funding					
Specific Capital Grants	5.361	3.907	4.606	0.148	14.022
Unsupported (Prudential) Borrowing	7.686	4.694	4.606	0.148	17.134
Local Govt Borrowing Initiative - 21st C Schools	1.616				1.616
Total	14.663	8.601	9.212	0.296	32.772

1.22

At the time of setting the budget the details of many capital grants have not been released by WG and so are not included in the Table above. As details become available they will be reported to Members via the quarterly 2016/17 Capital Programme monitoring reports.

1.23

Details of the schemes funded by the above are shown in Table 6 below.

Table 6

SPECIFICALLY FUNDED SCHEMES 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Specifically Funded Schemes					
Arbed Programme Grant	0.048				0.048
Housing Renewal Area Support	0.278				0.278
Vibrant & Viable Places	1.600				1.600
21C Schools	12.637	8.601	9.212	0.296	30.746
Domestic Energy Grants	0.100				0.100
Total	14.663	8.601	9.212	0.296	32.772

Summary Total Council Fund Capital Programme 2016/17 - 2019/20

1.24 Table 7 summarises the total proposals for the 2016/17 - 2019/20 Capital Programme.

Table 7

SUMMARY CAPITAL PROGRAMME 2016/17 - 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Expenditure					
Statutory/ Regulatory Section	2.305	1.650	1.650	1.650	7.255
Retained Assets Section	2.050	2.050	2.050	2.050	8.200
Investment Section	2.125	0.000	0.000	0.000	2.125
Specific Grants & Borrowing	14.663	8.601	9.212	0.296	32.772
Total Programme (All Sections)	21.143	12.301	12.912	3.996	50.352
Funding					
General Funding*	6.480	3.700	3.700	3.700	17.580
Specific Funding	14.663	8.601	9.212	0.296	32.772
Total Projected Funding	21.143	12.301	12.912	3.996	50.352

* 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	Consultation is required with all Members via Overview and Scrutiny. The initial proposals were taken to Corporate Resources Overview and Scrutiny Committee on 18 th December, 2015 with no specific comments or issues being highlighted.

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. A separate report assessing the affordability, prudence and sustainability of the capital plans called the Prudential Indicator report is included elsewhere on the agenda.

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 form 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; 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).

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).