

CORPORATE RESOUCRES OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Friday 20th January 2017
Report Subject	Development of 2017/18 – 2019/20 Capital Programme
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive, Chief Officer Organisational Change and Corporate Finance Manager
Report Type	Strategic

EXECUTIVE SUMMARY

This report presents the developing Capital Programme for the period 2017/18 – 2019/20.

The Council funded Capital Programme is only one part of the Council's contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the Housing Revenue Account (HRA) Capital Programme which includes Wales Housing Quality Standard (WHQS) and Strategic Housing and Regeneration Programme (SHARP), and the 21st Century Schools Programme delivered in partnership between the Council and Welsh Government, supplement the Council funded capital programme.

The Council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or readopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the portfolio service business plans and the Improvement Plan.

The Capital Strategy and Asset Management Plan is being updated to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. The new Strategy will be more visionary and will be an evidential basis for the leverage of national funds to meet Council priorities.

This report builds on the Capital Strategy and Asset Management Plan adopted in February 2016 which splits the Council Fund Capital Programme into three sections;

1. Statutory / Regulatory - allocations to cover statutory and regulatory works
2. Retained Assets - allocations to fund infrastructure works necessary to ensure service and business continuity
3. Investment - allocations to fund works necessary to remodel services to deliver efficiencies outlined in Portfolio business plans and invest in services as outlined in the Improvement Plan.

The majority of the programme can be funded from supported borrowing, capital receipts and grants. There is a shortfall in general funding which would need to be met through a combination of future capital receipts, alternative grants, prudential borrowing or by phasing schemes over several years.

The information in this report refers to Council Fund (CF) schemes only.

The report was considered and approved by Cabinet in December 2016.

RECOMMENDATIONS

1	Members are asked to consider and support the allocations and schemes in Table 2 (paragraph 1.07) for Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2017/18 - 2019/20.
2	Members are asked to consider and support the schemes included in Table 3 (paragraph 1.20) for the Investment section of the Council Fund Capital Programme 2017/18 - 2019/20.
3	Members are asked to note that the shortfall in funding of schemes in 2018/19 and 2019/20 (paragraph 1.30) at this point in the approval process is flexible. Options including a combination of future capital receipts, alternative grants, prudential borrowing or phasing schemes over several years will be considered during 2017/18, and included in future capital programme reports.
4	Members are asked to note the development of a more longer term Capital Strategy and Asset Management Plan.
5	Members are asked to consider the report and feedback any comments for Cabinet to consider before the final Capital Programme 2017/18 – 2019/20 report is considered by Council.

REPORT DETAILS

1.00	DEVELOPING THE CAPITAL PROGRAMME 2017/18 – 2019/20
1.01	<p>The Council funded capital programme has limited resources to support Council priorities, needs and liabilities. The council funded programme is only one part of the Council's contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the Housing Revenue Account (HRA) Capital Programme which includes Wales Housing Quality Standard (WHQS) and Strategic Housing and Regeneration Programme (SHARP), and the 21st Century Schools Programme, delivered in partnership between the Council and Welsh Government, supplement the council funded capital programme. The Council will need to be inventive to attract greater capital funds in the future through alternative funding sources and the use of land assets.</p> <p>The council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or readopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the portfolio service business plans and the Improvement Plan.</p> <p>The Capital Strategy and Asset Management Plan is being updated to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. The new Strategy will be more visionary and will be an evidential basis for the leverage of national funds to meet Council priorities. Longer-term planning will put the Council in a stronger position to attract national funds of different types – from capital grant to borrowing approvals - to support its priorities in areas such as economic development infrastructure, transport, education, housing and service models for example in social care.</p>

	Projected Funding Available 2017/18 - 2019/20																																								
1.02	<p>Table 1 below shows the general capital funding currently projected to be available to fund the capital programme over the next 3 years.</p> <p><u>Table 1</u></p> <table><tr><th colspan="5">ESTIMATED AVAILABLE FUNDING 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>Total</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Funding (Excluding Specific Funding)</td><td></td><td></td><td></td><td></td></tr><tr><td>Un-hypothecated Supported Borrowing (USB) ¹</td><td>4.124</td><td>4.124</td><td>4.124</td><td>12.372</td></tr><tr><td>General Capital Grant (GCG) ¹</td><td>2.510</td><td>2.510</td><td>2.510</td><td>7.530</td></tr><tr><td>Capital Receipts Available (As at M6 2016/17)</td><td>3.567</td><td>0.000</td><td>0.000</td><td>3.567</td></tr><tr><td>Total</td><td>10.201</td><td>6.634</td><td>6.634</td><td>23.469</td></tr></table> <p>1 As per 17/18 Provisional Settlement.</p>	ESTIMATED AVAILABLE FUNDING 2017/18 - 2019/20						2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	Funding (Excluding Specific Funding)					Un-hypothecated Supported Borrowing (USB) ¹	4.124	4.124	4.124	12.372	General Capital Grant (GCG) ¹	2.510	2.510	2.510	7.530	Capital Receipts Available (As at M6 2016/17)	3.567	0.000	0.000	3.567	Total	10.201	6.634	6.634	23.469
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1.03	<p>Table 1 above assumes that the Un-hypothecated Supported Borrowing allocation and the General Capital Grant received from Welsh Government (WG) in the years 2017/18 to 2019/20 remains the same as the information provided in the 2017/18 provisional financial settlement for Welsh local government. Welsh Government will not publish the final settlement until later this month.</p> <p>Compared with 2016/17 final financial settlement the Un-hypothecated Supported Borrowing allocation has reduced by £0.057m and General Capital Grant by £0.034m, a total reduction of £0.091m.</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 (£3.567m). That is prior year's receipts, and 2016/17 receipts (to date, as at the month 6 capital monitoring report 2016/17) which are unspent to date.</p> <p>This strategy continues and builds upon the prudent policy of allocating capital receipts to fund capital projects when these receipts are actually received rather than when we anticipate the receipt.</p> <p>The current projection is for a further £2.2m of capital receipts to be received by the end of 2016/17. This only includes sales that are actively progressing to legal completion and are rated as a low risk of not being achieved. A further £2.8m of capital receipts is anticipated by the end of the financial year, but there is more risk due to their size and complexity that these will slip into the early part of 2017/18.</p> <p>Future capital receipts over the period 2017/18 – 2019/20 are estimated to be in the region of £7m.</p>																																								

1.05	The figures in Table 1 relate to the Council Fund only with the HRA Capital Programme being reported separately to Cabinet in January.
	Capital Programme 2017/18 – 2019/20
1.06	<p>The Council's Capital Strategy and Asset Management Plan sets out the Capital Programme in three parts;</p> <ol style="list-style-type: none"> 1. Statutory / Regulatory section – allocations 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 due to Health and Safety requirements etc. 2. Retained Assets section – to ensure service and business continuity. Allocations to fund schemes that maintain, enhance and improve retained assets and infrastructure to deliver services. Significant needs identified by service plans / condition surveys etc. 3. Investment section – to fund costs incurred when remodelling and investing in services. 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.

	Statutory / Regulatory and Retained Asset Allocations – 2017/18 – 2019/20																																																																																																									
1.07	<p>Table 2 shows the proposed allocations for the period 2017/18 - 2019/20 for the Statutory / Regulatory and Retained Asset sections of the Capital Programme.</p> <p><u>Table 2</u></p> <table><tr><th colspan="5">PROPOSED ALLOCATIONS 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18 £m</th><th>2018/19 £m</th><th>2019/20 £m</th><th>Total £m</th></tr><tr><td colspan="5">Statutory / Regulatory Section</td></tr><tr><td>DD Act - Individual pupils</td><td>0.250</td><td>0.250</td><td>0.250</td><td>0.750</td></tr><tr><td>Private sector renewals & improvements</td><td>1.496</td><td>1.496</td><td>1.496</td><td>4.488</td></tr><tr><td>School building works</td><td>0.100</td><td>0.100</td><td>0.100</td><td>0.300</td></tr><tr><td>Corporate property works</td><td>0.300</td><td>0.300</td><td>0.300</td><td>0.900</td></tr><tr><td>IT - Firewalls, protection from cyber attacks</td><td>0.070</td><td>0.000</td><td>0.000</td><td>0.070</td></tr><tr><td>Special inspections - Flintshire bridge</td><td>0.510</td><td>0.000</td><td>0.000</td><td>0.510</td></tr><tr><td>Total Statutory / Regulatory</td><td>2.726</td><td>2.146</td><td>2.146</td><td>7.018</td></tr><tr><td colspan="5">Retained Assets Section</td></tr><tr><td>School building works</td><td>1.000</td><td>1.000</td><td>1.000</td><td>3.000</td></tr><tr><td>Corporate property works</td><td>0.300</td><td>0.300</td><td>0.300</td><td>0.900</td></tr><tr><td>Highways asset management plan</td><td>0.600</td><td>0.600</td><td>0.600</td><td>1.800</td></tr><tr><td>IT - Network replacement</td><td>0.300</td><td>0.000</td><td>0.000</td><td>0.300</td></tr><tr><td>IT - Server replacement</td><td>0.200</td><td>0.000</td><td>0.000</td><td>0.200</td></tr><tr><td>IT - Replacement of equip. to 'back up' data</td><td>0.050</td><td>0.000</td><td>0.000</td><td>0.050</td></tr><tr><td>TC - Telephony / Box office upgrade</td><td>0.100</td><td>0.000</td><td>0.000</td><td>0.100</td></tr><tr><td>Playareas and synthetic sports pitches</td><td>0.487</td><td>0.200</td><td>0.200</td><td>0.887</td></tr><tr><td>Headroom</td><td>0.250</td><td>0.250</td><td>0.250</td><td>0.750</td></tr><tr><td>Total Retained Assets Section</td><td>3.287</td><td>2.350</td><td>2.350</td><td>7.987</td></tr></table>	PROPOSED ALLOCATIONS 2017/18 - 2019/20						2017/18 £m	2018/19 £m	2019/20 £m	Total £m	Statutory / Regulatory Section					DD Act - Individual pupils	0.250	0.250	0.250	0.750	Private sector renewals & improvements	1.496	1.496	1.496	4.488	School building works	0.100	0.100	0.100	0.300	Corporate property works	0.300	0.300	0.300	0.900	IT - Firewalls, protection from cyber attacks	0.070	0.000	0.000	0.070	Special inspections - Flintshire bridge	0.510	0.000	0.000	0.510	Total Statutory / Regulatory	2.726	2.146	2.146	7.018	Retained Assets Section					School building works	1.000	1.000	1.000	3.000	Corporate property works	0.300	0.300	0.300	0.900	Highways asset management plan	0.600	0.600	0.600	1.800	IT - Network replacement	0.300	0.000	0.000	0.300	IT - Server replacement	0.200	0.000	0.000	0.200	IT - Replacement of equip. to 'back up' data	0.050	0.000	0.000	0.050	TC - Telephony / Box office upgrade	0.100	0.000	0.000	0.100	Playareas and synthetic sports pitches	0.487	0.200	0.200	0.887	Headroom	0.250	0.250	0.250	0.750	Total Retained Assets Section	3.287	2.350	2.350	7.987
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1.09	<p>Equalities Act – Individual Pupils</p> <p>An annual allocation to adapt and modify schools for children who have disabilities to support and create increasingly inclusive school environments.</p>																																																																																																									

1.10	<p>Private Sector Renewals and Improvements</p> <p>Annual allocations to improve and adapt private sector homes:</p> <ul style="list-style-type: none"> • Disabled Facilities Grants – adaptations enabling residents to continue to live independently in their own homes • Partnership working with Care and Repair to support vulnerable residents • Delivery of ‘Houses into Homes’ and ‘Home Improvement Loans’ loan schemes in partnership with Welsh Government • Property appreciation loans – support to older and vulnerable residents to adapt and improve their homes, where they would not necessarily have the financial means to do so.
1.11	<p>School Building Works</p> <p>An annual allocation to fund the most urgent property works required at schools split across the regulatory / statutory and retained assets sections of the capital programme.</p> <p>The retained assets section has been increased by £0.100m from 2017/18 onwards to introduce a programme of toilet upgrades in both primary and secondary schools to ensure compliance with Education (School Premises) Regulations 1999 and Department for Education and Skills document "Toilets in Schools". There is currently a backlog of such works estimated to be in the region of £1.5m which is often reflected as a Health and Safety issue in Estyn inspections of schools.</p>
1.12	<p>Corporate Property Works</p> <p>An annual allocation to fund the most urgent property works required at non-school premises split across the regulatory / statutory and retained assets sections of the capital programme.</p>
1.13	<p>IT – Firewalls, Protection from Cyber Attacks</p> <p>To access Department of Works and Pensions systems in undertaking Housing Benefit work the Council must connect to the Public Sector Network (PSN). To connect to the PSN the Council's security systems must meet accreditation standards, and to maintain accreditation the firewall currently in use needs to be upgraded as does the server which checks inbound e-mails and protects the Council from cyber-attack.</p>
1.14	<p>Flintshire Bridge</p> <p>The Flintshire Bridge is a complex and unique cable suspended structure that requires a variety of frequent and complex inspections to identify maintenance issues and remedial treatments. These inspections are classified as general, principal and special.</p>

	<p>General and principal inspections (revenue funded) are sufficient for the reinforced concrete form of the bridge, and these are undertaken at three and six year intervals, respectively. Special inspections are concerned with the cables, which are the most dynamic parts of the bridge. Significant defects can only be identified through special inspections, conducted at 10 year intervals which can be capitalised as they are necessary to ensure safe continued use of the asset. The 10 year inspection is overdue. There is a risk that further capital works will be required depending on the results of the 10 year inspection.</p>
1.15	<p>Highways Asset Management Plan (HAMP)</p> <p>An annual allocation to fund the HAMP which includes resurfacing of the classified highway network, replacement programme for street lighting columns and structural maintenance.</p> <p>Whilst the Council has a statutory duty to maintain the Highways Network in a safe condition for travel, how the Council does this is not defined. WG set targets for road condition indices, and at present Flintshire is performing better than the target set as a result of significant additional investment from WG in recent years.</p> <p>A longer term view over the next 20 years needs to be considered with decisions made regarding how the Council wants the Highways Network to perform against the target set, alongside the annual investment required to achieve that target. Maintaining the current position would require annual investment of circa £3m. Discussions will take place as part of the development of the longer term Capital Strategy outlined later in the report.</p>
1.16	<p>IT Infrastructure</p> <p>Various schemes required to maintain service and business continuity;</p> <ul style="list-style-type: none"> • Network replacement – networking equipment will reach the end of its life during 2017/18 and will no longer be supported by the manufacturer. Failure to replace the equipment will result in reduced network performance. • Server replacement – the database server which supports Human Resource, Housing and Revenues and Benefits systems is reaching the end of its life and needs to be replaced. Failure to replace will result in reduced performance for these systems. • Replacement of equipment to ‘back up’ data – the equipment and technologies are outdated and need to be updated to ensure effective back up of data.

1.17	<p>Theatr Clwyd – IT Infrastructure</p> <p>Theatr Clwyd generates revenues ranging between £1.5 and £1.8m per annum through box office sales over the phone and via the internet. The IT infrastructure which support sales is old and failing at peak sale times (evenings and weekends) when limited corporate IT support is available. Upgraded systems with external support are needed to ensure the Theatr's core business continues and customers and their theatre bookings are not lost.</p>
1.18	<p>Play Areas and Synthetic Sports Pitches</p> <p>An annual allocation to fund the most urgent requirements to;</p> <ul style="list-style-type: none"> • Replace play equipment that has reached the end of its useful life at play areas • Replace the playing surface of synthetic sport pitches which are in poor condition and have reached the end of their useful lives • Upgrade play areas
1.19	<p>‘Headroom’</p> <p>‘Headroom’ has been built in to the capital programme to enable the programme to be more flexible such that funding can be allocated to small schemes as they present in year either as a result of opportunities or unforeseen circumstances. An example would be the need to complete further highways works as a result of an exceptionally severe winter over and above any planned works funded from the annual allocation.</p>

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1.20	<p>Table 3 shows the proposed schemes for the period 2017/18 - 2019/20 for the Investment section of the Capital Programme.</p> <p><u>Table 3</u></p> <table><tr><th colspan="5">PROPOSED INVESTMENT SCHEMES 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>Total</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Investment Section</td><td></td><td></td><td></td><td></td></tr><tr><td>Community asset transfers*</td><td>0.250</td><td>0.250</td><td>0.000</td><td>0.500</td></tr><tr><td>School extension and remodelling</td><td></td><td></td><td></td><td></td></tr><tr><td>Castell Alun High School - Hope</td><td>0.000</td><td>0.600</td><td>4.000</td><td>4.600</td></tr><tr><td>Glan Aber Primary - Bagillt</td><td>0.073</td><td>0.683</td><td>0.241</td><td>0.997</td></tr><tr><td>Property works at leisure centres / libraries</td><td>0.454</td><td>0.000</td><td>0.000</td><td>0.454</td></tr><tr><td>LD Day services facility*</td><td>2.045</td><td>1.955</td><td>0.000</td><td>4.000</td></tr><tr><td>Extension and remodelling of Arosfa**</td><td>0.100</td><td>0.000</td><td>0.000</td><td>0.100</td></tr><tr><td>Household recycling centres**</td><td>1.000</td><td>0.000</td><td>0.000</td><td>1.000</td></tr><tr><td>Total Investment Section</td><td>3.922</td><td>3.488</td><td>4.241</td><td>11.651</td></tr><tr><td colspan="5">* Subject to approval of business case & confirmation of amount</td></tr><tr><td colspan="5">** Subject to grant funding becoming available during the year</td></tr></table>	PROPOSED INVESTMENT SCHEMES 2017/18 - 2019/20						2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	Investment Section					Community asset transfers*	0.250	0.250	0.000	0.500	School extension and remodelling					Castell Alun High School - Hope	0.000	0.600	4.000	4.600	Glan Aber Primary - Bagillt	0.073	0.683	0.241	0.997	Property works at leisure centres / libraries	0.454	0.000	0.000	0.454	LD Day services facility*	2.045	1.955	0.000	4.000	Extension and remodelling of Arosfa**	0.100	0.000	0.000	0.100	Household recycling centres**	1.000	0.000	0.000	1.000	Total Investment Section	3.922	3.488	4.241	11.651	* Subject to approval of business case & confirmation of amount					** Subject to grant funding becoming available during the year				
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1.21	Schemes within Table 3 are explained in more detail below at paragraphs 1.22 to 1.29.																																																																											
1.22	<p>Community Asset Transfers</p> <p>Capital funding has previously been granted to community groups to ‘pump prime’ Community Asset Transfers (CATs) with £1m of funding earmarked to date. To continue with the project a further £0.500m is needed.</p>																																																																											
1.23	<p>School Extension and Remodelling</p> <p>A high level suitability assessment of the entire school estate is nearing completion. The service is developing a range of criteria to assist in objectively prioritising school capital projects for inclusion within future capital programmes.</p> <p>The following school buildings (see paragraphs 1.24 and 1.25) are considered to have the most pressing needs requiring extension and remodelling of current buildings. Construction will take place over more than four financial years and has phased start dates in order to make the overall capital programme affordable over the time period.</p>																																																																											

1.24	<p>Castell Alun High School</p> <p>To bring the school building up to current day standards providing facilities that are fit for purpose and suitable for delivering the future curriculum. The school would be extended with the provision of a new two storey Art and Design Technology block and remodelled in other areas. This will remove the need for mobile classrooms currently on site but which are nearing the end of their economic working life (and will need replacing). Start date 2018/19 financial year.</p>
1.25	<p>Glan Aber Primary School, Bagillt</p> <p>The school building currently has a number of issues including; classrooms which do not meet minimum size requirements for classes of 30 pupil places such that classes are being taught in the hall, resulting in the school being unable to deliver aspects of the PE curriculum. The proposed scheme will convert the existing hall to provide two suitable teaching spaces, with circulation, and the construction of a new hall at the appropriate size for the number of pupils on roll together with minor extensions to three classrooms to provide appropriate size and shape, more suitable for curriculum delivery. The scheme will take place over four financial years. Start date 2017/18 financial year.</p>
1.26	<p>Property Works at Leisure Centres and Libraries</p> <p>The buildings will be run by a separate entity under an Alternative Delivery Models (ADMs) in the future. Undertaking priority works highlighted within building condition surveys is key to enhancing service provision and the success of the ADM. Assisting the new organisations sustainability and prospects of maximising income generation. It is possible that some of the works may need to be completed within the 2016/17 financial year.</p>
1.27	<p>Learning Disability Day Services Facility</p> <p>The scheme involves a replacement day care facility with an option to include other community based facilities. The current building (Glanrafon) is not capable of supporting an efficient service and has reached the end of its useful life. A replacement facility is needed to transform the way the service is delivered.</p> <p>A full business case is being developed with construction starting in 2017/18 which will take place over more than a single financial year.</p>
1.28	<p>Extension and Remodelling at Arosfa Disability Short Breaks</p> <p>Arosfa is a short term care facility supporting children and young people who have a physical or learning disability. The facility is regularly oversubscribed meaning short term care has to be purchased out of county at additional cost. Capital investment is needed to refurbish the facility to provide an additional two bedrooms. This will generate revenue savings by reducing the costs of Out of County placements, and provide additional, higher quality short term care closer to home for our clients.</p>

	Welsh Government Intermediate Care Fund Grant will start the scheme in 2016/17. It is likely that further grant funding will be available in 2017/18, however, this cannot be confirmed at this point in time and therefore it is necessary to include within the Council's Capital Programme so that the works can be completed.																																								
1.29	<p>Household Recycling Centres (HRCs)</p> <p>Cabinet, at its meeting in July 2016 noted progress in reviewing provision at and location of, HRCs, including an option for two additional large or 'super sites' to supplement the two existing facilities at Sandycroft and Greenfield. Cabinet is due to receive a full report on the preferred location and individual site layouts shortly.</p> <p>Whilst costs are not yet fully finalised, the working estimate is in the region of £0.500m - £1m, with the possibility of further grant funding from Welsh Government.</p>																																								
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1.30	<p>Table 4 below summarises the Capital Programme and available funding:</p> <p><u>Table 4</u></p> <table><tr><th colspan="5">SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18 £m</th><th>2018/19 £m</th><th>2019/20 £m</th><th>Total £m</th></tr><tr><td>Statutory / Regulatory Section</td><td>2.726</td><td>2.146</td><td>2.146</td><td>7.018</td></tr><tr><td>Retained Assets Section</td><td>3.287</td><td>2.350</td><td>2.350</td><td>7.987</td></tr><tr><td>Investment Section</td><td>3.922</td><td>3.488</td><td>4.241</td><td>11.651</td></tr><tr><td>Total (All Sections)</td><td>9.935</td><td>7.984</td><td>8.737</td><td>26.656</td></tr><tr><td>Estimated available general funding*</td><td>10.201</td><td>6.634</td><td>6.634</td><td>23.469</td></tr><tr><td>Surplus / (Shortfall)</td><td>0.266</td><td>(1.350)</td><td>(2.103)</td><td>(3.187)</td></tr></table> <p>* As per 17/18 Provisional Settlement.</p>	SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2017/18 - 2019/20						2017/18 £m	2018/19 £m	2019/20 £m	Total £m	Statutory / Regulatory Section	2.726	2.146	2.146	7.018	Retained Assets Section	3.287	2.350	2.350	7.987	Investment Section	3.922	3.488	4.241	11.651	Total (All Sections)	9.935	7.984	8.737	26.656	Estimated available general funding*	10.201	6.634	6.634	23.469	Surplus / (Shortfall)	0.266	(1.350)	(2.103)	(3.187)
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1.31	<p>Table 4 shows that there is an overall shortfall in projected funding of £3.187m, with specific shortfalls in 2018/19 and 2019/20</p> <p>To meet the shortfall the Council will potentially need to borrow to fund the schemes (unsupported borrowing commonly referred to as prudential borrowing), which has the impact of increasing debt financing costs of interest and revenue provision for repayment of debt in the revenue budget.</p>																																								

	<p>There is the potential for significant capital receipts to be generated during the remainder of 2016/17 - with a current projection for a further £2.2m (low risk rating) to be received by the end of 2016/17, and, a further £2.8m with a moderate risk of slipping into 2017/18 as detailed in paragraph 1.04 above. A total of £5m, which is in excess of the shortfall.</p> <p>Furthermore over the period 2017/18 – 2019/20 a prudent estimate in the region of £7m of receipts is forecast.</p>
1.32	<p>The Council has developed a prudent policy of only allocating capital receipts to fund capital projects when receipts are actually received; rather than when we anticipate the receipt to be received, and this position continues to be the case.</p> <p>All of the schemes proposed for inclusion within the Capital Programme invest in assets and / or reconfigure models of service provision. They are pivotal to support the delivery of the Council's strategic priorities outlined in portfolio business plans and the Improvement Plan.</p>
1.33	<p>There is also the possibility of grant funding from Welsh Government for some schemes which will reduce the borrowing requirement and the pressure in generating capital receipts.</p>
1.34	<p>The scheme at Castell Alun school costing £4.8m in total over a four year period will not begin until financial year 2018/19 by which time the capital receipts needed to fund the scheme should have been realised. In the event that capital receipts were not available, the scheme could be delayed until capital receipts are made available. Similarly, should the capital receipts be realised earlier the scheme could be brought forward and started earlier.</p> <p>Further, between the design phase and the construction phase of the larger schemes such as the schools and the Learning Disabilities Day services facilities there will be an opportunity to 'pause and review' such schemes to consider, amongst other things, the funding available before construction commences.</p>

	Specific Grants and Borrowing																																								
1.35	<p>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 already approved is shown in Table 5.</p> <p><u>Table 5</u></p> <table><tr><th colspan="5">ESTIMATED AVAILABLE SPECIFIC FUNDING 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>Total</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Specific Funding</td><td></td><td></td><td></td><td></td></tr><tr><td>Specific Capital Grants</td><td>2.847</td><td>4.116</td><td>1.238</td><td>8.201</td></tr><tr><td>Unsupported (Prudential) Borrowing</td><td>6.653</td><td>5.406</td><td>1.239</td><td>13.298</td></tr><tr><td>Local Govt Borrowing Initiative - 21st C Schools</td><td>0.000</td><td>1.080</td><td>0.000</td><td>1.080</td></tr><tr><td>Total</td><td>9.500</td><td>10.602</td><td>2.477</td><td>22.579</td></tr></table>	ESTIMATED AVAILABLE SPECIFIC FUNDING 2017/18 - 2019/20						2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	Specific Funding					Specific Capital Grants	2.847	4.116	1.238	8.201	Unsupported (Prudential) Borrowing	6.653	5.406	1.239	13.298	Local Govt Borrowing Initiative - 21st C Schools	0.000	1.080	0.000	1.080	Total	9.500	10.602	2.477	22.579
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1.36	<p>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 Table 5 above. As details become available they will be reported to Members via the quarterly 2017/18 Capital Programme monitoring reports.</p>																																								
1.37	<p>Details of the schemes funded by the above are shown in Table 6 below.</p> <p><u>Table 6</u></p> <table><tr><th colspan="5">SPECIFICALLY FUNDED SCHEMES 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>Total</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Specifically Funded Schemes</td><td></td><td></td><td></td><td></td></tr><tr><td>21st Century Schools - Band A</td><td>5.952</td><td>10.392</td><td>2.477</td><td>18.821</td></tr><tr><td>SHARP - Loans to NEW Homes for Affordable Homes</td><td>3.548</td><td>0.210</td><td>0.000</td><td>3.758</td></tr><tr><td>Total</td><td>9.500</td><td>10.602</td><td>2.477</td><td>22.579</td></tr></table>	SPECIFICALLY FUNDED SCHEMES 2017/18 - 2019/20						2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	Specifically Funded Schemes					21st Century Schools - Band A	5.952	10.392	2.477	18.821	SHARP - Loans to NEW Homes for Affordable Homes	3.548	0.210	0.000	3.758	Total	9.500	10.602	2.477	22.579					
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1.38	<p>Table 7 summarises the total proposals for the 2017/18 - 2019/20 Capital Programme.</p> <p><u>Table 7</u></p> <table><tr><th colspan="5">SUMMARY CAPITAL PROGRAMME 2017/18 - 2019/20</th></tr><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>Total</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Expenditure</td><td></td><td></td><td></td><td></td></tr><tr><td>Statutory / Regulatory Section</td><td>2.726</td><td>2.146</td><td>2.146</td><td>7.018</td></tr><tr><td>Retained Assets Section</td><td>3.287</td><td>2.350</td><td>2.350</td><td>7.987</td></tr><tr><td>Investment Section</td><td>3.922</td><td>3.488</td><td>4.241</td><td>11.651</td></tr><tr><td>Specific Section</td><td>9.500</td><td>10.602</td><td>2.477</td><td>22.579</td></tr><tr><td>Total Programme (All Sections)</td><td>19.435</td><td>18.586</td><td>11.214</td><td>49.235</td></tr><tr><td>Funding</td><td></td><td></td><td></td><td></td></tr><tr><td>General Funding*</td><td>10.201</td><td>6.634</td><td>6.634</td><td>23.469</td></tr><tr><td>Grant Funding</td><td>2.847</td><td>4.116</td><td>1.238</td><td>8.201</td></tr><tr><td>Unsupported (Prudential) Borrowing</td><td>6.653</td><td>5.406</td><td>1.239</td><td>13.298</td></tr><tr><td>Local Govt Borrowing Initiative - 21st C Schools</td><td>0.000</td><td>1.080</td><td>0.000</td><td>1.080</td></tr><tr><td>Total Projected Funding</td><td>19.701</td><td>17.236</td><td>9.111</td><td>46.048</td></tr><tr><td>Surplus / (Shortfall)</td><td>0.266</td><td>(1.350)</td><td>(2.103)</td><td>(3.187)</td></tr><tr><td colspan="5">* As per 17/18 Provisional Settlement.</td></tr></table>	SUMMARY CAPITAL PROGRAMME 2017/18 - 2019/20						2017/18	2018/19	2019/20	Total		£m	£m	£m	£m	Expenditure					Statutory / Regulatory Section	2.726	2.146	2.146	7.018	Retained Assets Section	3.287	2.350	2.350	7.987	Investment Section	3.922	3.488	4.241	11.651	Specific Section	9.500	10.602	2.477	22.579	Total Programme (All Sections)	19.435	18.586	11.214	49.235	Funding					General Funding*	10.201	6.634	6.634	23.469	Grant Funding	2.847	4.116	1.238	8.201	Unsupported (Prudential) Borrowing	6.653	5.406	1.239	13.298	Local Govt Borrowing Initiative - 21st C Schools	0.000	1.080	0.000	1.080	Total Projected Funding	19.701	17.236	9.111	46.048	Surplus / (Shortfall)	0.266	(1.350)	(2.103)	(3.187)	* As per 17/18 Provisional Settlement.				
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1.39	The Capital Strategy and Asset Management Plan is being updated to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. The new Strategy will be more visionary and will be an evidential basis for the leverage of national funds to meet Council priorities.																																																																																					
1.40	The Council is a partner in the North Wales Economic Growth Strategy. Regional partners will be expected to co-invest in the Strategy with the Welsh and UK Governments. This is a major initiative for which priorities, and funding solutions, are under development.																																																																																					
1.41	Investment will be needed in the regional waste transfer station network to support the operation of the new regional energy from waste facility secured by the North Wales Residual Waste Treatment Project. The regional partnership is in discussion with Welsh Government over possible additional capital grant to subsidise the shared investment to be made by the five partner councils.																																																																																					

1.42	A feasibility study to assess options to increase provision at the Council's residential care homes is underway. This follows a recent detailed analysis of future demand for such services and consideration of the ability of private sector care home providers to effectively address an increase in future demand.
1.43	The Council will shortly be submitting schemes to Welsh Government for inclusion within Band B of the 21 st Century Schools Programme. Whilst WG's selection criteria and funding mechanism for Band B has not yet been confirmed, it is anticipated that Council's will have to fund a share of the costs. Successful schemes forming part of this programme would not commence until 2019 at the earliest.
1.44	A feasibility study is underway to review options and recommend a credible and affordable proposal for a redevelopment of the Theatr to be funded by national sources including the Arts Council of Wales Lottery Fund.
1.45	<p>Implementation of 'Digital Flintshire' the Councils refreshed IT Strategy which will;</p> <ul style="list-style-type: none"> • ensure Information is treated as a key corporate asset ensuring it is compliant, accurate, relevant and secure so that it is used to design and deliver more effective and efficient services, and • deliver secure, reliable, resilient and cost effective digital infrastructure that is responsive to the needs of the council and its customers

2.00	RESOURCE IMPLICATIONS
2.01	Financial consequences for capital resources are as set out within the report.
2.02	As previously stated there are revenue consequences of borrowing in interest costs and revenue provision for debt repayment. The costs of supported borrowing and prudential borrowing for the 21 st century schools programme has been built into the Medium Term Financial Plan (MTFP).

2.03

In the event that the Council needs to prudentially borrow to fund the investment section of the capital programme as outlined in paragraphs 1.31 to 1.34 the estimated revenue costs of borrowing are outlined in Table 8 below for information. This assumes that the borrowing is associated with the schemes which have a long estimated useful life over which to spread the debt financing charges, 50 years for school extensions. The costs are not included within the MTFP at present:

Table 8

ESTIMATED DEBT FINANCING COSTS				
	Expd £m	Interest From year of expd £m	MRP 2019/20 onwards £m	Total Annual £m
Capital Expenditure Incurred				
2018/19 - School extensions	1.350	0.036	0.027	0.063
2019/18 - School extensions	2.103	0.056	0.042	0.098
Total	3.453	0.092	0.069	0.161

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Any comments from Corporate Resources Overview and Scrutiny Committee on the proposed Capital Programme will be referred back to the February 2017 meeting of the Cabinet for consideration before the final Capital Programme for 2017/18 – 2019/20 is considered and approved by County Council in February 2017.

4.00	RISK MANAGEMENT
4.01	Any decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. When the Council sets its capital programme a separate report to assessing the affordability, prudence and sustainability of the capital plans called the Prudential Indicator report is produced.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Expressions of Interest forms and Business Case forms completed by Portfolios</p> <p>Contact Officer: Liz Thomas, Finance Manager – Technical Accounting Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>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</p> <p>Capital Expenditure - Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset</p> <p>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.</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset</p> <p>Capital Scheme - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme</p> <p>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</p> <p>Council Fund - The fund to which all the Council's revenue and capital expenditure is charged</p> <p>Disposal - The decommissioning or transfer of an asset to another party</p> <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</p> <p>General Capital Grant - Annual capital grant from Welsh Government; the Council decides how to use the funding.</p> <p>Housing Revenue Account - The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.</p>

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).