

## CABINET

<b>Date of Meeting</b>	Tuesday 19th February 2019
<b>Report Subject</b>	Development of 2019/20 – 2021/22 Capital Programme
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Chief Executive, Chief Officer Housing & Assets and Corporate Finance Manager
<b>Report Type</b>	Strategic

### EXECUTIVE SUMMARY

This report presents the Capital Programme for the period 2019/20 – 2021/22 for recommendation to Council.

The Council's capital programme encompasses investing significant resources in assets for the long term to enable the delivery of high quality, value for money public services. Assets include buildings (such as schools, care homes and day centres, infrastructure (such as highways, IT networks, and household recycling centres), and assets not owned by the Council (such as works to improve and adapt private sector homes). The proposed capital investments outlined within this report are closely aligned to portfolio service business plans and the Council Plan.

The Council has limited capital resources from Welsh Government to support Council priorities, needs and liabilities; however it has the powers to fund Capital schemes by borrowing, but this is temporary and ultimately the cost and repayment of any borrowing is charged to the Council's revenue budget. Schemes funded by borrowing are carefully considered due to the long term impacts on the Council's revenue budget.

The report splits the Council Fund Capital Programme into three sections;

1. Statutory / Regulatory - allocations to cover regulatory and statutory 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 Council Plan.

Historically, much of the Council's programme has been funded from capital receipts and grants. However, the Council's ability to generate significant capital receipts is almost exhausted. Although the Council will wherever possible seek to identify assets for sale and other sources of funding such as specific grants and revenue contributions, the Council may need to use prudential borrowing to finance more of the programme going forward. In particular, the 21st Century Schools Band B programme is likely to be funded through Prudential Borrowing.

The Capital Strategy has been updated and is presented separately on the agenda. The Asset Management Plan will be updated later in the year to support the current and emerging longer term Council priorities.

The information in this report refers to Council Fund (CF) programme only, not the housing programme which is funded from the Housing Revenue Account and which is reported separately on this agenda.

## RECOMMENDATIONS

1	To consider and approve the allocations and schemes in Table 4 (paragraph 1.04.1) for the Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2019/20 - 2021/22.
2	To consider and approve the schemes included in Table 5 (paragraph 1.05.1) for the Investment section of the Council Fund Capital Programme 2019/20 - 2021/22.
3	To note that the shortfall in funding of schemes in 2019/20 and 2020/21 in Table 6 (paragraph 1.06.1) at this point in the approval process is flexible. Options including a combination of future capital receipts, alternative grants (if available), prudential borrowing or the re-phasing of schemes will be considered during 2019/20, and included in future capital programme reports.
4	To consider and approve the schemes included in Table 7 (paragraph 1.07.4) for the specifically funded section of the Council Fund Capital Programme which will be funded in part through Prudential Borrowing.

## REPORT DETAILS

<b>1.00</b>	<b>DEVELOPING THE CAPITAL PROGRAMME 2019/20 – 2021/22</b>
1.01	<p>The Council's capital programme encompasses investing significant resources in assets for the long term to enable the delivery of high quality, value for money public services. Assets include buildings (such as schools, care homes and day centres, infrastructure (such as highways, IT networks, and household recycling centres), and assets not owned by the Council (such as works to improve and adapt private sector homes). The proposed capital investments outlined within this report are closely aligned to Portfolio service business plans and the Council Plan.</p> <p>The Council has limited capital resources from Welsh Government to support Council priorities, needs and liabilities. The Council has the powers to fund Capital schemes by borrowing, however, this is temporary and ultimately the cost and repayment of any borrowing is charged to the Council's revenue budget. Schemes funded by borrowing are carefully considered due to the long term impacts on the Council's revenue budget.</p> <p>The first half of this report covers parts of the capital programme where the Council invests in local infrastructure, facilities and assets, which will be funded from general capital resources (General Capital Grant, Unhypothecated Supported Borrowing and Capital Receipts). Regional programmes such as the Growth Vision for North Wales which will draw on national funds, and the HRA Capital Programme which is separate and includes the Welsh Housing Quality Standard (WHQS) work programme and Social Housing and Regeneration Programme (SHARP), supplement the Council funded capital programme.</p> <p>The second half of the report covers parts of the Capital Programme funded specifically which includes specific grants as far as information is available at the time of writing, and borrowing. This includes the 21<sup>st</sup> Century Schools Programme, delivered in partnership between the Council and Welsh Government and loans to NEW Homes the Council's subsidiary to build new affordable homes.</p>
<b>1.02</b>	<b>General Capital Programme 2018/19 – 2020/21 Update</b>
1.02.1	<p>The Council's Capital Strategy divides the Capital Programme into three parts as follows.</p> <ol style="list-style-type: none"><li data-bbox="395 1697 1425 1883">1. <b>Statutory / Regulatory section</b> – 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 and any works required to keep buildings open by meeting Health and Safety requirements.</li><li data-bbox="395 1921 1425 2098">2. <b>Retained Assets section</b> – to ensure service and business continuity. This includes schemes that enhance and improve retained assets and infrastructure to deliver services and meets significant need identified by service plans or through condition surveys etc.</li></ol>

3. **Investment section** – to fund costs incurred when remodelling and investing in services. This includes new schemes arising from Portfolio business plans, the Council Plan, other relevant and emerging plans, and other strategies or emerging Council priorities approved through a selection process based on the provision of a business case.

1.02.2 Table 1 below summarises the Council funded Capital Programme for 2018/19 – 2020/21:

**Table 1**

<b>ESTIMATED FUNDING 2018/19 - 2020/21</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Expenditure</b>				
Statutory / Regulatory Section	2.450	2.350	2.350	7.150
Retained Assets Section	3.288	3.175	3.977	10.440
Investment Section	4.068	7.642	2.088	13.798
	<b>9.806</b>	<b>13.167</b>	<b>8.415</b>	<b>31.388</b>
<b>Funding</b>				
Un-hypothecated Supported Borrowing (USB) <sup>1</sup>	4.051	4.051	4.051	12.153
General Capital Grant (GCG) <sup>1</sup>	2.465	2.465	2.465	7.395
Capital Receipts Available (As at Month 9 2017/18)	3.624	0.000	0.000	3.624
<b>Total Funding</b>	<b>10.140</b>	<b>6.516</b>	<b>6.516</b>	<b>23.172</b>
<b>Surplus / (Shortfall)</b>	<b>0.334</b>	<b>(6.651)</b>	<b>(1.899)</b>	<b>(8.216)</b>
<b>1 As per 18/19 Final Settlement</b>				

1.02.3 Table 1 shows that when the Capital Programme 2018/19 – 2020/21 was set in February 2018, there was an overall shortfall in funding of £8.216m, though 2018/19 schemes were fully funded. The shortfall in funding of schemes in 2019/20 and 2020/21 at that point in the approval process was kept flexible and this was explained in the report to Council at that time. Options included a combination of future capital receipts, alternative grants, prudential borrowing or scheme phasing over several years which would be considered during 2018/19.

1.02.4 On 20<sup>th</sup> November, 2018 the First Minister wrote to all local authorities in Wales to announce a package of additional funding in a number of areas. One of these was the allocation of an additional £100m of capital funding across Wales in the form of additional General Capital Grant over 3 years from 2018/19 to 2020/21.

1.02.5 Progress on addressing the shortfall in Table 1 has been reported regularly

to Cabinet and Corporate Resources Overview and Scrutiny Committee (CROSC) during 2018/19.

During the year an additional £0.500m was allocated for costs incurred in the scheme relocating services from County Hall, Mold to Ty Dewi Sant, Ewloe.

Good progress has also been made in generating capital receipts during the year bringing the total estimated shortfall in funding at period 9 in 2018/19 to £1.428m as is summarised in Table 2 below:

**Table 2**

<b>ESTIMATED FUNDING 2018/19 - 2020/21</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Funding</b>				
Un-hypothecated Supported Borrowing (USB) <sup>1</sup>	4.051	4.094	4.094	12.239
General Capital Grant (GCG) <sup>1</sup>	2.465	2.492	2.492	7.449
Additional General Capital Grant (GCG) <sup>2</sup>	2.281	1.383	0.922	4.586
Capital Receipts Available (As at Month 9)	3.624	2.562	0.000	6.186
<b>Total Funding</b>	<b>12.421</b>	<b>10.531</b>	<b>7.508</b>	<b>30.460</b>
<b>Expenditure</b>				
Total Capital Programme 2018/19 - 2020/21	9.806	13.167	8.415	31.388
Additional Allocation - Ty Dewi Sant	0.500	0.000	0.000	0.500
	<b>10.306</b>	<b>13.167</b>	<b>8.415</b>	<b>31.888</b>
<b>Surplus / (Shortfall)</b>	<b>2.115</b>	<b>(2.636)</b>	<b>(0.907)</b>	<b>(1.428)</b>
<b>1 As per 18/19 &amp; 19/20 Final Settlements</b>				
<b>2 As per WG November 2018</b>				

1.02.6

The Council has developed a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are actually received rather than when it is anticipated the receipt will be received, and this position continues to be the case.

Table 2 shows that good progress has been made to address shortfall in funding over the 3 year period to 2020/21, albeit that the additional funding from WG has had the greatest impact. The only capital receipts included in the total funding available in Table 2 are those that have been received to date. That is prior year's receipts, and 2018/19 receipts (to date, as at the month 9 capital monitoring report 2018/19) which are unspent to date.

There remains a shortfall in funding of £1.428m over the 3 year period to 2020/21.

In recent years, much of the Council's programme has been funded from

capital receipts. However, the Council's ability to generate significant capital receipts is getting harder and is almost exhausted. Although the Council will wherever possible seek to identify assets for sale (as appropriate) to fund the Capital Programme.

The current projection is for capital receipts in the region of £2.3m over the period. There is risk relating to these due to their size and complexity. The timing of these receipts are also subject to market forces outside of the Council's control. In line with current policy no allowance has been made for these receipts in considering the Council's capital funding position.

Given the current position in setting the Capital Programme for the next 3 years 2019/20 – 2021/22 minimal new schemes are proposed for inclusion as should other sources of funding not materialise the Council will need to use prudential borrowing to finance the remainder of the programme going forward.

**1.03 Projected General Funding Available 2019/20 - 2021/22**

1.03.1 Table 3 below shows the general capital funding currently projected to be available to fund the capital programme over the next 3 years (2019/20 - 2021/22), including the additional allocations referred to in 1.02.4 above.

**Table 3**

<b>ESTIMATED AVAILABLE FUNDING 2019/20 - 2021/22</b>				
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Funding (Excluding Specific Funding)</b>				
Un-hypothecated Supported Borrowing (USB) <sup>1</sup>	4.094	4.094	4.094	12.282
General Capital Grant (GCG) <sup>1</sup>	2.492	2.492	2.492	7.476
Additional General Capital Grant (GCG) <sup>2</sup>	1.383	0.922	0.000	2.305
Capital Receipts Available	2.562	0.000	0.000	2.562
Surplus B/Fwd from 2018/19	2.115	0.000	0.000	2.115
<b>Total</b>	<b>12.646</b>	<b>7.508</b>	<b>6.586</b>	<b>26.740</b>
<b>1 As per 19/20 Final Settlement</b>				
<b>2 As per WG November 2018</b>				

1.03.2 Table 3 above assumes that the Un-hypothecated Supported Borrowing allocation and the General Capital Grant received from Welsh Government (WG) in the years 2020/21 to 2021/22 remains the same as included in the information provided in the 2019/20 final Financial Settlement for Welsh local government.

Compared with the 2018/19 final Financial Settlement the Un-hypothecated Supported Borrowing allocation has increased by £0.043m and General Capital Grant by £0.027m, a total increase of £0.070m per annum. This excludes the additional allocation announced in November.

The table includes the additional General Capital Grant agreed by WG in

the 2019/20 Financial Settlement. Whilst the amount for 2019/20 has been agreed by WG, the amount for 2020/21 remains an estimate.

Also included are the additional capital receipts which the Council had received by month 9 2018/19, and the projected surplus on funding carried forward from 2018/19.

1.03.3 The figures in Table 3 relate to the Council Fund only with the HRA Capital Programme being reported separately on this agenda.

**General Capital Programme 2019/20 – 2021/22**

**1.04 Statutory / Regulatory and Retained Asset Allocations – 2019/20 – 2021/22**

1.04.1 Table 4 shows the proposed allocations for the period 2019/20 - 2021/22 for the Statutory / Regulatory and Retained Asset sections of the Capital Programme, including two new schemes explained in paragraphs 1.04.10 – 1.04.13

**Table 4**

<b>PROPOSED ALLOCATIONS 2019/20 - 2021/22</b>				
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Statutory / Regulatory Section</b>				
Equalities Act - Individual pupils	0.250	0.250	0.250	0.750
Disabled Facilities Grants	1.700	1.700	1.700	5.100
School building works	0.100	0.100	0.100	0.300
Corporate property works	0.300	0.300	0.300	0.900
<b>Total Statutory / Regulatory</b>	<b>2.350</b>	<b>2.350</b>	<b>2.350</b>	<b>7.050</b>
<b>Retained Assets Section</b>				
School building works	1.400	1.400	1.400	4.200
Corporate property works	0.300	0.300	0.300	0.900
Highways asset management plan	0.600	0.600	0.600	1.800
Playareas	0.200	0.200	0.000	0.400
Synthetic sports pitches	0.000	0.272	0.000	0.272
ICT - Cyber Security	0.055	0.145	0.000	0.200
ICT - Equipment at Datacentres	0.020	0.180	0.000	0.200
ICT - Storage Technologies	0.200	0.600	0.000	0.800
ICT - Server Technology	0.150	0.030	0.000	0.180
ICT - Schools Digital Delivery of Curriculum	0.526	0.000	0.000	0.526
ICT - Laptop/PC replacement Scheme	0.106	0.000	0.000	0.106
Headroom	0.250	0.250	0.250	0.750
<b>Total Retained Assets Section</b>	<b>3.807</b>	<b>3.977</b>	<b>2.550</b>	<b>10.334</b>

1.04.2 The information in table 4 in relation to the new and previously approved

	schemes is explained in more detail in paragraphs 1.04.3 to 1.04.14 below.
1.04.3	<p><u>Equalities Act – Individual pupils</u></p> <p>An annual allocation to adapt and modify schools for children who have disabilities to support and create increasingly inclusive school environments. These works help the Council to meet its obligations under disability legislation, and reduce the potential costs and disruption associated with transporting pupils to alternative sites.</p> <p>No changes are proposed for 2019/20 to 2021/22.</p>
1.04.4	<p><u>Disabled Facilities Grants</u></p> <p>An annual allocation to improve and adapt private sector homes comprising:</p> <ul style="list-style-type: none"> <li>• Disabled Facilities Grants – adaptations enabling residents to continue to live independently in their own homes</li> <li>• Partnership working with Care and Repair to support vulnerable residents</li> </ul> <p>No changes are proposed for 2019/20 to 2021/22.</p>
1.04.5	<p><u>School building work</u></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> <ul style="list-style-type: none"> <li>• 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. £0.100m per annum.</li> <li>• Works to upgrade ventilation systems at school kitchens which are failing building regulations and gas safety legislation and are at risk of closure. £0.200m per annum.</li> <li>• Fire Inspection Works at schools which are the responsibility of the Local Authority and have been identified during statutory fire risk assessments. £0.200m per annum.</li> </ul> <p>No changes are proposed for 2019/20 to 2021/22.</p>
1.04.6	<p><u>Corporate property works</u></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, including managing risks from legionella, fire safety, asbestos, accessibility and health and safety.</p>

	<p>No changes are proposed for 2019/20 to 2021/22.</p>
1.04.7	<p><u>Highways Asset Management Plan (HAMP)</u></p> <p>An annual allocation of £0.600m 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. Welsh Government (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 (£0.230m in 2016/17 and £1.427m in 2017/18).</p> <p>See paragraph 1.10 for more detail in regard to the position on the potential development of the HAMP, but no changes are proposed for 2019/20 to 2021/22 at this stage.</p>
1.04.8	<p><u>Play areas and Synthetic sports pitches</u></p> <p>An annual allocation of £0.200m to fund the most urgent requirements to replace play equipment that has reached the end of its useful life at play areas, as well as upgrades to play areas.</p> <p>No changes are proposed for 2019/20 to 2020/21. The scheme originally allocated funding for 3 years which ends in 2020/21, so no funding is included in 2021/22.</p> <p>Condition surveys are undertaken of all synthetic sports pitches. The pitch at Elfed High School, Buckley will require resurfacing in 2020/21.</p>
1.04.9	<p><u>IT Infrastructure</u></p> <p>Various schemes required to maintain service and business continuity;</p> <ul style="list-style-type: none"> <li>• ICT Cyber Security - Replacement of equipment including Firewalls and e-mail scanning technology which protect the Council's IT systems from Cyber Attack and allows the Council to maintain its public sector network accreditation (a requirement for interaction with the Department of Work and Pensions for Housing Benefit).</li> <li>• ICT Equipment at Datacentres - Replacement of equipment including High Volume Air Conditioning units, batteries that ensure the power supply to data centres is not interrupted, equipment that monitors the conditions in the datacentres and alerts if there are issues and networking equipment to the datacentres.</li> <li>• ICT Storage Technologies - Increase storage capacity to cope with increasing demand of the organisation, whilst also investing in complimentary technologies to SharePoint software to ensure data is</li> </ul>

	<p>stored in the most efficient way and is compliant with General Data Protection Regulation.</p> <ul style="list-style-type: none"> <li>ICT Server Technologies - Replacement of server infrastructure to support Citrix applications, SQL databases and Exchange and Skype systems. Business case explains the risks of not replacing as a degradation of service, key business systems operating slowly or even failing to run completely.</li> </ul> <p>No changes are proposed for 2019/20 to 2020/21. The work in relation to this funding is anticipated to end in 2020/21, so no funding is included in 2021/22.</p>
1.04.10	<p><u>Supporting digital delivery of the school curriculum</u></p> <p>To prepare for changes being introduced in assessing the literacy and numeracy of pupils online there is a need to upgrade IT infrastructure across schools. Failure to invest in this scheme could potentially lead to learners not developing the appropriate skills to engage in the digital world.</p> <p>The scheme includes:</p> <ul style="list-style-type: none"> <li>Developing connectivity in schools at a cost of £0.276m in 2019/20, with a further £0.130 being included in the 2018/19 programme funded from the headroom budget. The expenditure will lever in £0.120m benefit by WG agreeing to increase connectivity capacity.</li> <li>Increasing schools' wireless capacity at a cost of £0.250m in 2019/20.</li> </ul>
1.04.11	<p>The benefits and costs of the schemes are as follows.</p> <p>Direct benefits</p> <ul style="list-style-type: none"> <li>- Supports the Digital Business and Community theme of the ICT digital strategy</li> <li>- Enables schools to engage with personalised assessments, online services, and fully integrate and develop digital competency framework</li> <li>- Provide capacity to cope with the increasing demand for online services</li> <li>- The connectivity will provide equity across the schools sector ensuring all schools benefit</li> <li>- Will address findings of a WG report into wireless capacity in Flintshire schools</li> </ul> <p>Direct costs</p> <ul style="list-style-type: none"> <li>- For Connectivity, if required borrowing costs (£0.061m in 2019/20 rising to £0.066m in 2024/25)</li> <li>- For Wireless upgrade, if required borrowing costs (£0.056m in 2019/20 rising to £0.059m in 2024/25)</li> <li>- For Wireless upgrade, revenue costs of £0.039m mainly due to changes in licence fees</li> </ul> <p>Indirect benefits</p> <ul style="list-style-type: none"> <li>- Levers in £0.120m WG investment in relation to school connectivity</li> </ul>

	<p>limits</p> <ul style="list-style-type: none"> <li>- Helps to deliver an equitable, fully integrated and supported competency curriculum for Flintshire learners</li> <li>- Likely to improve standing with Estyn inspectors</li> </ul>
1.04.12	<p><u>Laptop/PC replacement scheme</u></p> <p>There is a need to replace old laptops unable and too old to deliver the required level of service and/or support the latest operating systems and security software. If these are not replaced then there are risks that cyber security may potentially be breached and could threaten the public sector network accreditation, and that service delivery will be impaired due to officers being unable to utilise systems effectively. Windows 7 will cease to be supported after January 2020. The amount to be included in the programme is £0.106m.</p>
1.04.13	<p>The benefits and costs of the laptop/PC replacement scheme are:</p> <p>Direct benefits</p> <ul style="list-style-type: none"> <li>- Maintains cyber security</li> <li>- All laptop/PCs will support Windows 10, ensuring that the operating systems are up to date and secure</li> </ul> <p>Direct costs</p> <ul style="list-style-type: none"> <li>- If required, borrowing costs (£0.024m in 2019/20 rising to £0.025m in 2024/25)</li> </ul> <p>Indirect benefits</p> <ul style="list-style-type: none"> <li>- Facilitates agile working which underpins the Council's strategy on office location</li> <li>- Improves the performance of devices enabling officers to use systems more efficiently.</li> <li>-</li> </ul>
1.04.14	<p><u>'Headroom'</u></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 (£0.250m per annum). 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> <p>No changes are proposed for 2019/20 to 2020/21.</p>
<b>1.05</b>	<b>Investment Section of the Capital Programme 2019/20 – 2021/22</b>
1.05.1	<p>Table 5 below shows the proposed schemes for the period 2019/20 - 2021/22 for the Investment section of the Capital Programme. Details are provided in paragraphs 1.05.2 to 1.05.6</p> <p><b><u>Table 5</u></b></p>

**PROPOSED INVESTMENT SCHEMES 2019/20 - 2021/22**

	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
<b>Investment Section</b>				
<u>Previously Approved</u>				
School extension and remodelling				
Castell Alun High School - Hope	4.000	0.207	0.000	4.207
Glan Aber Primary - Bagillt	0.241	0.000	0.000	0.241
Marleyfield Residential Home - Buckley	1.001	1.381	0.000	2.382
County Hall Demolition	1.900	0.000	0.000	1.900
Theatr Clwyd Redevelopment	0.500	0.500	0.000	1.000
	<b>7.642</b>	<b>2.088</b>	<b>0.000</b>	<b>9.730</b>
<u>New Schemes for Approval</u>				
	0.000	0.000	0.000	0.000
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Investment Section</b>	<b>7.642</b>	<b>2.088</b>	<b>0.000</b>	<b>9.730</b>

**1.05.2**    Castell Alun High School - Hope

This scheme brings the school building up to current standards providing facilities that are fit for purpose and suitable for delivering the future curriculum, helping reduce the risk of a poor Estyn inspection. The school is being 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 which are nearing the end of their economic working life (and will need replacing at significant cost), help increase capacity to meet current and future demand and create specialist teaching accommodation.

**1.05.3**    Glan Aber Primary School, Bagillt

The school building currently has a number of issues including classrooms which do not meet minimum size requirements for classes of 30 pupil places so classes are being taught in the hall, resulting in the school being unable to deliver aspects of the PE curriculum, and running the risk of a poor Estyn inspection. The scheme converts the existing hall to provide two suitable teaching spaces, with circulation; the construction of a new hall at the appropriate size for the number of pupils on roll; and minor extensions to three classrooms to provide appropriate size and shape, more suitable for curriculum delivery. The scheme is supported by an Infant Class Size Grant of £1.3m.

**1.05.4**    Extension to Residential Care Home, Marleyfield – Buckley

	<p>Following a comprehensive review of the residential care market in Flintshire the Council approved a capital scheme to extend Marleyfield House in Buckley by an additional 32 beds to bring total provision up to 64 beds. The new facility is being developed through a pooled budget arrangement with BCUHB to provide additional services, beds and multi-disciplinary support in a community setting. This provides permanent residential beds, as well as beds which prevent hospital admissions, expedites hospital discharges and allows appropriate assessment to reduce care packages to support people in the long term.</p> <p>The Council is working with WG as the scheme is partly funded by ICF grant. To date a full feasibility study has been completed, and work continues to complete the detailed design and development plans in order for a full planning application to be submitted in Spring 2019. At this point in the project costs as well as grant funding from WG will be confirmed. Until formal approval is received from WG the costs of works undertaken remains a risk that the Council takes. The scheme's target completion date is Spring 2021.</p> <p>There is a revenue pressure of an estimated £150k associated with this project which will result in the year the facility becomes operational. This pressure would have occurred in any case as demand grows and residential beds from the private sector would need to be paid for.</p>
1.05.5	<p><u>Office Rationalisation – County Hall partial demolition</u></p> <p>The current accommodation within the Mold campus office block is inefficient. Two out of the four accommodation blocks are empty with staff consolidating into phases one and two, however the buildings are still generating significant running costs. Work is underway to plan the demolition of the empty accommodation at County Hall.</p> <p>There is a second stage proposal currently under early development which would see a masterplan being developed for the whole of the Mold County Hall campus.</p> <p>The business case for the reduction of the scale of County Hall through partial demolition has already been made and approved.</p>
1.05.6	<p><u>Theatr Clwyd Redevelopment</u></p> <p>The Theatr Clwyd building is nearing the end of its life and needs updating to ensure it is safe for public and employment use. Funding from the Arts Council of Wales has been used to complete a feasibility study into the potential for future capital development.</p> <p>The outcome of the feasibility study indicated that the main two theatres work extremely well and are the right size for audiences however the infrastructure supporting the building is in need of replacement and without this the Theatr is not sustainable.</p> <p>Detailed design and development works are taking place to build on and develop further the feasibility study funded from £0.330m which was included in the 2018/19 capital programme. This will be carried forward if</p>

necessary. A decision by all partners would then need to be taken to proceed with the project. Should the project not go ahead then the Council's share of the design development above at £0.330m cannot be capitalised and would be a charge to the Council's revenue account.

**1.06 Summary (Generally funded) Capital Programme 2019/20 – 2021/22**

1.06.1 Table 6 below summarises the generally funded Capital Programme and available funding, including the two new schemes.

**Table 6**

<b>SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2019/20 - 2021/22</b>				
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Statutory / Regulatory Section	2.350	2.350	2.350	7.050
Retained Assets Section	3.807	3.977	2.550	10.334
Investment Section	7.642	2.088	0.000	9.730
<b>Total (All Sections)</b>	<b>13.799</b>	<b>8.415</b>	<b>4.900</b>	<b>27.114</b>
Estimated available general funding <sup>1</sup>	12.646	7.508	6.586	26.740
<b>Total</b>	<b>12.646</b>	<b>7.508</b>	<b>6.586</b>	<b>26.740</b>
<b>Surplus / (Shortfall)</b>	<b>(1.153)</b>	<b>(0.907)</b>	<b>1.686</b>	<b>(0.374)</b>
<b>1 As per 19/20 Final Settlement</b>				

1.06.2 Table 6 shows that there is an overall shortfall in projected funding of £0.374m over the 3 year period. There is an estimated shortfall of £1.153m in 2019/20.

As stated earlier in the report, the current projection is for capital receipts in the region of £2.3m over the period. There is risk relating to these due to their size and complexity. The timing of these receipts are also subject to market forces outside of the Council's control. In line with current policy no allowance has been made for these receipts in funding the deficit above.

Options to fund the shortfall include a combination of future capital receipts, alternative grants, and scheme phasing as the expenditure profile of large complex projects such as those included in the investment section of the programme could change. Every effort will be made to ensure that other sources of funding are utilised to fund the programme.

Ultimately should other sources of funding not materialise the Council will need to use prudential borrowing to finance the shortfall. This could be short term during 2019/20 and 2020/21 as there is a potential surplus in 2021/22 of £1.686m, or if necessary long term to fund the overall shortfall.

**1.07 Specific Grants and Borrowing**

**1.07.1 21<sup>st</sup> Century Schools Band B**

WG has approved the Council's in principle submission for 21<sup>st</sup> Century Schools Band B. The programme is to be funded from specific grant from WG at an agreed intervention rate, with the Council's contribution to be funded by prudential borrowing. The WG intervention rate for funding the 21<sup>st</sup> Century Band B programme has increased from 50% to 65% for schools and 75% for Pupil Referral Units (PRUs)

The total estimated cost of the programme is £85.420m. Each of the projects is subject to individual approval to ensure that each meets the Council's continuing priorities and is affordable in the context of the Council's MTFS.

During 2018/19 Cabinet has approved two 21<sup>st</sup> Century Band B schemes for inclusion within the Capital Programme, those at Connah's Quay High School and Queensferry CP/Plas Derwen PRU. The respective estimated costs of these two schemes are outlined in the table below:

Band B	Total Cost	WG funded	Council funded
	£m	£m	£m
Connah's Quay HS	4.300	2.795	1.505
QueenSferry CP / Plas Derwen PRU	8.000	5.700	2.300
Total	12.300	8.495	3.805

The Connah's Quay High School scheme commenced in 2018/19, and is anticipated to be complete during 2021/22. Queensferry CP/Plas Derwen PRU will commence in 2019/20 and is anticipated to be complete in 2022/23.

The benefits and costs of the school improvement programme scheme are:

#### Direct Benefits

- Enabling 50%-75% external investment in schools
- Reduction in backlog maintenance costs (£0.014m Queensferry CP, £0.901m Connah's Quay High School)
- Reduction in fixed costs associated with buildings and leadership focuses investment on learners
- Reduction in split site arrangements in provision of PRU to improve efficiency, and reduce risk by increasing options to improve pupil outcomes
- For Connah's Quay High School, increases capacity to meet target for pupil numbers
- For Connah's Quay High School, improves car parking issues, reducing associated risks

#### Direct Costs

- Part of bigger development programme in two bands, Band A £64.2m and Band B £85.4m
- Estimated revenue borrowing costs associated (interest and minimum revenue provision) with each scheme are as follows:

Band B	Year 1	Year 50	Average over 50
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			years
	£m	£m	£m
Connah's Quay HS	0.063	0.092	0.075
Queenferry CP / Plas Derwen PRU	0.096	0.141	0.115
Total	0.159	0.233	0.190

#### Indirect Benefits

- Improving learner outcomes by ensuring that school buildings are effective in creating the conditions for learners to succeed.
- Alignment with the Council's School Modernisation Strategy to ensure schools are fit for purpose
- A more secure school estate
- A school estate with reduced vandalism
- Upgrading ICT provision and enabling new methods of curriculum delivery
- Provision of appropriate capacity of school network

1.07.2 The impact of the inclusion of these two schemes in the programme adds substantial borrowing costs as identified in paragraph 1.07.1. The profile of spend and grant receipt in the case of these schemes means that the additional revenue costs will not fully impact until 2020/21 and no addition to the revenue budget will therefore be required in 2019/20. Approval of these schemes has an estimated impact of increasing the pressure on the revenue budget in 2020/21 by £0.159m.

#### 1.07.3 **SHARP – Loans to NEW Homes for Affordable Homes**

Further to the first capital loan to the Council's wholly owned subsidiary, North East Wales Homes (NEW Homes) to build affordable homes on The Walks site in Flint as part of the Council's Strategic Housing and Regeneration Programme (SHARP) Cabinet has approved additional loans to NEW Homes up to a maximum of £10m for inclusion within the Capital Programme, to fund new affordable housing schemes.

The loans are classed under accounting regulations as capital expenditure and therefore included within the Capital Programme. The Council funds the schemes by borrowing, which is fully repaid from loan repayments made by NEW Homes. Work has begun on the schemes, and funds will be drawn down from the Council as they progress.

The building of council houses for social rents forms part of the HRA activities and will be included within the HRA Capital Programme.

1.07.4 Details of schemes specifically funded by specific grant and borrowing is shown in Table 7 below:

#### **Table 7**

<b>SPECIFICALLY FUNDED SCHEMES 2019/20 - 2021/22</b>				
	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m
<b>Specifically Funded Schemes</b>				
21st Century Schools - Band A	0.492	0.000	0.000	0.492
21st Century Schools - Band B	3.460	5.365	2.825	11.650
SHARP - Loans to NEW Homes for Affordable Homes	10.000	0.000	0.000	10.000
<b>Total Schemes</b>	<b>13.952</b>	<b>5.365</b>	<b>2.825</b>	<b>22.142</b>
<b>Funding</b>				
Specific Capital Grants	3.156	3.394	1.805	8.355
Unsupported (Prudential) Borrowing	10.796	1.971	1.020	13.787
<b>Total Schemes</b>	<b>13.952</b>	<b>5.365</b>	<b>2.825</b>	<b>22.142</b>
1.07.5	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 7 above. As details become available they will be reported to Members via the quarterly 2019/20 Capital Programme monitoring reports.			
1.07.6	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 Council Plan.			
1.08	<b>Summary Total Council Fund Capital Programme 2019/20 - 2021/22</b>			
1.08.1	Table 9 summarises the total proposals for the 2019/20 - 2021/22 Capital Programme.			
<b>Table 9</b>				

**SUMMARY CAPITAL PROGRAMME 2019/20 - 2021/22**

	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m
<b>Expenditure</b>				
Statutory / Regulatory Section	2.350	2.350	2.350	7.050
Retained Assets Section	3.807	3.977	2.550	10.334
Investment Section	7.642	2.088	0.000	9.730
Specific Section	13.952	5.365	2.825	22.142
<b>Total Programme (All Sections)</b>	<b>27.751</b>	<b>13.780</b>	<b>7.725</b>	<b>49.256</b>
<b>Funding</b>				
General Funding <sup>1</sup>	12.646	7.508	6.586	26.740
Grant Funding	3.156	3.394	1.805	8.355
Unsupported (Prudential) Borrowing	10.796	1.971	1.020	13.787
<b>Total Projected Funding</b>	<b>26.598</b>	<b>12.873</b>	<b>9.411</b>	<b>48.882</b>
<b>Surplus / (Shortfall)</b>	<b>(1.153)</b>	<b>(0.907)</b>	<b>1.686</b>	<b>(0.374)</b>
<b>1 As per 19/20 Final Settlement</b>				

**Potential future schemes**

1.09

**Growth Deal Bid**

The *Growth Vision for the Economy of North Wales* was adopted by partner organisations across the region in 2016. This has led to the development of a Growth Deal Bid which was submitted to both the UK and Welsh Governments at the end of November 2017.

A Growth Bid is a formal proposal for Government investment and the conferment of devolved powers. Bidding regions are required to have a legal, resilient and accountable governance model for the planning and implementation of their strategy. Regions are expected to be prepared to invest in their own strategies, alongside Government(s), in capital allocations, sharing in capital borrowing, the use of land and assets, and in resourcing professional and project capacity. They are also expected to seek private sector support for their proposals, enabling and leveraging private sector investment as part of the Bid package. Each bid has negotiated objectives and targets.

In October 2018 Cabinet considered and endorsed a Proposition Document which sets out the programmes and projects to be considered in a growth deal, moving forward towards agreeing a deal with the Welsh and UK governments.

Until Flintshire has final details of the Growth Deal, to be negotiated with the Governments, and the capital grant payments arrangements to finance the

	<p>Deal, we will not know the number and the combined cost of the approved projects. The combined cost of the approved projects, and how they are to be phased over a period of years, will have a bearing on the contributions to the borrowing costs Flintshire may be expected to bear.</p> <p>For further information please see the report 'A Growth Deal for the Economy of North Wales Proposition Document to Cabinet on 23<sup>rd</sup> October 2018 on the Council's website.</p>
1.10	<p>All capital schemes need to be considered in the context of the position of the Council's MTFS. All schemes which require prudential borrowing to fund them add revenue pressures in the form of interest charges and charges to the Minimum Revenue Provision (MRP).</p> <p>During 2018/19 a number of schemes have been identified which have been considered for inclusion in the capital programme but which have not been included to date. It is likely that these will be resubmitted for inclusion in the capital programme if the revenue position in future years allows.</p> <p>The following schemes are under consideration for inclusion in future years:</p> <ul style="list-style-type: none"> <li>• An increase to the Highways Asset Management Plan (HAMP). The core capital programme includes £0.600m per annum for the HAMP. In 2018/19 this has been supplemented by additional WG grant. It has been estimated that the investment required to maintain current network performance is £2.7m per annum, an increase of £2.1m per annum. Welsh Government has recently announced additional Public Highways Refurbishment Grant 2018-21 to Flintshire of £0.959m in 2018/19, and in 2019/20, with funding for 2020/21 to be confirmed in due course.</li> <li>• A Highways Subsidence Scheme, prioritising sites in need of immediate remedial work, at a cost of £0.150m per annum.</li> <li>• In relation to the Digital Strategy, Cabinet approved the Digital Customer plan for implementing key elements of the Digital Strategy. A 3 year programme plan of the projects required to increase the number and range of services available digitally has been prepared and will be reported to Cabinet in due course. The capital costs of purchasing new software will be calculated on a project by project basis at the time each project is ready to proceed in order to accurately capture not only the technical requirements for the software but also the costs prevailing at the time.</li> </ul>
1.11	<p><b>21<sup>st</sup> Century Schools Band B</b></p> <p>Paragraph 1.07.1 includes details of the two projects from the overall submission to WG for 21<sup>st</sup> Century Schools Band B.</p> <p>Of the remaining schemes the impact of the Saltney Area Review is estimated to cost £25m. At present this is included in principle in the Mutual Investment Model funding envelope, and therefore the costs of this scheme will bear directly on the revenue budget. The annual revenue charge</p>

	<p>through MIM will include elements which cover capital costs of the works as well as charges designed to cover the cost of maintaining the building to a high standard.</p> <p>WG intervention rates on MIM are currently agreed at 75%. In the light of recent increases to the intervention rates on traditionally funded 21st Century Band B projects the model is under review. Until the Council has clarity on the funding position and the costs chargeable, it is unable to satisfy itself whether the MIM scheme represents best value.</p> <p>The 21<sup>st</sup> Century Schools Band B programme is due to end by 2024/25. As each of the remaining schemes is proposed for approval, a decision will need to be made taking into account its affordability in the context of the position on the MTFS. The Flintshire funding element of the 21st Century Schools Band B programme will need to be funded from prudential borrowing.</p>																				
1.12	<p><b>Additional school funding</b></p> <p>As a result of the Cabinet decision not to proceed with the amalgamation of Brynford and Lixwm Primary Schools which would have drawn down investment via the 21<sup>st</sup> Century Schools Band B Programme, Brynford Primary School has significant suitability issues that will need to be addressed by other means and this is currently being explored.</p>																				
1.13	<p><b>Impact on the MTFS of potential future schemes</b></p>																				
1.13.1	<p>The estimated revenue impact of the known potential future schemes is shown below for information. If Council approve all these schemes then the impact on the revenue budget in total is estimated to be between £0.774m and £1.127m.</p> <table border="1"> <thead> <tr> <th>Scheme</th> <th>Impact in first full year £m</th> <th>Impact in final full year £m</th> <th>Average full year impact £m</th> </tr> </thead> <tbody> <tr> <td>HAMP</td> <td>0.098</td> <td>0.138</td> <td>0.116</td> </tr> <tr> <td>Highways subsidence</td> <td>0.007</td> <td>0.010</td> <td>0.008</td> </tr> <tr> <td>21<sup>st</sup> Century Schools Band B</td> <td>0.669</td> <td>0.979</td> <td>0.800</td> </tr> <tr> <td><b>Total</b></td> <td><b>0.774</b></td> <td><b>1.127</b></td> <td><b>0.924</b></td> </tr> </tbody> </table>	Scheme	Impact in first full year £m	Impact in final full year £m	Average full year impact £m	HAMP	0.098	0.138	0.116	Highways subsidence	0.007	0.010	0.008	21 <sup>st</sup> Century Schools Band B	0.669	0.979	0.800	<b>Total</b>	<b>0.774</b>	<b>1.127</b>	<b>0.924</b>
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<b>Total</b>	<b>0.774</b>	<b>1.127</b>	<b>0.924</b>																		
1.14	<p><b>Changes to CIPFA's Codes of Practice - Prudential Code for Capital Finance in Local Authorities 2017 and Treasury Management Code 2017</b></p>																				
1.14.1	<p>CIPFA published new editions of the Prudential Code for Capital Finance and the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance in late December 2017 which complement each other.</p>																				
1.14.2	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for Councils to look at capital</p>																				

	<p>expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the Council.</p> <p>The Code introduces the requirement for a capital strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.</p>
1.14.3	The Council considers that it prudently assesses the long-term context of capital expenditure and any non-treasury management investment decisions, and their associated risks and rewards, on future financial sustainability.
1.14.4	The Council already had an integrated Capital Strategy and Asset Management Plan, and the Capital Strategy section has been updated in line with recent guidance from CIPFA and is considered separately on this agenda. The Asset Management Plan will be updated later in the year, reflecting the current and emerging longer term Council priorities and the needs of our new or readopted service business models. Longer-term planning will put the Council in a stronger position to attract national funds of differing types, from capital grant to borrowing approvals, to support its priorities in areas such as economic development infrastructure, transport, education, housing and new service models.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>										
2.01	Financial consequences for capital resources are as set out within the report.										
2.02	<p>As previously stated there are revenue consequences of borrowing in interest costs and revenue provision for debt repayment which will bear on the MTFS as new pressures.</p> <p>Assuming the shortfall is as estimated (£0.374m), and that the asset life of schemes is 50 years the pressures on the revenue budget are shown in the table below. These pressures will not bear on the MTFS during 2019/20, but rather in future years, depending on the timings of the expenditure.</p> <table border="1" data-bbox="343 1989 1353 2096"> <thead> <tr> <th></th> <th>Pressure in Year 1</th> <th>Pressure in Year 50</th> <th>Average Annual Pressure</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				Pressure in Year 1	Pressure in Year 50	Average Annual Pressure				
	Pressure in Year 1	Pressure in Year 50	Average Annual Pressure								

	£m	£m	£m
Shortfall in Council Funding (£0.374m)	0.020	0.020	0.020
Connah's Quay HS	0.063	0.092	0.075
Quensferry CP/Plas Derwent PRU	0.096	0.141	0.115
Total	0.179	0.253	0.210

Paragraph 1.13.1 shows the impacts of potential future schemes.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The proposed Capital Programme is being referred to the Corporate Resources Overview and Scrutiny Committee for comment at its meeting on 14 <sup>th</sup> February 2019 with their comments being fed back to Cabinet verbally before being discussed at County Council in February 2019.

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. As it seeks approval for its capital programme, the Council is required to produce indicators assessing the affordability, prudence and sustainability of the capital plans. These are called the Prudential Indicators and are included in the Capital Strategy report.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Business Case forms completed by Portfolios  <b>Contact Officer:</b> Liz Thomas, Finance Manager – Technical Accounting <b>Telephone:</b> 01352 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

7.00	GLOSSARY OF TERMS
7.01	<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

**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

**Non-current Asset** - A resource controlled (but not necessarily owned) by the Council, from which economic benefits or service potential are expected to flow to the Council 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

**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.