

Resources Overview and Scrutiny Panel

Agenda
Item:

**A.3 (3)
(b)**

Meeting Date: 5 January 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD21/16
Within Policy and Budget Framework YES
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2015/16 AND PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22
Report of: CHIEF FINANCE OFFICER
Report Number: RD41/16

Purpose / Summary:

This report provides a draft summary of the Council's revised capital estimates for 2065/17 together with base estimates for 2017/18 and updated projections to 2021/22

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the report and make comments on the proposed capital position are asked to note and comment on the overall budgetary position for 2017/18 to 2021/22

Tracking

Executive:	19 December 2016
Overview and Scrutiny:	ROSP 05/01/17
Council:	

Report to Executive

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Title: REVISED CAPITAL PROGRAMME 2016/17 AND PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22
Report of: CHIEF FINANCE OFFICER
Report Number: RD41/16

Purpose / Summary:

The report provides an update to RD36/16 and sets out the proposed capital programme for 2017/18 to 2021/22 in the light of new capital proposals identified, and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2016/17 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2017/18 to 2021/22 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	19 December 2016
Overview and Scrutiny:	ROSP 5 January 2017
Council:	7 February 2017 (Budget Resolution)

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2016/17 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2017/18 to 2021/22, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five year planning period are set out in the following policy documents that were approved by Council on 13 September 2016:
 - Capital Strategy 2017-18 to 2021-22 (Report RD17/16)
 - Asset Management Plan (Report GD50/16)
- 1.4 A Corporate Programme Board of senior officers continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. CAPITAL RESOURCES

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
 - Borrowing (Prudential Code - see paragraph 5.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Strategy, the Chief Finance Officer will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot (with the exception of the Council's own Reserves), be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent

in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £65,000. This is made up of £25,000 for the cost of the interest payable (2.50% of £1m equates to £45,000) and a principal repayment provision of 4% of the outstanding sum (4% of £1m equates to £40,000).

3. REVISED CAPITAL PROGRAMME 2016/17

- 3.1 The capital programme for 2016/17 totalling £10,018,800 was approved by Council on 19 July 2016 as detailed in the 2015/16 out-turn report (RD07/16).

- 3.2 The revised capital programme for 2016/17 now totals £10,515,000 as detailed in **Appendix A**.

- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.

- 3.4 A summary of the revised programme for 2016/17 is shown below:

Summary Programme	£	Appx
2016/17 Original Capital Programme	10,018,800	A
Other adjustments	421,200	
Increase capital programme for John Street	75,000	
Revised Capital Programme (Sept 2016)	10,515,000	A
Estimated Capital Resources available	(8,654,280)	B
Projected (Surplus)/Shortfall capital resources	1,860,720	

- 3.5 Executive are asked to note an increase of £75,000 for upper floor refurbishment work at John Street. The ground floor reinstatement work as a result of flood damage are covered under the Council's insurance. The work for the upper floor is required to ensure when the building is reopened, the whole building is available for occupation.

Funding for these works will be provided from the Flood Reserve on completion of an Officer Decision Notice by the Chief Finance Officer.

- 3.6 The progress to date of each scheme in the current financial year has been identified in the Quarterly Budget Monitoring report (RD33/16). That report also highlighted an underspend of £486,234 against the profiled annual budget.

4. CAPITAL SPENDING PROPOSALS 2017/18 TO 2021/22

- 4.1 The existing capital spending proposals are summarised in the following table.

Capital Scheme	App/ Para	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,114	383	265	0	0
Planned Enhancements to Council Property	4.3	150	150	150	150	150
Disabled Facilities Grants	4.4	1,467	1,467	1,467	1,467	1,467
ICT Infrastructure	4.5	100	100	0	0	0
Leisure Facilities	4.6	0	5,000	0	0	0
Total Existing Commitments		2,831	7,100	1,882	1,617	1,617
<u>New Spending Proposals:</u>						
Vehicles & Plant	4.2	326	338	596	629	1,531
Green Gyms	4.7	25	25	0	0	0
Total New Proposals		351	363	596	629	1,531
TOTAL POTENTIAL PROGRAMME		3,182	7,463	2,478	2,246	3,148

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet are included in the table above and have been amended to reflect revised requirements within service areas.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £150,000.
- 4.4 Disabled facilities grant allocation will not be known until January 2017, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 level. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 The provision for ICT replacement is included at £100,000 from 2017/18 to 2018/19.

- 4.6 Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2018/19 to reflect the timeline in relation to the new contract start date. The tender for the Leisure operator is underway and external advisors are preparing Facilities Development Plans which will include updated and revised timescales and costings, including potential external contributions, for the new Leisure Facilities.
- 4.7 To install outdoor gym equipment in two green spaces across Carlisle.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2017/18 to 2021/22 based on the announcements by Government in the spending review.

Source of Funding	Para	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Grants & Contributions:						
• Disabled Facilities Grant	5.3	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
External Borrowing	5.4	0	(5,000)	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan	5.5	(1,694)	(500)	0	0	0
• Generated in year – PRTB	5.5	(150)	0	0	0	0
Direct Revenue Financing / Invest to Save	5.6	(770)	(908)	(978)	(976)	(884)
TOTAL		(4,081)	(7,875)	(2,445)	(2,443)	(2,351)

- 5.2 The Prudential Code, which was introduced in 2004, gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst the new freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD42/16).
- 5.3 Disabled facilities grant allocation will not be known until January 2017, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 level. However as mentioned earlier this grant will be awarded via the

County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

5.4 External borrowing to fund Leisure facility enhancement work.

5.5 Capital receipts from the sale of fixed assets

Capital receipts from the sale of assets have been updated following approval of a revised Asset Management Plan by Council in September (Report GD50/16).

The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. PRTB sales are predicted to be in line with the original projections.

5.6 Revenue contributions in relation to invest to save schemes.

6 SUMMARY PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22

6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Estimated in year Resources available (para 5.1)	(4,081)	(7,875)	(2,445)	(2,443)	(2,351)
Proposed Programme (para 4.1)	3,182	7,463	2,478	2,246	3,148
Projected (Surplus)/Deficit	(899)	(412)	33	(197)	797
Cumulative B/Fwd Balance	1,861	962	550	583	386
Cumulative year end Position					
• Capital (Surplus) / Deficit	962	550	583	386	1,183

The table above shows there is an additional borrowing requirement from 2017/18. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Fundamental review of current capital programme;
- No new major one-off schemes unless fully funded from grants or external funding;
- Providing an increased recurring revenue contribution to the capital programme;

- Invest to save schemes that can repay the capital investment over a period of time.

There is also an assumption that the Rethinking Waste project will realise efficiency savings that will allow the revenue budget to contribute to the cost of replacement refuse vehicles.

7 CONSULTATION

- 7.1 The Resources, Environment and Economy and Community Overview and Scrutiny Panels have considered the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals have been made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.

8 CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2016/17 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2017/18 to 2021/22 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

9 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 The capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact Officer: Steven Tickner

Ext: 7280

Appendices

attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's –not applicable

Deputy Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Chief Finance Officer. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Resources –Contained within the report

Scheme	Original Capital Programme 2016/17 £	Other Adjustments £	Revised Capital Programme 2016/17 £
Public Realm (S106)	62,100	0	62,100
Castle Way (S106)	329,700	0	329,700
Arts Centre	47,900	0	47,900
Old Town Hall Phase 2	88,100	0	88,100
Harraby School and Community Campus contribution	500,000	0	500,000
Planned Enhancements to Council Property	252,400	0	252,400
Vehicles, Plant & Equipment	856,400	1,241,100	2,097,500
ICT Infrastructure	44,900	0	44,900
Private Sector Grants	1,467,300	0	1,467,300
Public Realm Improvements	261,300	0	261,300
Play Area Developments & Open Spaces	1,500	230,400	231,900
Kingstown Industrial Estate	9,800	0	9,800
Bitts Park Improvements	212,500	0	212,500
Revenues & Benefits ICT Upgrades	45,200	0	45,200
Crindledyke Cycleway	281,000	0	281,000
Tennis Facilities	497,000	0	497,000
Closed Circuit Cycle Track Development	650,000	0	650,000
Durranhill Industrial Estate	1,157,800	0	1,157,800
Asset Review	992,900	0	992,900
Minor Works Grants	0	73,300	73,300
Broadband Connection Vouchers	0	2,600	2,600
Market Hall Roof	0	460,000	460,000
IC All Risk Flood Replacement	0	94,800	94,800
SUB-TOTAL	7,757,800	2,102,200	9,860,000
<u>Capital Reserves to be released</u>			
ICT Infrastructure	200,000	0	200,000
Market Hall Roof	460,000	(460,000)	0
Vehicles, Plant & Equipment	1,221,000	(1,221,000)	0
Old Town Hall / Greenmarket	380,000	0	380,000
	2,261,000	(1,681,000)	580,000
Proposed Increase:			
John Street Improvements	0	75,000	75,000
REVISED TOTAL	10,018,800	496,200	10,515,000

APPENDIX B

REVISED CAPITAL PROGRAMME 2016/17 – PROPOSED FINANCING

Source of funding	2016/17 Original £	2016/17 Revised £	Notes
<u>Capital Grants:</u>			
• DFG	1,467,300	1,467,300	
• General	2,207,800	2,404,200	1
<u>Capital Receipts:</u>			
• B/fwd from previous year	(371,620)	(371,620)	
• PRTB receipts	150,000	150,000	2
• Generated in year (Asset Review)	2,000,000	2,000,000	
<u>Capital Contributions</u>			
• General	672,800	753,700	3
Use of Reserves/Internal Borrowing	0	75,000	4
Direct Revenue Financing	2,012,800	2,175,700	5
TOTAL FINANCE AVAILABLE	8,139,080	8,654,280	
TOTAL PROGRAMME (SEE APP A)	10,018,800	10,515,000	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	1,879,720	1,860,720	

Notes:

- Capital grant include funding for Durranshill Industrial Estate (£1,157,800), Tennis Facilities (£400,000), Cycle Track Development (£650,000), Play Area Developments (£120,500), Minor Works Grants (£73,300) and Broadband Connection Vouchers (£2,600).
- Revised projections from Riverside Group for 2016/17 will be provided in a future report to the Executive.
- General receipts relate to Castle Way S106 (£329,700), Public Realm S106 (£62,100), Play Areas & Open Space Improvements (£80,900) and Crindledyke Cycleway (£281,000).
- Use of Flood Reserve to fund John Street Refurbishment Improvements.
- Changes to Direct Revenue Financing relate to Solar Panels (£3,400), Capital Enhancements to Council Property (£15,600), Vehicle Plant & Equipment (£20,100), Play Area Developments (£29,000) and All Risk Flood Replacement (£94,800).