

Report to Executive

Agenda
Item:

A.1(b)

Meeting Date: 10 December 2018
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.19/18
Within Policy and Budget Framework YES
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2018/19 AND PROVISIONAL CAPITAL PROGRAMME 2019/20 TO 2023/24
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 30/18

Purpose / Summary:

The report provides an update to RD23/18 and sets out the proposed capital programme for 2019/20 to 2023/24 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 2018/19 as set out in Appendices A and B including approving the removal of two schemes from the capital programme in 2018/19 and future years, and to make recommendations to Council to reprofile £380,000 from 2018/19 to 2019/20;
- (ii) Give consideration and views on the proposed capital spending for 2019/20 to 2023/24 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:	10 December 2018
Overview and Scrutiny:	BTSP 3 January 2019
Council:	5 February 2019 (Budget Resolution)

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2018/19 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 2019/20 to 2023/24, 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 11 September 2018:
- Capital Investment Strategy 2019-20 to 2023-24 (Report RD14/18)
 - Asset Management Plan (Report GD66/18)
- 1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) 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 6.2)
 - Capital Grants and Contributions 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 Investment Strategy, the Corporate Director of Finance and Resources 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 £62,000. This is made up of £32,000 for the cost of the interest payable (3.2% of £1m equates to £32,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. REVISED CAPITAL PROGRAMME 2018/19

- 3.1 The capital programme for 2018/19 totalling £7,388,800 was approved by Council on 17 July 2018 as detailed in the 2017/18 out-turn report (RD04/18).
- 3.2 The revised capital programme for 2018/19 now totals £9,551,200 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 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 2018/19 is shown below:

Summary Programme	£	Appx
2018/19 Original Capital Programme	7,388,800	A
Other adjustments	2,162,400	
Revised Capital Programme (Sept 2018)	9,551,200	A
Estimated Capital Resources available	(4,894,380)	B
Potential Borrowing Requirement	4,656,820	

4. CAPITAL SPENDING PROPOSALS 2019/20 TO 2023/24

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

Capital Scheme	App/ Para	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	896	647	1,486	1,297	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	48	83	83	116	116
Leisure Facilities		15,395	2,294	9	0	0
Recycling Containers		45	45	45	45	45
Public Realm Improvements	4.6	380	0	0	0	0
Total Existing Commitments		18,381	4,686	3,240	3,075	1,778
<u>New Spending Proposals:</u>						
Enhancements to Council Properties	4.3	100	100	100	100	100
ICT Infrastructure	4.5	55	0	0	0	55
Gateway 44	4.7	6,500	0	0	0	0
Carlisle Southern Link Road	4.8	0	0	0	5,000	0
Play Area improvements	4.9	35	0	0	0	0
Total New Spending Proposals		6,690	100	100	5,100	155
Total Potential Programme		25,071	4,786	3,340	8,175	1,933

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is increased from the current level of £150,000 to £250,000 (as a result of recent condition surveys).
- 4.4 Disabled facilities grant allocation will not be known until January 2019, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 Additional budgets for ICT Improvements are included to reflect revised requirements within the ICT Strategy and will be utilised to improve network security and wi-fi capabilities around the Council.

- 4.6 The public realm improvement scheme is reprofiled from 2018/19 into 2019/20 when a report detailing a full breakdown of proposed projects will be presented to the Executive to release the budget.
- 4.7 The Gateway 44 investment proposal was considered and agreed at Council (with a further report on borrowing options) and is therefore added to the Capital Programme.
- 4.8 This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered. This commitment will be subject to the outcome of the HIF funding bid.
- 4.9 This provides funding to undertake improvements to Council owned play areas.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2019/20 to 2023/24.

Source of Funding	Para	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	(2,000)	0	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan	5.4	(1,700)	(8,750)	(3,567)	(272)	0
receipts used to fund resources			112	112	112	0
Direct Revenue Financing / Invest to Save	5.5	(1,316)	(1,018)	(926)	(926)	(926)
TOTAL RESOURCES		(6,483)	(11,123)	(5,848)	(2,553)	(2,393)

- 5.2 Disabled facilities grant allocation will not be known until January 2019, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. 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.
- 5.3 General grants and contributions identified as funding streams for projects.

5.4 Capital receipts from the sale of fixed assets.

A review of the asset disposal programme has been undertaken with additional assets identified for sale and a reprofiling of disposals between 2019/20 and 2022/23. The profiling of these disposals has been incorporated into the budget projections above, however, depending upon approvals any changes will be incorporated for the Executive's budget proposals.

5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2019/20 TO 2023/24

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

Source of Funding	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Estimated in year Resources available (para 5.1)	(6,483)	(11,123)	(5,848)	(2,553)	(2,393)
Proposed Programme (para 4.1)	25,071	4,786	3,340	8,175	1,933
Projected (Surplus)/Deficit	18,588	(6,337)	(2,508)	5,622	(460)
Cumulative B/Fwd Balance	4,657	23,245	16,908	14,400	20,022
Cumulative year end Position					
● Borrowing Requirement (para 6.2)	23,245	16,908	14,400	20,022	19,562

6.2 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.

The table above shows there is continues to be a borrowing requirement from 2019/20. 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:

- Inclusion of the proposed asset disposal refresh recommendations in the capital programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing a recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

7. RISKS

- 7.1 The ongoing impact of issues raised will be monitored carefully in budget monitoring reports and appropriate action taken.

8. CONSULTATION

- 8.1 All Scrutiny Panels have considered the report (RD23/18) 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.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2018/19 as set out in Appendices A and B including approving the removal of two schemes from the capital programme in 2018/19 and future years, and to make recommendations to Council to reprofile £380,000 from 2018/19 to 2019/20;
- (ii) Give consideration and views on the proposed capital spending for 2019/20 to 2023/24 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.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL - 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 Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

FINANCE – Financial implications are contained within the body of the report.

EQUALITY – This report raises no explicit issues relating to the public sector Equality Duty.

INFORMATION GOVERNANCE – There are no information governance implications.

REVISED CAPITAL PROGRAMME 2018/19
APPENDIX A

Scheme	Original Capital Programme 2018/19 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2018/19 £	Note
Central Plaza	(52,000)	650,000	0	598,000	
Tennis Facilities	502,900	0	0	502,900	
Cycle Track Development	12,700	38,000	0	50,700	
Planned Enhancements to Council Property	170,000	9,300	0	179,300	
Vehicles, Plant & Equipment	1,107,000	0	0	1,107,000	
ICT Infrastructure	357,300	0	0	357,300	
Private Sector Grants	3,079,400	293,200	0	3,372,600	
Public Realm Improvements	4,600	700	0	5,300	
Play Area Developments & Open Spaces	4,000	116,500	0	120,500	
Play Area Green Gyms	25,000	0	0	25,000	
Kingstown Industrial Estate	9,800	0	0	9,800	
Revenues & Benefits ICT Upgrades	45,200	0	0	45,200	
Crindledyke Cycleway	128,700	10,000	0	138,700	
Fusehill Street Play Area	35,000	6,100	0	41,100	
Planning Software	150,000	0	0	150,000	
Cemetery Infrastructure	30,000	0	0	30,000	
Minor Works Grants	23,200	0	0	23,200	
Recycling Containers	45,000	0	0	45,000	
Car Park Improvements	164,300	0	0	164,300	
Affordable Homes (S106)	114,700	41,500	0	156,200	
Sands Centre Redevelopment	0	1,769,100	0	1,769,100	
Asset Review Acquisition	0	150,000	0	150,000	
SUB-TOTAL	5,956,800	3,084,400	0	9,041,200	
<u>Capital Reserves to be released</u>					
Regeneration of Botchergate & London Road	247,000	0	(247,000)	0	1
Chatsworth/Portland Square Townscape Heritage Initiative	295,000	0	(295,000)	0	1
Business Interaction Centre	510,000	0	0	510,000	
Public Realm Improvements	380,000	0	(380,000)	0	2
	1,432,000	0	(922,000)	510,000	
REVISED TOTAL	7,388,800	3,084,400	(922,000)	9,551,200	

Notes:

- Executive are asked to approve the removal of two schemes from the 2018/19 capital programme and from future years due to the schemes not progressing passed the development stage due to unsuccessful bids for external funding.

- 2) Executive are asked to make recommendations to Council to approve reprofiling of this budget into 2019/20 when a report detailing a full breakdown of proposed public realm projects will be presented to the Executive to release the budget.**

REVISED CAPITAL PROGRAMME 2018/19 – PROPOSED FINANCING

Source of funding	2018/19 Original £	2018/19 Revised £	Notes
Capital Grants:			
• DFG	1,467,300	1,760,500	1
• General	1,213,900	748,900	
Capital Receipts:			
• B/fwd from previous year	(818,220)	(818,220)	
• Generated in year (Asset Review)	2,754,000	562,000	
Capital Contributions			
• General	243,400	379,400	2
Direct Revenue Financing	1,375,100	2,261,800	3
TOTAL FINANCE AVAILABLE	6,235,480	4,894,380	
TOTAL PROGRAMME (SEE APP A)	7,388,800	9,551,200	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	1,153,320	4,656,820	

Notes:

1. Capital grant include funding for Tennis Facilities (£400,000), Play Area Developments (£25,000), Business Interaction Centre (£300,700) and Minor Works Grants (£23,200).
2. General contributions relate to Open Space Improvements (£84,500), Crindledyke Cycleway (£138,700) and Affordable Homes S106 (£156,200).
3. Changes to Direct Revenue Financing relate to Asset Purchase (£150,000), Central Plaza (£650,000), Solar Panels (£15,600), Harraby Cycle Track (£38,000), Play Area Developments (£23,100), Improvements to Council Properties (£9,300) and Public Realm Improvements (£700).