

# Business & Transformation Overview and Scrutiny Panel

Agenda  
Item:  
**A.3**  
(3) (b)

Meeting Date: 4 January 2018  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD23/17  
Within Policy and Budget Framework YES  
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2017/18 AND PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD36/17

## Purpose / Summary:

This report provides a draft summary of the Council's revised capital estimates for 2017/18 together with base estimates for 2018/19 and updated projections to 2022/23

## 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 2018/19 to 2022/23

## Tracking

Executive:	<b>18 December 2017</b>
Overview and Scrutiny:	<b>BTSP 04/01/18</b>
Council:	

# Report to Executive

Agenda  
Item:

Meeting Date: 18 December 2017  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD23/17  
Within Policy and Budget Framework YES  
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Title: REVISED CAPITAL PROGRAMME 2017/18 AND PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD36/17

## Purpose / Summary:

The report provides an update to RD32/17 and sets out the proposed capital programme for 2018/19 to 2022/23 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 2017/18 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2018/19 to 2022/23 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:	18 December 2018
Scrutiny:	BTSP 4 January 2018
Council:	6 February 2018 (Budget Resolution)

## **1. BACKGROUND**

- 1.1 This report details the revised capital programme for 2017/18 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 2018/19 to 2022/23, 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 12 September 2017:
  - Capital Strategy 2018/19 to 2022/23 (Report RD15/17)
  - Asset Management Plan (Report GD58/17)
- 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)
  - Capital Grants and contributions e.g. Disabled Facilities Grants, 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 £55,000. This is made up of £25,000 for the cost of the interest payable (2.50% of £1m equates to £25,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

### 3. REVISED CAPITAL PROGRAMME 2017/18

- 3.1 The capital programme for 2017/18 totalling £9,010,700 was approved by Council on 11 July 2017 as detailed in the 2016/17 out-turn report (RD04/17).
- 3.2 The revised capital programme for 2017/18 now totals £9,513,400 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 2017/18 is shown below:

Summary Programme	£
<b>2017/18 Original Capital Programme</b>	9,010,700
Other adjustments	502,700
<b>Revised Capital Programme (Sept 2017)</b>	<b>9,513,400</b>
Estimated Capital Resources available	(5,646,778)
<b>Projected (Surplus)/Shortfall capital resources</b>	<b>3,866,622</b>

### 4. CAPITAL SPENDING PROPOSALS 2018/19 TO 2022/23

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

Capital Scheme	App/ Para	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>Current Commitments:</b>						
Vehicles & Plant	4.2	721	861	629	1,531	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	0	0	0	0
Leisure Facilities	4.6	5,000	0	0	0	0
Play Area Green Gyms		25	0	0	0	0
<b>Total Existing Commitments</b>		<b>7,463</b>	<b>2,478</b>	<b>2,246</b>	<b>3,148</b>	<b>1,617</b>
<b>New Spending Proposals:</b>						
Vehicles & Plant	4.2	0	35	18	(45)	1,297
ICT Infrastructure	4.5	257	48	83	83	116
Leisure Facilities	4.6	(5,000)	14,200	0	0	0
Fusehill Street Play Area	4.7	35	0	0	0	0
Planning Software	4.8	150	0	0	0	0
Regeneration of Botchergate/Carlisle Settle	4.9	247	247	247	247	0
Chatsworth/Portland Square Townscape Heritage Initiative	4.10	295	290	290	0	0
Cemetery Infrastructure	4.11	30	0	0	0	0
Recycling Containers	4.12	45	45	45	45	45
Business Interaction Centre	4.13	510	0	0	0	0
<b>Total New Proposals</b>		<b>(3,431)</b>	<b>14,865</b>	<b>683</b>	<b>330</b>	<b>1,458</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>4,032</b>	<b>17,343</b>	<b>2,929</b>	<b>3,478</b>	<b>3,075</b>

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 2018, although it has been assumed for the purpose of this report that the grant will be protected at the 2017/18 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 2018/19. Additional budgets are included to reflect revised requirements within the ICT Strategy.
- 4.6 Capital expenditure for the estimated enhancement work to Leisure Facilities is reprofiled from 2018/19 to 2019/20 to reflect the revised timeline in relation to the new provider contract start dates, and increased to reflect additional requirements for an improved scheme. For the purpose of the report it is assumed all expenditure will be in 2019/20 but once further detail is known this can be more accurately profiled.
- 4.7 This relates to the refurbishment, redesign and replacement of the play equipment at Fusehill Street play area and attracts match funding of £10,000.
- 4.8 This is an earmarked provision for the replacement of the Council's Planning Software system to ensure the statutory planning register information and development management service is maintained and secured. There may be income from additional planning fees that may contribute to the overall cost.
- 4.9 The Council has a duty to ensure the character and appearance of the conservation areas around Botchergate/London Road and Carlisle Settle areas. This expenditure is supported by an external funding application for £210,000 for each year of the scheme.
- 4.10 The Council has a duty to ensure the character and appearance of the conservation areas around Portland Square and Chatsworth Square. This is a project to the Townscape Heritage Initiative (THI) for the Portland Square area for public realm improvements for the areas in Council ownership. An external funding application via the THI for £270,000 for each year of the scheme.
- 4.11 A culvert at Fairy Beck within Carlisle Cemetery requires works to ensure that it does not pose a flood risk to the cemetery and surrounding households.
- 4.12 To cover expenditure on replacement recycling and refuse containers.
- 4.13 This relates to the refurbishment and development of the Business Interaction Centre at Paternoster Row/Castle Street following expiry of the lease to the University of Cumbria. This expenditure will be partly funded from an application to the European Regional Development Fund (ERDF) of £300,000 and dilapidation settlement.

## 5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2018/19 to 2022/23 based on the announcements by Government in the spending review.

Source of Funding	Para	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>Capital Grants:</b>						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	(925)	(2,480)	(480)	(210)	0
<b>Capital Receipts:</b>						
• Generated in year – Asset Business Plan	5.4	(2,754)	0	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(912)	(1,316)	(1,018)	(926)	(926)
<b>TOTAL RESOURCES</b>		<b>(6,058)</b>	<b>(5,263)</b>	<b>(2,965)</b>	<b>(2,603)</b>	<b>(2,393)</b>

5.2 Disabled facilities grant allocation will not be known until January 2018, although it has been assumed for the purpose of this report that the grant will be protected at the 2017/18 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 assets have been updated following approval of the Capital Strategy by Council in September (Report RD15/17)

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

## 6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23

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

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated in year Resources available (para 5.1)	(6,058)	(5,263)	(2,965)	(2,603)	(2,393)
Proposed Programme (para 4.1)	4,032	17,343	2,929	3,478	3,075
<b>Projected (Surplus)/Deficit</b>	<b>(2,026)</b>	<b>12,080</b>	<b>(36)</b>	<b>875</b>	<b>682</b>
Cumulative B/Fwd Balance	<b>3,867</b>	<b>1,841</b>	<b>13,921</b>	<b>13,885</b>	<b>14,760</b>
Cumulative year end Position					
• Borrowing Requirement (para 6.2)	<b>1,841</b>	<b>13,921</b>	<b>13,885</b>	<b>14,760</b>	<b>15,442</b>

- 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 a borrowing requirement from 2018/19. 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;
- Maximisation of use of grants and contributions from external sources;
- 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.
- Borrowing options for the Leisure facilities are still to be finalised depending upon the final scheme. This could include internal and external borrowing, profiling of the scheme and phasing of any borrowing undertaken. For this report, it has been assumed that the scheme will have a gross cost of £14.2million with a net borrowing requirement of £12million. A report is considered elsewhere on this agenda giving further details of a Sands Development Scheme.



- Further options for funding the Leisure development could include identifying further low-yielding assets that are surplus to requirements that could be disposed of to generate capital receipts.

## **7. CONSULTATION**

- 7.1 All Scrutiny Panels have considered the report (RD32/17) 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 2017/18 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2018/19 to 2022/23 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.

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**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:**

**Corporate Support & Resources – contained within the report**

**Community Services** – not applicable

**Economic Development** – not applicable

**Governance & Regulatory Services** – 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.

**REVISED CAPITAL PROGRAMME 2017/18**
**APPENDIX A**

Scheme	Original Capital Programme 2017/18 £	Other Adjustments £	Revised Capital Programme 2017/18 £
Public Realm (S106)	64,600	0	64,600
Castle Way (S106)	266,000	0	266,000
Arts Centre	47,300	0	47,300
Tennis Facilities	497,000	0	497,000
Cycle Track Development	717,000	157,300	874,300
Planned Enhancements to Council Property	215,000	0	215,000
Vehicles, Plant & Equipment	1,857,300	0	1,857,300
ICT Infrastructure	90,400	49,600	140,000
Private Sector Grants	2,594,700	0	2,594,700
Public Realm Improvements	243,200	25,000	268,200
Play Area Developments & Open Spaces	53,800	0	53,800
Kingstown Industrial Estate	9,800	0	9,800
Revenues & Benefits ICT Upgrades	45,200	0	45,200
Crindledyke Cycleway	268,700	0	268,700
IC Buildings Flood Reinstatement	713,500	0	713,500
Durranhill Industrial Estate	105,400	0	105,400
Asset Review	203,600	0	203,600
Minor Works Grants	53,200	0	53,200
Market Hall Roof	460,000	0	460,000
Talkin Tarn	0	41,400	41,400
Affordable Homes (S106)	0	229,400	229,400
<b>SUB-TOTAL</b>	<b>8,505,700</b>	<b>502,700</b>	<b>9,008,400</b>
<b><u>Capital Reserves to be released</u></b>			
ICT Infrastructure	100,000	0	100,000
Play Area Green Gyms	25,000	0	25,000
Old Town Hall / Greenmarket	380,000	0	380,000
	<b>505,000</b>	<b>0</b>	<b>505,000</b>
<b>REVISED TOTAL</b>	<b>9,010,700</b>	<b>502,700</b>	<b>9,513,400</b>

**REVISED CAPITAL PROGRAMME 2017/18 – PROPOSED FINANCING**

Source of funding	2017/18 Original £	2017/18 Revised £	Notes
<b>Capital Grants:</b>			
• DFG	1,613,900	1,613,900	
• General	1,144,100	1,144,100	1
<b>Capital Receipts:</b>			
• B/fwd from previous year	(424,722)	(424,722)	
• PRTB receipts	150,000	150,000	2
• Generated in year (Asset Review)	200,000	200,000	
<b>Capital Contributions</b>			
• General	679,200	987,000	3
Direct Revenue Financing	1,774,300	1,976,500	4
<b>TOTAL FINANCE AVAILABLE</b>	<b>5,136,778</b>	<b>5,646,778</b>	
<b>TOTAL PROGRAMME (SEE APP A)</b>	<b>9,010,700</b>	<b>9,513,400</b>	
<b>PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE</b>	<b>3,873,922</b>	<b>3,866,622</b>	

**Notes:**

- Capital grant include funding for Tennis Facilities (£400,000), Cycle Track Development (£680,000), Play Area Developments (£10,900) and Minor Works Grants (£53,200).
- Revised projections from Riverside Group for 2017/18 will be provided in a future report to the Executive.
- General contributions relate to Castle Way S106 (£266,000), Cracker Packer (£64,600), Open Space Improvements (£42,900), Crindledyke Cycleway (£268,700), Public Realm Improvements (£25,000), Harraby Cycle Track (£90,400) and Affordable Homes S106 (£229,400).
- Changes to Direct Revenue Financing relate to Solar Panels (£7,300), Harraby Cycle Track (£103,900), Talkin Tarn Play Area (£41,400) and ICT Strategy (£49,600).