

REPORT TO: Executive Board
DATE: 13 June 2019
REPORTING OFFICER: Operational Director – Finance
PORTFOLIO: Resources
SUBJECT: 2019/20 to 2021/22 Capital Programme
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 Council approved the Capital Programme for 2019/20 on 6 March 2019. Since then further reports detailing planned capital expenditure for 2019/20 and future years have been reported. In addition, new capital grant allocations have been received and slippage to capital projects for 2018/19 has been rolled forward to 2019/20. The purpose of this report is to bring all the separate elements together and report on the Council's total planned Capital Programme expenditure and associated funding over the next three years.
- 1.2 To outline the proposed use of the ICT capital allocation of £0.9m. Proposed programme of activities, included at Appendix A, support the maintenance and development of the Council's technology infrastructure.

2.0 RECOMMENDED: That

- 1) Council be recommended to approve the updated Capital Programme for 2019-22, including forecast spend and funding, as set out in Table 1 and Table 2;**
- 2) the Strategic Director Enterprise, Community and Resources in liaison with the portfolio holder Transportation, finalise the detailed implementation programme of Highways and Transportation schemes to be delivered in 2019/20; and**
- 3) the proposed use of the ICT rolling Capital Programme for 2019/20 as set out in Appendix A be approved.**

3.0 SUPPORTING INFORMATION

- 3.1 The 2019/20 Capital Strategy Statement was approved by Council on 06 March 2019. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an

overview of how associated risk is managed and the implications for future financial sustainability. It summarised the expected capital spend over the medium term and the sources of funding available.

- 3.2 At the time of writing the Capital Strategy Statement estimates of capital allocations at that time were known to be subject to variations. This report updates the latest position, which includes confirmed and indicative capital grant allocations for 2019/20 and future years.
- 3.3 The Capital Programme is subject to regular review and monitoring reports are presented on a quarterly basis. Information is presented to show the actual spend incurred to date and how this compares to the allocation for the year. A forecast is provided to indicate if the Capital Programme will be utilised in full during the year or if there is any expected slippage to capital schemes.

Planned Capital Programme Expenditure

- 3.4 Table 1 below presents the planned Capital Programme for 2019/20 onwards based on current information for approved schemes, funding available and slippage of scheme expenditure from 2018/19. The Capital Programme is subject to continuous change as new resources and projects are identified, and will be updated throughout the year as revisions are approved by Council.

Table 1 - Planned Capital Programme Expenditure 2019/20-2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
People Directorate				
Asset Management Data (CAD's)	5	0	0	5
Schools Capital Repairs	883	0	0	883
Asbestos Management	43	0	0	43
Schools Access Initiative	17	0	0	17
Basic Need Projects	495	437	0	932
Fairfield Primary School	34	0	0	34
Kitchen Gas Safety	68	0	0	68
Small Capital Works – Schools	126	0	0	126
The Bridge School Vocational Centre	27	0	0	27
SEND capital allocation	618	253	0	871
Healthy Pupils Capital Fund	17	0	0	17
Grants – Disabled Facilities	619	0	0	619
Stair Lifts	322	0	0	322
Joint Funding RSL Adaptations	300	0	0	300
Redesign Oakmeadow	105	0	0	105
Purchase of 2 adapted properties	300	0	0	300
Orchard House	327	0	0	327
ALD Bungalows	199	0	0	199
Belvedere reconfiguration	1,437	0	0	1,437
St Lukes	1,300	0	0	1,300
St Patricks	1,100	0	0	1,100
Directorate Total	8,342	690	0	9,032
Enterprise, Community & Resources Directorate				
ICT Rolling Programme	900	700	700	2,300
OLM Software upgrade	363	0	0	363
LTP – Bridge Maintenance	1,412	0	0	1,412
LTP – Highways Maintenance	3,084	0	0	3,084
LTP – Integrated Transport	603	0	0	603
Pothole & Flood resistance	1,258	0	0	1,258
STEP Projects – Various	2,013	0	0	2,013
Street Lighting	1,755	2,000	200	3,955
Widnes Loops/West Bank Link Rd	4,553	0	0	4,553
KRN - Earle Road Gyratory	238	0	0	238
Footpath Travel Lodge / Watkinson Way	128	0	0	128
SUD Green Cycle / Walk Corridors	800	0	0	800
Risk Management	377	120	120	617
Fleet Renewals	1,471	1,760	3,043	6,274
Early Land Acquisition – Mersey Gateway	3,500	0	0	3,500

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Silver Jubilee Bridge Major Maintenance Scheme	4,398	0	0	4,398
Silver Jubilee Bridge Deck Reconfiguration	600	0	0	600
Runcorn - Delinking	8,997	0	0	8,997
Stadium Minor Works	39	30	30	99
Stadium Pitch	20	0	0	20
Stadium changes to Karalius Suite	14	0	0	14
Open Spaces	143	0	0	143
Children's Playground Equipment	120	65	65	250
Crow Wood Play Area	265	0	0	265
Peelhouse Lane Cemetery	877	90	0	967
Landfill Tax Credit Schemes	340	340	340	1,020
Upton Improvements	13	0	0	13
Pheonix Park	14	0	0	14
Victoria Park Glass House	243	0	0	243
Sandymoor Playing Fields	693	0	0	693
Widnes & Runcorn Cemeteries Garage & Storage	199	0	0	199
Runcorn Town Park	553	280	280	1,113
Bowling Greens	78	0	0	78
Litter Bins	20	20	20	60
Community Shop	50	0	0	50
Libraries IT equipment	95	0	0	95
3MG	126	0	0	126
Widnes Waterfront (including Bayer)	1,000	0	0	1,000
SciTech Daresbury – EZ Grant	96	0	0	96
Venture Fields	41	0	0	41
Linnets Clubhouse	198	0	0	198
Murdishaw redevelopment	38	0	0	38
Former Crossville Depot	331	0	0	331
Advertising Screen at the Hive	100	0	0	100
Equality Acts Improvement Works	300	300	300	900
Widnes Market Refurbishment	140	0	0	140
Broseley House	461	0	0	461
Solar Farm	1,209	0	0	1,209
Directorate Total	44,066	5,705	5,098	54,869
Total Capital Programme	52,408	6,395	5,098	63,901

3.5 The Council receives two principal sources of formula based capital funding from Government to improve local transport conditions, namely Integrated Transport Block (ITB) used to fund small transport improvements and Highways Maintenance Block (HM) used to maintain

the highway, associated structures and covering works such as resurfacing, bridge maintenance and street lighting.

- 3.6 The way in which the ITB and HM allocations are granted changed in 2015/16 as a result of the formation of the Liverpool City Region Combined Authority (LCRCA). ITB and HM allocations are paid direct to LCRCA, as the co-ordinating body for the funding.
- 3.7 A detailed implementation programme of local capital projects which will be undertaken using ITB allocations has not yet been finalised for 2019/20. This is a result in a delay of finalising funding allocations. A detailed programme will be set over the coming months and the full allocation will be spent or fully committed by the end of the financial year.
- 3.8 In May 2015, the Council received confirmation of funding for 4 Sustainable Transport Improvement Schemes (STEP) as part of the approved LCR Combined Authority STEP programme. The schemes will be delivered using Growth Deal funding over the period 2015-2021 with a match contribution from ITB and Section 106 budgets. The allocations shown above have not yet been formally approved by the LCR.

Funding the Programme

- 3.9 Table 2 below summarises how the Capital Programme will be funded.

Table 2 Capital Programme Funding 2019/20 to 2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Specific & General Grants	18,018	690	0	18,708
External Contributions	2,434	586	586	3,606
Borrowing	25,277	3,160	2,643	31,080
Revenue Contributions	967	0	0	967
Capital Receipts	5,912	1,959	1,869	9,740
Total Funding	52,408	6,395	5,098	63,901

- 3.10 The Council will continue to seek and secure further additional external resources to reduce on-going revenue implications and enhance the Capital Programme. For example, through Section 106 agreements.
- 3.11 Revenue contributions have been set aside to fund capital repairs for schools.
- 3.12 Borrowings undertaken to support the Capital Programme are undertaken in line with the Prudential Code and Council's Treasury Management Strategy. This ensures that external borrowings are affordable and within prudent and sustainable levels. Borrowings to fund the Capital Programme over the three years will be repayable in

future years from either Government grant, forecast capital receipts or funded from future revenue streams.

- 3.13 Prudential borrowing remains an option to fund future capital schemes, but the financing costs as a result of the borrowing will need to be found from savings within the revenue budget.

Capital Receipts

- 3.14 Available capital receipts are used to fund the Capital Programme. Sales from the disposal of surplus land and buildings may only be used to fund capital expenditure. These funds cannot be used to fund revenue expenditure, with the exception of up to 4% of the proceeds of the sale of capital assets being allowable to fund the revenue cost of disposing of an asset.
- 3.15 Estimates of capital receipts over the medium term are based on forecast land and building sales. Although there is some optimism in the property market, the cautious approach the Council has adopted over the past number of years needs to be continued and as such there are no funds available for new capital starts unless external funding is generated to finance the cost.
- 3.16 Table 3 below shows the expected balance of capital receipts over the next three years. The Council attempts to maintain a minimum value of £3m of retained receipts towards funding the Capital Programme.

Table 3 Capital Receipts

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Balance B/F	7,741	2,779	6,003
In-Year Anticipated Receipts	950	5,183	4,288
Receipts Utilised	-5,912	-1,959	-1,869
Balance C/F	2,779	6,003	8,422

The in-year anticipated receipts includes anticipated receipts for the disposal of all the remaining land at HBC Fields and Johnsons Lane Widnes and Canalside Runcorn. If any of these disposals do not materialise this will reduce the balance of capital receipts available to use on capital projects.

4.0 POLICY IMPLICATIONS

- 4.1 None

5.0 FINANCIAL IMPLICATIONS

- 5.1 The financial implications are as set out within the report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children & Young People in Halton

6.2 Employment, Learning & Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

There are no direct implications, however, the Capital Programme support the delivery and achievement of all the Council's priorities

7.0 RISK ANALYSIS

7.1 There is a risk that slippage to the Capital Programme, could result in increases to the cost of delivering schemes. Additional revenue costs could be incurred if the schemes are not delivered in time.

7.2 Many grants which fund capital expenditure come with conditions to how funding can be used and outcome targets for when the asset is brought into use. Deviation against these conditions may result in requests for clawback to the funding from approving bodies.

7.3 The Capital Programme is heavily funded from prudential borrowing; of total capital expenditure, £31m or 48% will come from future and existing borrowings. Risks exist in schemes funded from prudential borrowing. It is important to recognise on undertaking borrowing that a clear plan exists which identifies how the principal and interest will be re-paid on the borrowing end date.

7.4 There is a cashflow risk to capital schemes funded from future capital receipts, the cost to the Council of the short to medium term cashflow impact needs to be recognised at the start of each scheme.

7.5 Regular monitoring and reporting of spending against the Capital Programme will seek to mitigate the above risks.

7.6 Forecast balance of capital receipts is expected to be below the Council minimum value of £3m in 2019-20. Use of future capital receipts should be monitored against this target to ensure annual standing items within the Capital Programme remain affordable.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no equality and diversity issues.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 None under the meaning of the Act.

Appendix A – ICT Rolling Programme 2019/20

1.0 Supporting Information:

- 1.1 The investment in server based storage and the upgrade of the current SharePoint farms to the latest version SP-2019 allowing the development of the existing requirement and the development of additional functionality in line with the Halton Digital plan allowing the evolution of desktop services in line with Microsoft Cloud computing requirement and the continued development of the Halton Cloud.
- 1.2 These complex changes will allow the authorities Microsoft Desktop's and its considerable array of 3rd party and in-house applications to interact with the changes to desktop provision from Microsoft in terms of the Office product suite, the delivery of Virtual and Cloud based desktop's and the continued consolidation of services into the Halton Cloud including the centralisation of all data assets and applications.
- 1.3 Consolidation of services will form a key objective over the coming years in order to comply with not only the authorities continued consolidated financial position but the increases in 3rd party application charges and the considerable financial implications levied upon the authority by the Microsoft licensing strategies.
- 1.4 The reliance the authority has upon these systems cannot be underestimated - the support services department will work closely with the financial team to manage this implication and the impact it will have upon revenue and programmes.

2.0 Financial Spend Profile

- 2.1 The 2019/20 allocation for the IT Capital Programme totals £0.9m. Proposed below is how the allocation will be utilised. Note the sum of the four headings are estimates at this stage but it is expected this will reduce either following tender and competitive procedures or by moving some projects back into the following year.

2.2 Application and Server Storage replacement £450,000

This is based upon the replacement of UCS Server and SAN storage equipment now over 7 years old and now out of mainstream supplier support. This equipment is based across both of the HBC data centre locations and forms the base of the authorities DR and BCM planning process.

2.3 Network Equipment £200,000

Based upon the replacement of ageing equipment inclusive of the main Firewall services that protect the authorities security systems and compliance requirements.

2.4 Desktop Hardware £200,000

The continued replacement of the authorities desktop hardware such as Laptop's Brix devices, Screens etc.

2.5 BAU Maintenance £100,000

With such an extensive infrastructure a fund has to be in place to repair and replace existing network and data centre hardware systems as and when they become past the point of repair.