

REPORT TO: Executive Board
DATE: 2 July 2015
REPORTING OFFICER: Operational Director - Finance
SUBJECT: 2015/16 to 2017/18 Capital Programme
WARD(S): Borough-wide
PORTFOLIO: Resources

1.0 PURPOSE OF REPORT

1.1 Council approved an updated capital programme for 2015/16 on 04 March 2015. Since then other reports covering planned capital expenditure for 2015/16 and future years have been reported. In addition new capital grant allocations have been received and slippage to capital projects for 2014/15 has been rolled forward to 2015/16. The purpose of this report is to bring all the separate elements together and report on the Council's total forecast capital programme expenditure and associated funding over the next three years.

2.0 RECOMMENDED: That Council be recommended to

- 1) approve the updated capital programme for 2015-18, including forecast spend and funding, as set out in Table 1 and Table 2; and**
- 2) the Strategic Director, Policy and Resources in consultation with the Portfolio holder Transportation, be delegated to agree a detailed implementation programme of Highways and Transportation schemes to be delivered in 2015/16.**

3.0 SUPPORTING INFORMATION

3.1 The capital strategy covering the period 2015/16 to 2017/18 was approved on 20 November 2014, as part of the Medium Term Financial Strategy. It summarised the expected capital spend over the medium term and the sources of funding available.

3.2 The overall capital programme for 2015/16 to 2017/18 was approved by Council on 04 March 2015. 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 2015/16 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 capital 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 2015/16 onwards based on current information for approved schemes, funding available and slippage of scheme expenditure from 2014/15. 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 2015/16-2017/18

	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Children & Enterprise Directorate				
Asset Management Data	5	0	0	5
Fire Compartmentation	62	0	0	62
Capital Repairs	1,015	0	0	1,015
Asbestos Management	20	0	0	20
Inglefield	12	0	0	12
Schools Access Initiative	75	0	0	75
Education Programme (General)	70	0	0	70
Basic Need Projects	0	936	71	1,007
School Modernisation Projects	460	0	0	460
St Bedes Junior School	28	0	0	28
Ashley School	31	0	0	31
Early Education for 2 Year Olds	183	0	0	183
Universal Infant Free School Meals	2	0	0	2
Halebank Primary School	40	0	0	40
Responsible Bodies Bids – Capital Improvement Works	475	0	0	475
St Edwards Catholic Primary	35	0	0	35
Fairfield Primary School	1,898	243	0	2,141
Castlefields Regeneration	635	0	0	635
3MG	3,493	0	0	3,493
Widnes Waterfront (including Bayer)	1,000	0	0	1,000
Johnsons Lane Infrastructure	450	0	0	450
Decontamination of Land	6	0	0	6
SciTech Daresbury – Tech Space	10,965	0	0	10,965
Former Crosville Depot	518	0	0	518
Former Fairfield High Site – Contingency Costs	27	0	0	27
Former Fairfield High Site – Highways	810	106	0	916
Former Fairfield High Site – Cemetery	900	50	50	1,000
John Briggs House / Police Station	350	0	0	350
Travellers Site Warrington Road	1,286	0	0	1,286
Widnes Town Centre Initiative	21	0	0	21
Lowerhouse Lane Depot - Upgrade	38	0	0	38
Equality Act Improvement Works	250	300	300	850
Directorate Total	25,160	1,635	421	27,216

Policy & Resources Directorate				
ICT Rolling Programme	1,719	1,100	1,100	3,919
LTP – Highways Maintenance	2,228	2,043	1,981	6,252
LTP – Integrated Transport	908	908	908	2,724
STEP – Mersey Corridor Business Hubs	327	0	0	327
STEP – Sustainable ‘Sci-Tech’ Links	207	0	0	207
STEP – Silver Jubilee Corridor Business Hubs	0	171	0	171
STEP – Widnes Connect	0	369	0	369
Section 106 Schemes	384	0	0	384
Street Lighting	4,900	200	200	5,300
Risk Management	120	120	120	360
Fleet Replacements	2,134	1,940	624	4,698
Early Land Acquisition – Mersey Gateway	10,125	1,461	567	12,153
Mersey Gateway Crossings Board	2,843	2,858	2,153	7,854
Mersey Gateway – Contribution to Construction Costs	0	70,000	32,500	102,500
Mersey Gateway – Loan Interest During Construction	3,587	3,989	356	7,932
Mersey Gateway – Liquidity Fund	0	0	10,000	10,000
Directorate Total	29,482	85,159	50,509	165,150
Communities Directorate				
Stadium Minor Works	42	30	30	102
Frank Myler Sports & Recreation Centre	741	0	0	741
Norton Priory	3,426	151	190	3,767
Norton Priory Biomass Boiler	140	0	0	140
Children’s Playground Equipment	138	65	65	268
Crow Wood Play Area	13	0	0	13
Runcorn Hill Park	250	0	0	250
Open Spaces Schemes	18	0	0	18
Runcorn Cemetery Extension	9	0	0	9
Cremators Widnes Crematorium	109	0	0	109
Landfill Tax Credit Schemes	340	340	340	1,020
Upton Improvements	13	0	0	13
Litter Bins	20	20	20	60
Disabled Facilities Grant	500	0	0	500
RSL Adaptations	200	0	0	200
Stair Lifts	250	0	0	250
ALD Bungalows	300	100	0	400
Grangeway Court	400	0	0	400
Social Care Capital Grant	356	0	0	356
Halton Carers Centre Refurbishment	34	0	0	34
Lifeline Telecare Upgrade	100	0	0	100

Community Meals	10	0	0	10
Section 256 Grant	57	0	0	57
The Halton Brew	16	0	0	16
Directorate Total	7,482	706	645	8,833
Total Capital Programme	62,124	87,500	51,575	201,199

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 allocations are granted changed in 2015/16 as a result of the formation of the Liverpool City Region Combined Authority. ITB funding is paid direct to LCRCA, as the co-ordinating body for the funding. For 2015/16 funding is redistributed from LCRCA to the 6 local highway authorities in line with DfT indicative allocations, future years are to be agreed, for consistency it is assumed within the capital programme that allocations for the final 2 years are in line with 2015/16.

3.7 In 2014 DfT consulted on proposed changes to the way highway maintenance funding is allocated. The major part of the allocation continues to be based upon a needs based formula, in addition a new incentive element has been introduced, the proportion of which increases year on year. Whilst overall the amount allocated nationally to highway maintenance remains constant, the amount allocated by way of the needs based formula reduces due to the incentive element. Highway authorities will have to demonstrate they are making progress to embrace and adopt good practice in respect to efficiencies and asset management to qualify for the incentive element. The needs based element has been set for the three years from 2015 to 2018 by DfT and is included within the capital programme.

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 a two year period with a match contribution from ITB and Section 106 budgets.

Funding the Programme

3.9 Table 2 below summarises how the capital programme will be funded.

Table 2 Capital Programme Funding 2015/16 to 2017/18

	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Specific & General Grants	14,717	8,641	3,316	26,674
External Contributions	6,395	457	496	7,348
Borrowing	30,518	76,259	45,844	152,621
Revenue Contributions	1,268	0	0	1,268
Capital Receipts	9,226	2,143	1,919	13,288
Total Funding	62,124	87,500	51,575	201,199

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 and to assist with funding the rolling ICT Rolling Programme.

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 Repayments and interest costs for borrowings of £102.5m which will be used to fund Council's contribution to Mersey Gateway construction costs in 2016/17 and 2017/18 will be re-paid through future toll revenue.

3.14 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

3.15 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.

- 3.16 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 seeing a upturn in fortunes, 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.
- 3.17 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. However, the table shows that the balance of capital receipts for year 2015/16 and 2016/17 of the programme is forecast to fall below this level, although in 2017/18 the balance increases to £3.4m. The reason for the discrepancy is due to the timing of cash required for capital projects compared to the expected capital receipt being received; this is particularly evident with regards to the new cemetery and associated highway works and the 3MG project.
- 3.18 The shortfall in capital receipts for 2015/16 and 2016/17 will be managed by the Treasury Management function to ensure that costs relating to financing the short term cashflow needs of the schemes are kept to a minimum.

Table 3 Capital Receipts

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Balance B/F	3,390	-2,714	471
In-Year Anticipated Receipts	3,122	5,328	4,893
Receipts Utilised	-9,226	-2,143	-1,919
Balance C/F	-2,714	471	3,445

4.0 POLICY IMPLICATIONS

- 4.1 None

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 5.1 The capital programme supports the delivery and achievement of all the Council's priorities.

6.0 RISK ANALYSIS

- 6.1 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.

- 6.2 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.
- 6.3 The capital programme is heavily funded from prudential borrowing, of total capital expenditure, £152.6m or 76% 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.
- 6.4 The current economic climate poses a risk to the availability of capital receipts from forecast land and building sales. 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.
- 6.5 Regular monitoring and reporting of spending against the capital programme will seek to mitigate the above risks.

7.0 EQUALITY AND DIVERSITY ISSUES

- 7.1 There are no equality and diversity issues.

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

- 8.1 None under the meaning of the Act.