

REPORT TO: Executive Board

DATE: 14 July 2016

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: 2016/17 to 2018/19 Capital Programme

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 Council approved an updated Capital Programme for 2016/17 on 2 March 2016. Since then other reports covering planned capital expenditure for 2016/17 and future years have been reported. In addition new capital grant allocations have been received and slippage to capital projects for 2015/16 has been rolled forward to 2016/17. 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

- 1) approval be given to the updated capital programme for 2016-2019, including forecast spend and funding, as set out in Table 1 and Table 2; and**
- 2) the Strategic Director Enterprise, Community 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 2016/17.**

3.0 SUPPORTING INFORMATION

3.1 The capital strategy covering the period 2016/17 to 2018/19 was approved on 10 December 2015, 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 2016/17 to 2018/19 was approved by Council on 2 March 2016. 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 2016/17 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 2016/17 onwards based on current information for approved schemes, funding available and slippage of scheme expenditure from 2015/16. 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 2016/17-2018/19

	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
People Directorate				
Asset Management Data (CAD's)	7	0	0	7
Fire Compartmentation	39	0	0	39
Capital Repairs	737	0	0	737
Asbestos Management	20	0	0	20
Schools Access Initiative	80	0	0	80
Education Programme (General)	110	0	0	110
Basic Need Projects	848	71	0	919
School Modernisation Projects	506	0	0	506
Early Education for 2 Year Olds	52	0	0	52
Universal Infant Free School Meals	2	0	0	2
Halebank Primary School	20	0	0	20
St Edwards Catholic Primary	27	0	0	27
Hale Primary School	115	3	0	118
Fairfield Primary School	1,182	853	0	2,035
Weston Point Primary Classroom Extension	45	0	0	45
Grants – Disabled Facilities	1,378	0	0	1,378
Stair Lifts	157	0	0	157
Social Care Capital Grant (BCF)	356	0	0	356
ALD Bungalows	299	100	0	399
Grangeway Court Refurbishment	343	0	0	343
Lifeline Telecare Upgrade	100	0	0	100
Community Capacity Grant	57	0	0	57
Community Meals Oven	10	0	0	10
Directorate Total	6,490	1,027	0	7,517
Enterprise, Community & Resources Directorate	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
ICT Rolling Programme	1,100	1,100	1,100	3,300
LTP – Bridge Maintenance	1,164	1,250	1,547	3,961
LTP – Highways Maintenance	2,269	1,981	0	4,250
LTP – Integrated Transport	768	908	0	1,676
STEP – Mersey Corridor Business Hubs	40	0	0	40
STEP – Sustainable 'Sci-Tech' Links	22	0	0	22
STEP – Silver Jubilee Corridor Business Hubs	171	0	0	171
STEP – Widnes Connect	408	0	0	408
Section 106 Schemes	264	0	0	264

Peelhouse Lane Cemetery - Highways	101	0	0	101
Street Lighting	2,751	1,700	200	4,651
Risk Management	125	120	120	365
Fleet Renewals	2,959	624	555	4,138
Early Land Acquisition – Mersey Gateway	5,256	1,877	3,860	10,993
Mersey Gateway Crossings Board	2,908	2,649	0	5,557
Mersey Gateway – Contribution to Construction Costs	35,000	67,500	0	102,500
Mersey Gateway – Loan Interest During Construction	3,416	2,021	0	5,437
Mersey Gateway – Liquidity Fund	0	10,000	0	10,000
Stadium Minor Works	280	30	30	340
Leisure Centres Refurbishment	275	0	0	275
Frank Myler Sports & Recreation Centre	156	0	0	156
Norton Priory	2,628	530	0	3,158
Norton Priory Biomass Boiler	107	0	0	107
Children’s Playground Equipment	91	65	65	221
Crow Wood Play Area	9	0	0	9
Runcorn Cemetery Extension	9	0	0	9
Peelhouse Lane Cemetery	1,331	70	0	1,401
Peelhouse Lane Cemetery – Enabling Works	43	0	0	43
Landfill Tax Credit Schemes	340	340	340	1,020
Upton Improvements	13	0	0	13
Litter Bins	20	20	20	60
Castlefields Regeneration	179	0	0	179
3MG	2,809	0	0	2,809
Widnes Waterfront (including Bayer)	1,000	0	0	1,000
Johnsons Lane Infrastructure	302	0	0	302
Decontamination of Land	6	0	0	6
SciTech Daresbury – Tech Space	10,953	0	0	10,953
Former Crossville Depot	2,618	0	0	2,618
John Briggs House / Police Station	152	0	0	152
Signage at the Hive	100	0	0	100
Advertising Screen at the Hive	100	0	0	100
Widnes Town Centre Initiative	16	0	0	16
Equality Acts Improvement Works	300	300	300	900
Widnes Market Refurbishment	1,433	0	0	1,433
Widnes Car Park	235	0	0	235
Directorate Total	84,227	93,085	8,137	185,449
Total Capital Programme	90,717	94,112	8,137	192,966

- 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 2016/17. 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 2015-2017 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 2016/17 to 2018/19

	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Specific & General Grants	12,131	4,949	1,424	18,504
External Contributions	5,128	764	306	6,198
Borrowing	60,948	85,916	4,538	151,402
Revenue Contributions	760	0	0	760
Capital Receipts	11,750	2,483	1,869	16,102
Total Funding	90,717	94,112	8,137	192,966

- 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 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, 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 the final two years of the programme is forecast to fall below this level. A prudent view has been adopted with regards to the timing and value of capital receipts and when further details are known the balance of receipts will be updated.

Table 3 Capital Receipts

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Balance B/F	5,297	3,226	2,873
In-Year Anticipated Receipts	9,679	2,130	1,420
Receipts Utilised	-11,750	-2,483	-1,869
Balance C/F	3,226	2,873	2,424

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, £151.4m or 78% 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.

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.