

**REPORT TO:** Executive Board

**DATE:** 15 June 2017

**REPORTING OFFICER:** Operational Director – Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2017/18 to 2019/20 Capital Programme

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 Council approved an updated capital programme for 2017/18 on 08 March 2017. Since then other reports covering planned capital expenditure for 2017/18 and future years have been reported. In addition new capital grant allocations have been received and slippage to capital projects for 2016/17 has been rolled forward to 2017/18. 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.
- 1.2 To outline the proposed use of the ICT capital allocation of £1.1m. The proposed programme of ICT capital activities included at Appendix A, will support the maintenance and development of the Council's technology infrastructure.

## **2.0 RECOMMENDED: That:**

**(i) approval be given to the updated capital programme for 2017-20, including forecast spend and funding, as set out in Table 1 and Table 2.**

**(ii) 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 2017/18.**

**(iii) the proposed use of the ICT rolling capital programme for 2017/18 as set out in Appendix A, be approved.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 The capital strategy covering the period 2017/18 to 2019/20 was approved on 17 November 2016, 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 2017/18 to 2019/20 was approved by Council on 08 March 2017. 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 2017/18 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 2017/18 onwards based on current information for approved schemes, funding available and slippage of scheme expenditure from 2016/17. 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 2017/18- 2019/20**

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>Total £'000</b>
<b>People Directorate</b>				
Asset Management Data (CAD's)	5	0	0	5
Capital Repairs	818	0	0	818
Asbestos Management	23	0	0	23
Schools Access Initiative	65	0	0	65
Basic Need Projects	613	0	283	896
School Modernisation Projects	68	0	0	68
Lunts Heath Primary School	198	0	0	198
Universal Infant Free School Meals	2	0	0	2
Halebank Primary School	8	0	0	8
Hale Primary School	3	0	0	3
Fairfield Primary School	665	0	0	665
Weston Point Primary Classroom Extension	117	0	0	117
Kitchen Gas Safety	50	0	0	50
Small Capital Works – Schools	100	0	0	100
Grants – Disabled Facilities	904	0	0	904
Stair Lifts	300	0	0	300
Joint Funding RSL Adaptations	200	0	0	200
Madeline McKenna Residential Home	450	0	0	450
Purchase of Adapted Properties	520	0	0	520
ALD Bungalows	199	0	0	199
Grangeway Court Refurbishment	140	0	0	140
Lifeline Telecare Upgrade	34	0	0	34
Bredon Reconfiguration	186	0	0	186
Vine Street Reconfiguration	97	0	0	97
<b>Directorate Total</b>	<b>5,765</b>	<b>0</b>	<b>283</b>	<b>6,048</b>
<b>Enterprise, Community &amp; Resources Directorate</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>Total £'000</b>
ICT Rolling Programme	1,100	1,100	1,100	3,300
LTP – Bridge Maintenance	1,250	1,547	0	2,797
LTP – Highways Maintenance	2,144	0	0	2,144
LTP – Integrated Transport	460	0	0	460
STEP – Mersey Corridor Business Hubs	40	0	0	40
STEP – Sustainable 'Sci-Tech' Links	22	0	0	22
STEP – Silver Jubilee Corridor Business Hubs	150	0	0	150
STEP – Widnes Connect	163	0	0	163
STEP – Runcorn East Access	555	0	0	555
Street Lighting	3,706	200	200	4,106

Risk Management	155	120	120	395
Fleet Renewals	1,500	555	1,317	3,372
Early Land Acquisition – Mersey Gateway	2,254	11,284	0	13,538
Mersey Gateway Crossings Board	2,365	0	0	2,365
Mersey Gateway – Contribution to Construction Costs	67,500	0	0	67,500
Mersey Gateway – Loan Interest During Construction	1,854	0	0	1,854
Mersey Gateway – Liquidity Fund	10,000	0	0	10,000
Silver Jubilee Bridge Major Maintenance Scheme	9,760	0	0	9,760
Stadium Minor Works	30	30	30	90
Norton Priory	348	0	0	348
Norton Priory Biomass Boiler	107	0	0	107
Children’s Playground Equipment	100	65	65	230
Runcorn Hill Park	233	75	0	308
Crow Wood Play Area	458	75	0	533
Runcorn Cemetery Extension	9	0	0	9
Peelhouse Lane Cemetery	1,103	293	0	1,396
Peelhouse Lane Cemetery – Enabling Works	33	0	0	33
Landfill Tax Credit Schemes	340	340	340	1,020
Upton Improvements	13	0	0	13
The Glen Play Area	43	0	0	43
Pheonix Park	121	0	0	121
Victoria Park Glass House	280	0	0	280
Litter Bins	20	20	20	60
3MG	4,607	0	0	4,607
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 – EZ Grant	483	0	0	483
Venture Fields	6,000	0	0	6,000
Linnets Clubhouse	1,040	0	0	1,040
The Croft	30	0	0	30
Former Crossville Depot	1,384	0	0	1,384
Signage at the Hive	77	0	0	77
Advertising Screen at the Hive	100	0	0	100
Equality Acts Improvement Works	300	300	300	900
Widnes Market Refurbishment	1,294	11	0	1,305
Widnes Land Purchases	235	0	0	235
<b>Directorate Total</b>	<b>125,074</b>	<b>16,015</b>	<b>3,492</b>	<b>144,581</b>
<b>Total Capital Programme</b>	<b>130,839</b>	<b>16,015</b>	<b>3,775</b>	<b>150,629</b>

- 3.5 The Council receives two principal sources of formula based capital funding from Government to improve local transport conditions, namely the Integrated Transport Block (ITB) used to fund small transport improvements and the 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 now paid direct to the 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 2017/18. 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. 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 2017/18 to 2019/20**

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>Total £'000</b>
Specific & General Grants	15,235	1,424	283	16,942
External Contributions	2,362	421	306	3,089
Borrowing	100,750	11,962	1,317	114,029
Revenue Contributions	417	35	0	452
Capital Receipts	12,075	2,173	1,869	16,117
<b>Total Funding</b>	<b>130,839</b>	<b>16,015</b>	<b>3,775</b>	<b>150,629</b>

- 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 to fund Council's contribution to Mersey Gateway construction costs 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 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**

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance B/F	9,708	2,010	2,872
In-Year Anticipated Receipts	4,141	3,035	0
Receipts Utilised	-11,839	-2,173	-1,869
<b>Balance C/F</b>	<b>2,010</b>	<b>2,872</b>	<b>1,003</b>

## **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, £114m 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.

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 The forecast balance of capital receipts is expected to be below the Council minimum value of £3m in each of the next three years. 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 2017/18**

### **1.0 Supporting Information:**

- 1.1 Supported by the current rolling capital programme the Council's technology infrastructure has undergone further upgrade and development with continued major changes to its:
  - Internal Network
  - Server infrastructure
  - Data Storage infrastructure
  - Server and Desktop Infrastructure
- 1.2 The primary objective of the ICT capital programme is to allow and maintain incremental growth, change and redevelopment of the Council's main computing infrastructure solution.
- 1.3 The investment strategy over the last 4 years has incrementally developed the Halton Cloud Services facility. This facility now comprises of two active data centre facilities that enable the deployment of change within the Council quickly and efficiently.
- 1.4 This digital strategy fully supports the principle objective set at the start of this rolling programme surrounding the delivery of agile working, access to all applications and associated data sets through centrally managed, seamless, secure and compliant platforms.
- 1.5 The programme moved forward within the last financial year focusing upon the delivery of new application management and desktop solutions that will now start to replace the existing VDI desktop facilities with new and enhanced remote access facilities.
- 1.6 Microsoft's new licensing programme inclusive of some considerable price rises and changes within the server environment space, is how licensing will be deployed and charged from now onwards. As in previous year's, licensing agreements will form a significant part of the planned spend on the capital programme in 2017/18, the cost of these will be just under 40% of the total ICT allocation. Every effort is being taken to reduce this overhead, but this is an ever-increasing issue.
- 1.7 On a more positive note the facilities that are now in place to support the Council's agile working objectives are now fully deployed and in use by all officers. Capability will grow incrementally to support the considerable number of technical developments delivered and in development aimed at simplifying services and process across the Council.
- 1.8 The delivery and management of centralised data has always been an objective of the programme and will continue to develop as more cost effective hardware and software developments are linked to procedural

changes. This will have the aim of reducing unnecessary data sets retained and stored by the Council, be that in its physical or digital formats. The Records Management Unit is moving forward quickly and efficiently reducing this physical impediment. New digital facilities and procedures will help with the ever increasing digital load, such as the changes to email retention planned for 2017/18 which will reduce the impact upon the capital programme dramatically.

- 1.9 Finally the incremental growth of the Councils own communications and data network facilities is an essential aspect of the Halton Technology Programme. Wi-Fi facilities have been utilised throughout the Borough for many years effectively, but now require a new focus as the more officers expect to and do work remotely. The facilities have to deal with this extra load in order to not reduce the user experience. These upgrades to the network will coincide with enhancements to the data centre networks and the surrounding data networks bringing 10Gb technologies into the infrastructure.

## **2.0 Financial Spend Profile**

- 2.1 The 2017/18 allocation for the IT Capital programme totals £1.1m, proposed below is how the allocation will be utilised. Note the sum of the three headings exceeds the allocation by £25,000 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 Software: £440,000**

- Additional Microsoft SQL Data Base Licensing to create active/active database solution for SQL services - £75,000
- Additional Microsoft license for server deployments across both data centre locations - £65,000
- Microsoft Enterprise Agreement, covering Desktop, existing server and client access licensing - £300,000

### **2.3 Hardware £465,000**

- Upgrade Date Centre Network Hardware to 10Gb - £45,000
- 10GB blade based switches within the Data Centre – £25,000
- Uninterrupted Power Supply Replacement - £45,000
- Server Maintenance Items - £20,000
- Back-up Infrastructure Upgrade - £50,000
- Laptops - £100,000
- Brixx, Monitors end user device replacement - £150,000
- Agile Meeting rooms, Civic Suite AV - £10,000
- Members iPad replacement - £20,000

#### 2.4 **Network: £220,000**

- WiFi Upgrade £100,000
- LAN Hardware refresh £60,000
- Picow Farm Data Centre Stand-By Generator £60,000