REPORT TO:	Executive Board
DATE:	14 June 2018
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	2018/19 to 2020/21 Capital Programme
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 Council approved an updated capital programme for 2018/19 on 22 February 2018. Since then other reports covering planned capital expenditure for 2018/19 and future years have been reported. In addition new capital grant allocations have been received and slippage to capital projects for 2017/18 has been rolled forward to 2018/19. 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 £0.7m. 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 2018-21, including forecast spend and funding, as set out in Table 1 and Table 2;**

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 2018/19; and**

3) **the proposed use of the ICT rolling capital programme for 2018/19 as set out in Appendix A is noted and approved.**

3.0 SUPPORTING INFORMATION

3.1 The capital strategy covering the period 2018/19 to 2020/21 was approved on 16 November 2017, 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 2018/19 to 2020/21 was approved by Council on 07 March 2018. 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 2018/19 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 2018/19 onwards based on current information for approved schemes, funding available and slippage of scheme expenditure from 2017/18. 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 2018/19-2020/21

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
People Directorate				
Asset Management Data (CAD's)	6	0	0	6
Capital Repairs	980	0	0	980
Asbestos Management	19	0	0	19
Schools Access Initiative	102	0	0	102
Basic Need Projects	270	283	0	553
Lunts Heath Primary School	11	0	0	11
Fairfield Primary School	79	0	0	79
Weston Point Primary Classroom Extension	4	0	0	4
Kitchen Gas Safety	85	0	0	85
Small Capital Works – Schools	119	0	0	119
The Bridge School Vocational Centre	348	0	0	348
SEND capital allocation	167	167	166	500
Healthy Pupils Capital Fund	70	0	0	70
Grants – Disabled Facilities	1,104	0	0	1,104
Stair Lifts	300	0	0	300
Joint Funding RSL Adaptations	250	0	0	250
Madeline McKenna Residential Home	136	0	0	136
Purchase of 2 adapted properties	520	0	0	520
Millbrow Care Home	150	0	0	150
ALD Bungalows	199	0	0	199
Vine Street reconfiguration	15	0	0	15
Directorate Total	**4,934**	**450**	**166**	**5,550**
Enterprise, Community & Resources Directorate				
ICT Rolling Programme	700	700	700	2,100
LTP – Bridge Maintenance	1,546	0	0	1,546
LTP – Highways Maintenance	0	0	0	0
LTP – Integrated Transport	0	0	0	0
STEP Projects – Various	264	0	0	264
Street Lighting	3,582	200	200	3,982
Ditton Loops	2,077	0	0	2,077
Risk Management	257	120	120	497
Fleet Renewals	1,513	1,015	1,260	3,788
Early Land Acquisition – Mersey Gateway	4,039	0	0	4,039
Mersey Gateway Crossings Board Technical Costs	435	0	0	435

Silver Jubilee Bridge Major Maintenance Scheme	7,962	0	0	7,962
Silver Jubilee Bridge Deck Reconfiguration	600	0	0	600
Runcorn - Delinking	9,596	0	0	9,596
Stadium Minor Works	50	30	30	110
Stadium Pitch	300	0	0	300
Brindley Café Extension	80	0	0	80
Open Spaces	0	0	0	0
Children's Playground Equipment	61	65	65	191
Crow Wood Play Area	478	5	0	483
Peelhouse Lane Cemetery	997	296	0	1,293
Landfill Tax Credit Schemes	340	340	340	1,020
Upton Improvements	13	0	0	13
The Glen Play Area	41	0	0	41
Pheonix Park	114	0	0	114
Victoria Park Glass House	270	10	0	280
Sandymoor Playing Fields	1,032	500	0	1,532
Widnes & Runcorn Cemeteries Garage & Storage	210	0	0	210
Litter Bins	20	20	20	60
3MG	499	0	0	499
Widnes Waterfront (including Bayer)	1,000	0	0	1,000
Decontamination of Land	50	0	0	50
SciTech Daresbury – EZ Grant	382	0	0	382
Venture Fields	41	0	0	41
Linnets Clubhouse	287	0	0	287
The Croft	30	0	0	30
Former Crossville Depot	440	0	0	440
Advertising Screen at the Hive	100	0	0	100
Equality Acts Improvement Works	300	300	300	900
Widnes Market Refurbishment	1,220	0	0	1,220
Broseley House	1,190	0	0	1,190
Solar Farm	1,277	0	0	1,277
Directorate Total	**43,393**	**3,601**	**3,035**	**50,029**
Total Capital Programme	**48,327**	**4,051**	**3,201**	**55,579**

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 2018/19. 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 2018/19 to 2020/21

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Specific & General Grants	15,569	450	166	16,185
External Contributions	1,906	806	306	3,018
Borrowing	22,433	615	860	23,908
Revenue Contributions	555	14	0	569
Capital Receipts	7,864	2,166	1,869	11,899
Total Funding	**48,327**	**4,051**	**3,201**	**55,579**

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

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Balance B/F	10,775	7,333	5,514
In-Year Anticipated Receipts	4,422	347	1,840
Receipts Utilised	-7,864	-2,166	-1,869
Balance C/F	**7,333**	**5,514**	**5,485**

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, £24m or 43% 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.

Appendix A – ICT Rolling Programme 2018/19

1.0   Supporting Information:

1.1   The investment in server hardware for the proposed SharePoint and Exchange 2016 (email) changes from the requirement for the increased stability of the SQL database licensing and associated platforms. The proposal is to extend the series of servers and storage servers that operate the authorities database needs across the 2 main data centre sites and into a 3ʳᵈ location that will be used for failover and business continuity.

1.2   These complex changes will allow the authorities Microsoft based application databases to reside in an active/active (constantly live) state across a 2 site facility allowing for hardware and potential full site or network failure to be dealt with effectively – most importantly reducing and removing issues with downtime. This facility will also allow services to be patched and maintained during office hours without any impact upon system users.

1.3   The plan to expand services across multiple locations and develop secure highly resilient facilities will require an upgrade of the existing hardware housing the key services related to SQL the Microsoft Database facilities, Exchange the authorities email systems and finally SharePoint the facility that houses the Councils documentation.

1.4   To offer some background to why this program of work is so important SharePoint and Exchange alone are the two largest systems the Council operates with data sets entering into the 100's of terabytes per system before they are even backed up. These systems are now not only essential but of a considerable size that require securing and managing in a manner commensurate with their size and importance.

1.5   The reliance the Council has upon email and its archives together with the considerable usage SharePoint as the central systems for all secure records and data will be managed through this strategy supporting the changes made over the last 3 years to create the Halton Cloud facility. Offering commercial benefit as well an evolving platform to enable proven efficiencies for the wider authority and its education platforms.

2.0   Financial Spend Profile

2.1   The 2018/19 allocation for the IT Capital programme totals £0.7m. 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 **Exchange Server & Storage   £200,000**

Primarily based upon additional server Hardware, and the additional server based storage model – in summary the proposal is to purchase split the email systems hardware and storage across 3 locations and potentially a fourth location within the Azure service for back-up. The email systems are now in excess of 100 terabytes in size – with a backup policy this becomes a considerable requirement upon the storage needs.

2.3 **SharePoint Server & Storage   £200,000**

Again a similar requirement for the SharePoint facility as the storage requirement is now of a size that inhibits back-up due to the sheer volume of data – the proposal will purchase and split the application servers and the storage servers across multiple locations. The use of the Azure model will also be investigated.

2.4 **SQL Server & Storage   £200,000**

The purchase of server hardware and storage hardware. SQL is the hidden cost associated with many of our systems as this is the main solution that operates 95% of the councils database driven applications – currently due to the associated costs with splitting this service the strategy has been to wait until the current programme of work allows the funding to start to segregate what is a considerable number of databases and split them across the multiple sites. Because of funding this approach is part of the incremental plan to safeguard services especially given the recent security events across the world that will only become more complex and aggressive as time goes on.

2.5 **Network/Server 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.