

CABINET

Date of Meeting	Tuesday, 20 th February 2018
Report Subject	Development of 2018/19 – 2020/21 Capital Programme
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive Chief Officer (Organisational Change) Corporate Finance Manager
Report Type	Strategic

EXECUTIVE SUMMARY

This report presents the developing Capital Programme for the period 2018/19 – 2020/21.

The Council funded Capital Programme is only one part of the Council's contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the HRA Capital Programme which includes the Welsh Housing Quality Standard (WHQS) and Social Housing and Regeneration Programme (SHARP), and the 21st Century Schools Programme delivered in partnership between the Council and Welsh Government, all supplement the Council funded capital programme.

The Council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or readopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the Portfolio service business plans and the Council Plan.

The Capital Strategy and Asset Management Plan will be updated later in the year to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted business models. The new Strategy will be more ambitious and will be an evidence base to support the leverage of national funds to meet Council priorities.

The report builds on the Capital Strategy and Asset Management Plan adopted in February 2016 and splits the Council Fund Capital Programme into three sections;

1. Statutory / Regulatory - allocations to cover regulatory and statutory works
2. Retained Assets - allocations to fund infrastructure works necessary to ensure service and business continuity
3. Investment - allocations to fund works necessary to remodel services to deliver efficiencies outlined in Portfolio business plans and invest in services as outlined in the Council Plan.

The majority of the programme can be funded from capital receipts and grants. There is a shortfall in general funding which would need to be met through a combination of future capital receipts, alternative grants, prudential borrowing or scheme phasing over a number of years.

The information in this report refers to Council Fund (CF) schemes only, not the Housing Revenue Accounts which is reported separately on this agenda.

RECOMMENDATIONS

1	To consider and approve the allocations and schemes in Table 4 (paragraph 1.06.1) for the Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2018/19 - 2020/21.
2	To consider and approve the schemes included in Table 5 (paragraph 1.07.1) for the Investment section of the Council Fund Capital Programme 2018/19 - 2020/21.
3	To note that the shortfall in funding of schemes in 2019/20 and 2020/21 (paragraphs 1.08) at this point in the approval process is flexible. Options including a combination of future capital receipts, alternative grants (if available), prudential borrowing or the re-phasing of schemes will be considered during 2018/19, and included in future capital programme reports.
4	To note the further development and a refresh of a forward Capital Strategy and Asset Management Plan.

REPORT DETAILS

1.00	DEVELOPING THE CAPITAL PROGRAMME 2018/19 – 2020/21
1.01	<p>The Council funded Capital Programme has limited resources to support Council priorities, needs and liabilities. The programme is only one part of the Council’s contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the HRA Capital Programme which includes the Welsh Housing Quality Standard (WHQS) and Social Housing and Regeneration Programme (SHARP), and the 21st Century Schools Programme, delivered in partnership between the Council and Welsh Government, supplement the Council funded capital programme.</p> <p>The Council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or re-adopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the Portfolio service business plans and the Council Plan.</p>
1.02	<p>The Council’s Capital Strategy and Asset Management Plan will be updated later in the year to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. The new Strategy will be ambitious and will be an evidence base to support the leverage of national funds to meet Council priorities. Longer-term planning will put the Council in a stronger position to attract national funds of differing types, from capital grant to borrowing approvals, to support its priorities in areas such as economic development infrastructure, transport, education, housing and new service models.</p>
1.03	Changes to CIPFA’s Codes of Practice - Prudential Code for Capital Finance in Local Authorities 2017 and Treasury Management Code 2017
1.03.1	<p>CIPFA published new editions of the Prudential Code for Capital Finance and the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance in late December 2017 which complement each other.</p>
1.03.2	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for Councils to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the Council.</p> <p>The Code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury</p>

	<p>management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.</p>
1.03.3	<p>The Council considers that it prudently assesses the long-term context of capital expenditure and any non-treasury management investment decisions, and their associated risks and rewards on future financial sustainability. As stated in 1.03.2 the Council already has a Capital Strategy and Asset Management Plan in place. Nevertheless, the requirements of the changes of both Codes will need to be worked through as part of updating the Capital Strategy and Asset Management Plan with careful consideration to ensure compliance with the requirements of the Codes. Appropriate risk management frameworks and reporting mechanisms will also need to be further developed in consultation with Chief Officers and Members and will take some time. On this basis it anticipated that a refreshed Capital Strategy and Asset Management Plan will be presented to Members later in the financial year (2018/19).</p> <p>CIPFA have yet to publish the updated guidance notes to both Codes which will include examples and more detailed practical guidance. These guidance notes are needed to assist the Council in interpreting the practical implications of the updated Codes.</p> <p>Due to the timing of the publications, and the need to set the Capital Programme before the start of the financial year, it is appropriate to set the Programme for 2018/19 under the 2011 version of the Prudential Code.</p>
1.04	<p>Capital Programme 2017/18 – 2019/20 Update</p>
1.04.1	<p>The Council's Capital Strategy and Asset Management Plan sets out the Capital Programme in three parts;</p> <ol style="list-style-type: none"> 1. Statutory / Regulatory section – allocations to cover regulatory and statutory works. Examples include; providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities, any works required to keep buildings open by Health and Safety requirements etc. 2. Retained Assets section – to ensure service and business continuity. Allocations to fund schemes that maintain, enhance and improve retained assets and infrastructure to deliver services. Significant needs identified by service plans / condition surveys etc. 3. Investment section – to fund costs incurred when remodelling and investing in services. New schemes arising from Portfolio business plans, the Council Plan, other relevant and emerging plans, and other strategies or emerging Council priorities approved through a selection process based on the provision of a sound business case.

1.04.2 Table 1 below shows the schemes approved by Council in February 2017 for the 2017/18 – 2019/20 Capital Programme, along with any schemes added to the Programme during 2017/18 (funded by the Council's own resources).

Table 1

APPROVED ALLOCATIONS 2017/18 - 2019/20				
	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Statutory / Regulatory Section				
DD Act - Individual pupils	0.250	0.250	0.250	0.750
Private sector renewals & improvements	1.496	1.496	1.496	4.488
School building works	0.100	0.100	0.100	0.300
Corporate property works	0.300	0.300	0.300	0.900
IT - Firewalls, protection from cyber attacks	0.070	0.000	0.000	0.070
Special inspections - Flintshire bridge	0.510	0.000	0.000	0.510
Total Statutory / Regulatory	2.726	2.146	2.146	7.018
Retained Assets Section				
School building works	1.000	1.000	1.000	3.000
Corporate property works	0.300	0.300	0.300	0.900
Highways asset management plan	0.600	0.600	0.600	1.800
Streetlighting Replacement*	2.779	0.000	0.000	2.779
IT - Network replacement	0.300	0.000	0.000	0.300
IT - Server replacement	0.200	0.000	0.000	0.200
IT - Replacement of equip. to 'back up' data	0.050	0.000	0.000	0.050
TC - Telephony / Box office upgrade	0.100	0.000	0.000	0.100
Playareas and synthetic sports pitches	0.487	0.200	0.200	0.887
Headroom	0.250	0.250	0.250	0.750
Total Retained Assets Section	6.066	2.350	2.350	10.766
Investment Section				
Community asset transfers	0.250	0.250	0.000	0.500
School extension and remodelling				
Castell Alun High School - Hope	0.000	0.600	4.000	4.600
Glan Aber Primary - Bagillt	0.073	0.683	0.241	0.997
Property works at leisure centres / libraries**	2.418	0.000	0.000	2.418
LD Day services facility	2.045	1.955	0.000	4.000
Extension and remodelling of Arosfa	0.100	0.000	0.000	0.100
Household recycling centres	1.000	0.000	0.000	1.000
Total Investment Section	5.886	3.488	4.241	13.615
Total Capital Programme	14.678	7.984	8.737	31.399

* Added to the programme in Month 4 and Month 6 monitoring reports

** £1.964m added to the programme in Month 4 monitoring reports

1.04.3 Table 2 below shows how the schemes approved by Council in February 2017 for the 2017/18 – 2019/20 Capital Programme are being funded.

Table 2

ESTIMATED FUNDING 2017/18 - 2019/20				
	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Funding				
Un-hypothecated Supported Borrowing (USB)	4.124	4.124	4.124	12.372
General Capital Grant (GCG)	2.510	2.510	2.510	7.530
Capital Receipts Available (As at Month 6 2016/17)	3.567	0.000	0.000	3.567
Prudential Borrowing*	4.743	0.000	0.000	4.743
Total Funding	14.944	6.634	6.634	28.212
Total Capital Programme 2017/18 - 2019/20	14.678	7.984	8.737	31.399
Surplus / (Shortfall)	0.266	(1.350)	(2.103)	(3.187)

* Revenue costs funded by energy efficiencies and reducing funding awarded to Aura

1.04.4 Tables 1 and 2 show that when the Capital Programme 2017/18 – 2019/20 was set, in February 2017, there was an overall shortfall in funding of £3.187m, though 2017/18 schemes were fully funded. The shortfall in funding of schemes in 2018/19 and 2019/20 at that point in the approval process was kept flexible and this was explained in the report to Council at that time. Options included a combination of future capital receipts, alternative grants, prudential borrowing or scheme phasing over several years which would be considered during 2017/18.

Progress on addressing the shortfall has been reported regularly to Cabinet and Corporate Resources Overview and Scrutiny Committee (CROSC) during 2017/18. It is important to note that capital receipts forecast to be received during the remainder of 2016/17 and in 2017/18 have now been received. This means that the programme approved for 2017/18 – 2019/20 as set out in Table 1 is now fully funded, and a small surplus is available of £0.201m. Please see Month 9 Capital Monitoring report for further information, which is also included within this agenda.

1.05 Projected Funding Available 2018/19 - 2020/21

1.05.1 Table 3 below shows the general capital funding currently projected to be available to fund the capital programme over the next 3 years (2018/19 – 2020/21).

Table 3**ESTIMATED AVAILABLE FUNDING 2018/19 - 2020/21**

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Funding (Excluding Specific Funding)				
Un-hypothecated Supported Borrowing (USB) ¹	4.051	4.051	4.051	12.153
General Capital Grant (GCG) ¹	2.465	2.465	2.465	7.395
Capital Receipts Available (As at Month 9 2017/18)	3.624	0.000	0.000	3.624
Total	10.140	6.516	6.516	23.172

1 As per 18/19 Final Settlement.

1.05.2 Table 3 above assumes that the Un-hypothecated Supported Borrowing allocation and the General Capital Grant received from Welsh Government (WG) in the years 2019/20 to 2020/21 remains the same as the information provided in the 2018/19 final Financial Settlement for Welsh local government.

Compared with 2017/18 final Financial Settlement the Un-hypothecated Supported Borrowing allocation has reduced by £0.073m and General Capital Grant by £0.045m, a total reduction of £0.118m.

1.05.3 The only capital receipts included in the total funding available in Table 3 are those that have been received to date. That is prior year's receipts, and 2017/18 receipts (to date, as at the month 9 capital monitoring report 2017/18) which are unspent to date.

The current projection is for a further £0.772m of capital receipts to be received by the end of 2017/18. This only includes sales that are actively progressing to legal completion and are rated as a low risk of not being achieved. A further £0.600m of capital receipts is anticipated by the end of the financial year, but there is more risk relating to these due to their size and complexity as such they may not be achieved in the current financial year but are likely to be achieved in financial year 2018/19.

Future capital receipts over the period 2018/19 onwards are estimated to be in the region of £7.000m.

1.05.4 The Council has developed a prudent policy of only allocating capital receipts to fund capital projects when receipts are actually received; rather than when we anticipate the receipt to be received, and this position continues to be the case.

All of the schemes proposed for inclusion within the Capital Programme in sections 1.06, 1.07 and 1.09 below invest in assets and / or reconfigure models of service provision. They are pivotal to support the delivery of the Council's strategic priorities outlined in portfolio business plans and the Council Plan.

	The majority of the programme can be funded from capital receipts and WG funding allocations, although there is an overall shortfall in funding which could require funding by borrowing which has revenue implications. Schemes have therefore been phased over the 3 year period to ensure 2018/19 financial year is fully funded. The shortfall in funding in the later years will need to be met through a combination of future capital receipts, alternative grants (if available), prudential borrowing or further scheme phasing over several years.																																																																																																				
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1.06.1	<p>Table 4 shows the proposed allocations for the period 2018/19 - 2020/21 for the Statutory / Regulatory and Retained Asset sections of the Capital Programme.</p> <p><u>Table 4</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">PROPOSED ALLOCATIONS 2018/19 - 2020/21</th> </tr> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">2018/19</th> <th style="text-align: center;">2019/20</th> <th style="text-align: center;">2020/21</th> <th style="text-align: center;">Total</th> </tr> <tr> <th></th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td colspan="5">Statutory / Regulatory Section</td> </tr> <tr> <td>Equalities Act - Individual pupils</td> <td style="text-align: center;">0.250</td> <td style="text-align: center;">0.250</td> <td style="text-align: center;">0.250</td> <td style="text-align: center;">0.750</td> </tr> <tr> <td>Disabled Facilities Grants</td> <td style="text-align: center;">1.800</td> <td style="text-align: center;">1.700</td> <td style="text-align: center;">1.700</td> <td style="text-align: center;">5.200</td> </tr> <tr> <td>School building works</td> <td style="text-align: center;">0.100</td> <td style="text-align: center;">0.100</td> <td style="text-align: center;">0.100</td> <td style="text-align: center;">0.300</td> </tr> <tr> <td>Corporate property works</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.900</td> </tr> <tr> <td>Total Statutory / Regulatory</td> <td style="text-align: center;">2.450</td> <td style="text-align: center;">2.350</td> <td style="text-align: center;">2.350</td> <td style="text-align: center;">7.150</td> </tr> <tr> <td colspan="5">Retained Assets Section</td> </tr> <tr> <td>School building works</td> <td style="text-align: center;">1.400</td> <td style="text-align: center;">1.400</td> <td style="text-align: center;">1.400</td> <td style="text-align: center;">4.200</td> </tr> <tr> <td>Corporate property works</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.300</td> <td style="text-align: center;">0.900</td> </tr> <tr> <td>Highways asset management plan</td> <td style="text-align: center;">0.600</td> <td style="text-align: center;">0.600</td> <td style="text-align: center;">0.600</td> <td style="text-align: center;">1.800</td> </tr> <tr> <td>Playareas and synthetic sports pitches</td> <td style="text-align: center;">0.330</td> <td style="text-align: center;">0.200</td> <td style="text-align: center;">0.472</td> <td style="text-align: center;">1.002</td> </tr> <tr> <td>ICT - 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	<p>An annual allocation to adapt and modify schools for children who have disabilities to support and create increasingly inclusive school environments. No change proposed for 2018/19 onwards.</p>
1.06.4	<p>Disabled Facilities Grants</p> <p>The annual allocations to improve and adapt private sector homes called private sector renewals and improvements in Table 1 has been renamed to better reflect what the funding will now be used for:</p> <ul style="list-style-type: none"> • Disabled Facilities Grants – adaptations enabling residents to continue to live independently in their own homes • Partnership working with Care and Repair to support vulnerable residents <p>The funding allocations have been increased to reflect increasing demand for the statutory service and the increase in complexity of cases and costs. The service highlight that the annual allocation is under significant pressure and there is a risk that the allocations won't be sufficient to meet the demands for a statutory service.</p>
1.06.5	<p>School building work</p> <p>An annual allocation to fund the most urgent property works required at schools split across the regulatory / statutory and retained assets sections of the capital programme.</p> <p>Within the retained assets section £0.100m is allocated for a programme of toilet upgrades in both primary and secondary schools to ensure compliance with Education (School Premises) Regulations 1999 and Department for Education and Skills document "Toilets in Schools". There is currently a backlog of such works estimated to be in the region of £1.5m which is often reflected as a Health and Safety issue in Estyn inspections of schools.</p> <p>The retained assets section has been increased by £0.400m from 2018/19 onwards to introduce:</p> <ul style="list-style-type: none"> • Works to upgrade ventilation systems at school kitchens which are failing building regulations and gas safety legislation and are at risk of closure. £0.200m per annum. • Fire Inspection Works at schools which are the responsibility of the Local Authority and have been identified during statutory fire risk assessments. £0.200m per annum.
1.06.6	<p>Corporate property works</p> <p>An annual allocation to fund the most urgent property works required at non-school premises split across the regulatory / statutory and retained assets sections of the capital programme. No change proposed for 2018/19 onwards.</p>
1.06.7	<p>Highways Asset Management Plan (HAMP)</p>

	<p>An annual allocation of £0.600m to fund the HAMP which includes resurfacing of the classified highway network, replacement programme for street lighting columns and structural maintenance.</p> <p>Whilst the Council has a statutory duty to maintain the Highways Network in a safe condition for travel, how the Council does this is not defined. Welsh Government (WG) set targets for road condition indices, and at present Flintshire is performing better than the target set as a result of significant additional investment from WG in recent years.</p> <p>Maintaining the current position would require annual investment of circa £2.7m, which in the current climate is unaffordable. The service highlight that there are a number of roads in need of urgent works and that the annual allocation is under significant pressure.</p> <p>In January 2018 the WG announced funding of £30m for capital investment in local authority roads refurbishment scheme. The Council's share of the funding is £1.427m which must be utilised in 2017/18. The Council is able to use the grant to displace expenditure incurred during 2017/18 funded from its own resources which can then be carried forward into 2018/19 to fund additional road refurbishment. This will mean that the Council will have a total of £2.027m to spend on its highway infrastructure in 2018/19.</p>
1.06.8	<p>Play areas and Synthetic sports pitches</p> <p>An annual allocation of £0.200m to fund the most urgent requirements to replace play equipment that has reached the end of its useful life at play areas, as well as upgrades to play areas.</p> <p>Condition surveys are undertaken of all synthetic sports pitches. Pitches at Flint High School and Elfed High School, Buckley will require resurfacing in 2018/19 and 2020/21 respectively.</p>
1.06.9	<p>IT Infrastructure</p> <p>Various schemes required to maintain service and business continuity;</p> <ul style="list-style-type: none"> • ICT Cyber Security. Replacement of equipment including Firewalls and e-mail scanning technology which protect the Council's IT systems from Cyber Attack and allow the Council to maintain its public sector network accreditation (a requirement for interaction with the Department of Work and Pensions for Housing Benefit.) 3 year asset life. • ICT Replace outdated equipment at datacentres. Replacement of equipment including High Volume Air Conditioning units, batteries that ensure the power supply to data centres is not interrupted, equipment that monitors the conditions in the datacentres and alerts if there are issues and networking equipment to the datacentres. • ICT Storage Technologies. Increase storage capacity to cope with increasing demand of the organisation, whilst also investing in complimentary technologies to SharePoint software to ensure data is

stored in the most efficient way and is compliant with General Data Protection Regulation.

- **ICT Replace Server Technologies.** Replacement of server infrastructure to support Citrix applications, SQL databases and Exchange and Skype systems. Business case explains the risks of not replacing as a degradation of service; key business systems operating slowly or even failing to run completely. 5 year asset life.

1.06.10 **'Headroom'**

'Headroom' has been built in to the capital programme to enable the programme to be more flexible such that funding can be allocated to small schemes as they present in year either as a result of opportunities or unforeseen circumstances (£0.250m per annum). An example would be the need to complete further highways works as a result of an exceptionally severe winter over and above any planned works funded from the annual allocation.

Investment Section of the Capital Programme 2018/19 – 2020/21

1.07.1 Table 5 below shows the proposed schemes for the period 2018/19 - 2020/21 for the Investment section of the Capital Programme.

Table 5

PROPOSED INVESTMENT SCHEMES 2018/19 - 2020/21				
	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Investment Section				
<u>Previously Approved</u>				
Community asset transfers	0.000	0.000	0.000	0.000
School extension and remodelling				
Castell Alun High School - Hope	0.600	4.000	0.207	4.807
Glan Aber Primary - Bagillt	0.683	0.241	0.000	0.924
LD Day services facility	1.955	0.000	0.000	1.955
	3.238	4.241	0.207	7.686
<u>New Schemes for Approval</u>				
North Wales Residual Waste Treatment Partnership	0.500	0.000	0.000	0.500
Marleyfield Residential Home - Buckley	0.000	1.001	1.381	2.382
Office Rationalisation - County Hall Demolition/Relocation to Ewloe	0.000	1.900	0.000	1.900
Theatr Clwyd Redevelopment	0.330	0.500	0.500	1.330
	0.830	3.401	1.881	6.112
Total Investment Section	4.068	7.642	2.088	13.798

1.07.2	Schemes within Table 5 are explained in more detail below at paragraphs 1.07.3 to 1.07.
1.07.3	<p>Community Asset Transfers</p> <p>Capital funding has previously been granted to community groups to 'pump prime' Community Asset Transfers (CATs) with £1.250m of funding having been earmarked to date. No further funding is needed in 2018/19 to continue with the project.</p>
1.07.4	<p>Castell Alun High School</p> <p>To bring the school building up to current day standards providing facilities that are fit for purpose and suitable for delivering the future curriculum. The school will be extended with the provision of a new two storey Art and Design Technology block and remodelled in other areas. This will remove the need for mobile classrooms currently on site but which are nearing the end of their economic working life (and will need replacing). The scheme starts in 2018/19 financial year, taking place over 3 financial years.</p>
1.07.5	<p>Glan Aber Primary School, Bagillt</p> <p>The school building currently has a number of issues including; classrooms which do not meet minimum size requirements for classes of 30 pupil places such that classes are being taught in the hall, resulting in the school being unable to deliver aspects of the PE curriculum. The proposed scheme will convert the existing hall to provide two suitable teaching spaces, with circulation, and the construction of a new hall at the appropriate size for the number of pupils on roll together with minor extensions to three classrooms to provide appropriate size and shape, more suitable for curriculum delivery.</p> <p>The scheme will take place over four financial years and started in 2017/18 financial year.</p>
1.07.6	<p>Learning Disability Day Services Facility</p> <p>The scheme involves a replacement day care facility with an option to include other community based facilities. The current building (Glanrafon) is not capable of supporting an efficient service and has reached the end of its useful life. A replacement facility is needed to transform the way the service is delivered.</p> <p>The scheme will take place over more than a single financial year and design detailed development commenced in 2017/18, with on-site start commencing in 2018/19.</p>
1.07.7	<p>North Wales Residual Waste Treatment Project</p> <p>As part of the Inter Authority Agreement all partners in the North Wales Residual Waste Treatment Project agreed to contribute to building waste transfer stations at Denbighshire and Conwy. The amount is capped at a maximum of £0.500m per Council and has been included in 2018/19, however, this could be less. The amount and timing are still to be confirmed.</p>

1.07.8

Extension to Residential Care Home, Marleyfield – Buckley

A comprehensive review of the residential care market in Flintshire was carried out in 2016 which included involvement from the Older People's Commissioner for Wales, Care and Social Services Inspectorate Wales, Welsh Government, Care Forum Wales and Betsi Cadwaladr University Health Board (BCUHB). The report concluded that the market is fragile with limited resources to mitigate the impacts of closures of any sort and that the demand for the number of places was forecast to grow significantly by 2020.

Whilst a significant level of support and activity is ongoing to strengthen the independent sector, there is evidence to suggest a strengthened model of social provision is required in order to stabilise and strengthen the overall provision of care to meet rising demand.

An option appraisal was undertaken on the Council's 3 residential care homes to see how forecast demand could be met. Marleyfield House in Buckley was the most viable option for an extension where an additional 32 beds can be accommodated to bring total provision up to 64 beds. There are many interdependencies across health and social care and solutions to meet increasing demand require an integrated approach. It is proposed therefore to develop the new facility at Marleyfield House through a pooled budget arrangement with BCUHB to provide additional services, beds and multi-disciplinary support in a community setting. Allowing for provision of permanent residential beds, as well as beds which prevent hospital admissions, beds which assist in speeding up hospital discharges and beds that allow appropriate assessment to reduce care packages to implemented to support people in the long term.

The associated capital and revenue costs are outlined in the table below along with indicative (though not confirmed) funding from WG and BCUHB:

Estimates	Capital £m	Recurring Revenue £m
Costs	3.591	0.673
Income - WG ICF Grant	(1.209)	(0.373)
Income - Health	0	(0.150)
Net Costs	2.382	0.150

Please note the revenue pressure that will be created as a result in the year that the facility becomes operational. This pressure would have occurred in any case as demand grows and residential beds from the private sector would need to be paid for.

The scheme will take place over more than a single financial year and has been phased to start in 2019/20 due to affordability of the overall programme. The Council would need to agree with WG that grant funding could be used flexibly rather than in a specific year.

1.07.9

Office Rationalisation – County Hall partial demolition and relocation to Unity House, Ewloe

The Councils office accommodation is now based over two sites, Flint and County Hall, Mold. The current accommodation within the Mold campus office block is inefficient and two out of the four accommodation blocks are empty with staff consolidating into phases one and two. The building still has a business rate charge, even though empty and other sundry running costs.

The first phase of the proposal would see a large number of office staff relocating from County Hall to Unity House (a smaller more efficient building in Ewloe) and the demolition of the empty accommodation at County Hall. There are other strategic drivers flowing from this project relating to staff cultural change, new ways of working and significantly improved working environments.

Demolition costs of phases 3 and 4 and the relocation and refurbishment costs of Unity House total £1.9m, though there is potential for some funding to be available to reduce the capital costs from the previous tenant of the building. This stage one rationalisation work will initially generate annual revenue savings of £0.090m.

There is a second stage proposal currently under early development which would see a masterplan being developed for the whole of the Mold County Hall campus.

1.07.10

Theatr Clwyd Redevelopment

The Theatr Clwyd building is nearing the end of its life and needs updating to ensure it is safe for public and employment use. Recently with funding from the Arts Council of Wales the Theatre has recently completed a feasibility study into the potential for future capital development.

The outcome of the feasibility study indicated that the main two theatres work extremely well and are the right size for audiences however the infrastructure supporting the building is in need of replacement and without this the Theatre is not sustainable.

The associated capital and revenue costs are outlined in the table below along with requests for funding from WG and Arts Council of Wales (which have not been confirmed):

Estimates	Capital Dev. £m	Design £m	Capital Build £m	Revenue £m
Costs		1.330	30.000	(0.101)
Income - WG		0	(22.000)	0
Income – Arts Council Wales		(1.000)	(5.000)	0
Income – Locally Raised		0	(2.000)	0

Net Costs to Council	0.330	1.000	(0.101)
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Detailed design and development works would need to take place which would build on and develop further the feasibility study. A decision by all partners would then need to be taken to proceed with the project. Should the project not go ahead then the Council's share of the design development above at £0.330m cannot be capitalised and would be a charge to the Council's revenue account.

Summary (Generally funded) Capital Programme 2018/19 – 2020/21

1.08.1 Table 6 below summarises the Capital Programme and available funding:

Table 6

SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2018/19 - 2020/21				
	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m
Statutory / Regulatory Section	2.450	2.350	2.350	7.150
Retained Assets Section	3.288	3.175	3.977	10.440
Investment Section	4.068	7.642	2.088	13.798
Total (All Sections)	9.806	13.167	8.415	31.388
Estimated available general funding*	10.140	6.516	6.516	23.172
Surplus / (Shortfall)	0.334	(6.651)	(1.899)	(8.216)

* As per 18/19 Final Settlement.

1.08.2 Table 6 shows that there is an overall shortfall in projected funding of £8.216m.

To meet the shortfall the Council will potentially need to borrow to fund the schemes (unsupported borrowing commonly referred to as prudential borrowing), which has the impact of increasing debt financing costs of interest and revenue provision for repayment of debt in the revenue budget.

That said, there is also potential for capital receipts to be generated during the remainder of 2017/18 - with a current projection for a further £0.772m (low risk) rating to be received by the end of 2017/18, and, a further £0.600m with a moderate risk of slipping into 2018/19 as detailed in paragraph 1.05.03 above.

Furthermore from 2018/19 onwards an estimate in the region of £7m of receipts is forecast.

A total of £8.372m, a sum which is in excess of the projected £8.216m shortfall.

1.08.3	<p>The Council has developed a prudent policy of only allocating capital receipts to fund capital projects only when receipts are actually received; rather than when we anticipate the receipt to be received, and this position continues to be the case.</p> <p>All of the schemes proposed for inclusion within the Capital Programme invest in assets and / or reconfigure models of service provision. They are pivotal to support the delivery of the Council's strategic priorities outlined in portfolio business plans and the Council Plan.</p>
1.08.4	<p>The Capital Programme 2018/19 – 2020/21 has been constructed carefully with schemes phased over the 3 year period to ensure that 2018/19 financial year is fully funded and mitigating operational risks to delivering services. This then enables time to consider the shortfall in funding in the later years which will need to be met through a combination of future capital receipts, alternative grants (if available), prudential borrowing or further scheme phasing over several years.</p>
1.08.5	<p>Investment programme schemes such as the extension to the residential care home, the office rationalisation and the redevelopment of the theatre costing £5.3m in total have been held back until financial year 2019/20. During 2018/19 the funding position can be re-assessed as the capital receipts needed to fund the schemes are likely to have been realised. In the event that capital receipts were not available, the schemes could be delayed until capital receipts are made available. Similarly, should the capital receipts be realised earlier the schemes could be brought forward and start earlier.</p> <p>Further, between the design phase and the construction phase of the larger schemes there will be an opportunity to 'pause and review' such schemes to consider, amongst other things, the funding available before construction commences.</p>
	<p>Future Capital Schemes</p>
1.09.1	<p>As stated in paragraph 1.02 the Council's Capital Strategy and Asset Management Plan is being refreshed to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. Schemes under development that will feature in future Capital Programmes are noted in 1.09.2 to 1.09.4 below.</p>
1.09.2	<p>21st Century School Building Programme Band B.</p> <p>The Council's Strategic Outline Programme (SOP) of £85m was submitted to WG at the end of July 2017 in accordance with their timetable. This is essentially the Council's 'statement of intent' for the Band B investment programme. Welsh Ministers have recently announced the programme nationally and WG have written to confirm approval in principle of the Council's SOP and funding envelope for the programme subject to the onward business case submission. The programme runs from 2019 – 2024.</p>

	For further information please see the report 'WG 21 st Century Schools Programme and Education Programme Band B' to Cabinet on 23 rd January 2018 on the Council's website.
1.09.3	<p>Growth Deal Bid</p> <p>The <i>Growth Vision for the Economy of North Wales</i> was adopted by partner organisations across the region in 2016. This has led to the development of a Growth Deal Bid which was submitted to both the UK and Welsh Governments at the end of November 2017.</p> <p>The bid builds on the earlier Growth Vision and describes a Smart, Resilient and Connected North Wales where economic growth is powered by innovation in high value economic sectors. The bid aims to improve the competitiveness of the region, to increase the Gross Value Added (GVA) of the regional economy, to reduce the gap between the GVA of the region and the United Kingdom average, and to grow business to both create new jobs and protect existing jobs.</p> <p>A Growth Bid is a formal proposal for Government investment and the conferment of devolved powers. Bidding regions are required to have a legal, resilient and accountable governance model for the planning and implementation of their strategy. Regions are expected to be prepared to invest in their own strategies, alongside Government(s), in capital allocations, sharing in capital borrowing, the use of land and assets, and in resourcing professional and project capacity. They are also expected to seek private sector support for their proposals, enabling and leveraging private sector investment as part of the Bid package. Each bid has negotiated objectives and targets.</p> <p>For further information please see the progress report 'North Wales Economic Growth Deal Bid' to Cabinet on 19th December 2017 on the Council's website.</p>
1.09.4	<p>Digital Strategy</p> <p>Cabinet in February 2018 are considering a proposal to agree the Digital Customer plan for implementing key elements of the Digital Strategy. This includes an initial proposal to allocate £0.550m revenue over 3 years to support resources that will enable the development of the website and new digital products that will make customer interaction with the Council easier, and therefore increase digital interactions and reduce telephone and face to face interactions. A key part of this work will be to develop longer term plans to ensure that our approach to digital services are resilient for the future and will meet changing customer needs, and therefore will result in further reductions in overall customer contact. These longer term plans will include consideration of digital capital requirements that can be considered in future reviews of the capital programme from 2019/20 onwards.</p>
	Specific Grants and Borrowing
1.10.1	In addition to those schemes funded from general resources, as summarised in Table 6 above, there are also schemes funded from specific

grants and unsupported (prudential) borrowing. A summary of known funding and borrowing commitments already approved is shown in Table 7.

Table 7

ESTIMATED AVAILABLE SPECIFIC FUNDING 2018/19 - 2020/21				
	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Specific Funding				
Specific Capital Grants	6.388	0.492	0.000	6.880
Unsupported (Prudential) Borrowing	7.579	0.000	0.000	7.579
Total	13.967	0.492	0.000	14.459

1.10.2 At the time of setting the budget the details of many capital grants have not been released by WG and so are not included in the Table 7 above. As details become available they will be reported to Members via the quarterly 2018/19 Capital Programme monitoring reports.

1.10.3 Details of the schemes funded by the above are shown in Table 8 below.

Table 8

SPECIFICALLY FUNDED SCHEMES 2018/19 - 2020/21				
	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Specifically Funded Schemes				
21st Century Schools - Band A	13.967	0.492	0.000	14.459
SHARP - Loans to NEW Homes for Affordable Homes	0.000	0.000	0.000	0.000
Total	13.967	0.492	0.000	14.459

NEW Homes are currently developing schemes for building affordable homes which will be brought to Cabinet for approval during 2018/19.

Summary Total Council Fund Capital Programme 2018/19 - 2020/21

1.10.4 Table 9 summarises the total proposals for the 2018/19 - 2020/21 Capital Programme.

Table 9**SUMMARY CAPITAL PROGRAMME 2018/19 - 2020/21**

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Expenditure				
Statutory / Regulatory Section	2.450	2.350	2.350	7.150
Retained Assets Section	3.288	3.175	3.977	10.440
Investment Section	4.068	7.642	2.088	13.798
Specific Section	13.967	0.492	0.000	14.459
Total Programme (All Sections)	23.773	13.659	8.415	45.847
Funding				
General Funding*	10.140	6.516	6.516	23.172
Grant Funding	6.388	0.492	0.000	6.880
Unsupported (Prudential) Borrowing	7.579	0.000	0.000	7.579
Total Projected Funding	24.107	7.008	6.516	37.631
Surplus / (Shortfall)	0.334	(6.651)	(1.899)	(8.216)

* As per 18/19 Final Settlement.

2.00	RESOURCE IMPLICATIONS
2.01	Financial consequences for capital resources are as set out within the report.
2.02	As previously stated there are revenue consequences of borrowing in interest costs and revenue provision for debt repayment. The costs of supported borrowing and prudential borrowing for the 21 st century schools programme has been built into the Medium Term Financial Plan (MTFP).
2.03	In the event that the Council needs to prudentially borrow to fund the investment section of the capital programme as outlined in paragraphs 1.08.2 to 1.08.5 the estimated revenue costs of borrowing are outlined in Table 10 below. This assumes that the borrowing is associated with the schemes which have a long estimated useful life over which to spread the debt financing charges, ranging from 25 to 50 years for different assets. The costs are not included within the MTFP at present:

Table 10

ESTIMATED DEBT FINANCING COSTS				
	Expd	Interest	MRP	Total
	£m	From year of expd	Year after operational	Annual
	£m	£m	£m	£m
Capital Expenditure Incurred				
Assuming a 25 year life	8.216	0.218	0.329	0.546
Assuming a 50 year life	8.216	0.218	0.164	0.382

3.00 CONSULTATIONS REQUIRED / CARRIED OUT

3.01 The proposed Capital Programme is being referred to the Corporate Resources Overview and Scrutiny Committee for comment at its meeting on 15th February 2018 with their comments being fed back to Cabinet verbally before being discussed at County Council in February 2018.

4.00 RISK MANAGEMENT

4.01 Any decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. When the Council sets its Capital Programme a separate report to assessing the affordability, prudence and sustainability of the capital plans called the Prudential Indicator report is produced.

5.00 APPENDICES

5.01 None.

6.00 LIST OF ACCESSIBLE BACKGROUND DOCUMENTS

6.01 Business Case forms completed by Portfolios

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7.00	GLOSSARY OF TERMS
7.01	<p>Asset Management Plan - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs</p> <p>Capital Expenditure - Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset</p> <p>Capital Programme - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset</p> <p>Capital Scheme - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme</p> <p>Capital Strategy - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the Asset Management Plan (AMP) to form a single document</p> <p>Council Fund - The fund to which all the Council's revenue and capital expenditure is charged</p> <p>Disposal - The decommissioning or transfer of an asset to another party</p> <p>Prudential Indicators - Required by the Prudential Code, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment</p> <p>Unsupported Prudential Borrowing - Borrowing administered under the Prudential Code, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.</p>