

Public Document Pack

Dear Councillor

EXECUTIVE - MONDAY, 5 FEBRUARY, 2018

Please find attached updated the appendices related to the Capital Programme 2018/2019 to 2020/21 for the Monday, 5 February, 2018 meeting of the Executive, forwarded to Members under separate cover.

This document will also be considered at the Council meeting to be held on the 28 February 2018 please bring this document to either meeting if you are attending.

Agenda No Item

4 **CAPITAL PROGRAMME 2018/2019 TO 2020/2021 (Pages 1 - 20)**

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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
5 FEBRUARY 2018

CAPITAL PROGRAMME 2018/19, 2019/20 AND 2020/21

1. Introduction

- 1.1 The Council's 2018/19 Capital Programme runs concurrently with the 2018/19 revenue budget and reports on both are submitted to this meeting for approval of the recommendations to Council. Capital schemes usually extend over a number of years and for that reason the programme projects forward indicative spending for 3 years. This report updates the programme reported in last year's budget and seeks to ensure that capital expenditure is allocated to areas that will contribute to meeting the Council's priorities. The capital programme submitted for approval for 2018/19 is £43.8m and over a three-year period is estimated at £78.9m (See Appendix A and B).
- 1.2 The 2019/20 and 2020/21 programmes have been drawn up based upon known allocations and provisional bids. Government announcements in respect of some allocations have once again been delayed this year and in order to be prudent Blackpool Council has chosen not to include estimates of these figures. An update will be provided to Executive once these allocations have been announced. These will be reviewed as part of the budget processes for 2019/20 and 2020/21 in the light of changing priorities and final funding levels, which means that no commitment can be made as yet in respect of those new schemes identified for 2019/20 and 2020/21.
- 1.3 The Council has suffered from severe cuts in capital funding. It has continued to be proactive in seeking additional funding for schemes, and is seeking to take advantage of low level interest rates to facilitate investment and regeneration of the town.
- 1.4 The status of the Capital Programme is reported monthly to the Corporate Leadership Team (CLT) and the Executive as well as the Tourism, Economy and Resources Scrutiny Committee.
- 1.5 The Capital Programme now submitted is consistent with that agreed for 2017/18. It includes identified commitments for housing developments. The scale of these commitments means that there are very limited resources to deliver additional schemes that are not fully funded.

- 1.6 The Capital Programme prepared for 2018/19 does not include budgeted expenditure that has previously been approved by Executive. Blackpool Council has approximately £20m available for capital projects, e.g. Conference Centre, Town Centre Acquisition and Central business District phase 2, that has been approved in previous years but not yet expended. The total capital budget therefore for 2018/19 is in reality approximately £63.8m.
- 1.7 The programme does not yet take account of all funding announcements anticipated in respect of Capital schemes. Additional funding streams are expected to be confirmed after the approval of this capital programme and reference will be made in the subsequent financial monitoring report to Executive.
- 1.8 The capital programme proposed demonstrates the increased investment that Blackpool Council is making in the town to ensure that Blackpool develops a year round economy that both attracts visitors and encourages growth in the town.

2. Capital Funding

- 2.1 The Council's capital spending is funded from specific capital grants, capital receipts and revenue contributions. In addition to these traditional forms of funding the Council can undertake Prudential Borrowing within limits set by the Council itself.

3. Prudential Borrowing

- 3.1 A relaxation of controls upon local authority borrowing was introduced from 2004/05 and requires prudent management because the debt financing costs of such borrowings are not supported by Government grant and fall directly upon Council Tax unless the schemes themselves generate sufficient savings or income to meet the financing costs. The approach agreed by this Council is that prudential schemes can only take place in the following circumstances:
 - (1) Prudential Borrowing schemes must be specifically authorised by the Executive.
 - (2) The financing costs of such schemes will be charged to identified service budgets by means of a budget virement to the central Treasury Management budget.
 - (3) The total level of Prudential borrowing must remain within the limits set in the Council's annual Treasury Management Strategy (see separate report to this Executive meeting).
- 3.2 Therefore, in most cases Prudential borrowing will only be approved where the scheme is likely to be self-financing over a reasonable payback period (such as energy management initiatives) or where there is an identified budget which can meet the costs.
- 3.3 Suppressed interest rates have encouraged the use of Prudential borrowing and provided an opportunity for Blackpool Council to invest in schemes that may not have been viable in the past. The investment made in capital schemes is monitored via the monthly report provided to Corporate Leadership Team and Executive. The movement in interest rates is also monitored via the Treasury Management Panel.

3.4 The Council adheres to CIPFA's *Prudential Code for Capital Finance in Local Authorities* which requires authorities to set a range of 'Prudential Indicators' as part of the Budget-setting process. Those relating specifically to the capital programme are as follows with more detailed information in Appendix C:-

- (1) The actual capital position – (Non-HRA and HRA) for 2018/19 will be reported as part of the 2018/19 Capital Outturn report to Executive.
- (2) Affordability – Estimates of the incremental impact of capital investment decisions on council tax (non-HRA) and on Housing rents (HRA) for 2018/19.
- (3) Prudence – capital expenditure including commitments for non-HRA and HRA for 2018/19 will be reported monthly to the Executive by means of the Capital Monitoring report.

4. Single Capital Pot

4.1 The Council has capital funding made available to it by the Government in the form of capital grants. These fall into two categories of ringfenced and non-ringfenced. The ringfenced capital grants can only be used for specifically named schemes. An example of this type of funding is the Devolved Formula Capital grant that is specifically allocated to individual schools. In addition, the Government makes available non-ringfenced capital grants. These allocations come from individual Government departments but fall into the category known as Single Capital Pot. This means they can be used for any proper capital expenditure on any service. Good practice shows that the Council would allocate this funding to a capital programme to meet its priorities and objectives without regard to the source Government department providing the funding. However, the problem with this approach is that there is a possibility of these allocations being reduced in future years. It has therefore previously been agreed that the central government allocations to individual services should remain broadly as originally notified.

4.2 There is clearly a balance to be had in looking at the overall investment needs of the Council and individual service priorities. It is proposed that the Council uses some non-ringfenced capital grants in future for its corporate priorities, thereby allowing key schemes to proceed. The intention would be to retain the top-slice at 12.5% (12.5% first applied in 2005/06) of basic service capital grant in 2018/19 for corporate priorities including additional expenditure anticipated on existing schemes. The impact of this 12.5% proposal is set out below (excluding Disabled Facilities Grant - see 4.4):

Department	2018/19 Non-ringfenced Allocations £000	12.50% Top-slice £000	Net Total £000
Place	2,887	361	2,526
Adult Services (see 4.4 below)	2,136	63	2,073
Children's Services	5,220	652	4,568
TOTAL	10,243	1,076	9,167

The proposed allocations of the top-slicing can be found in section 9.

- 4.3 As can be seen from the table below the non-ringfenced capital grant allocation shows an increase from 2017/18 to 2018/19:

Department	2017/18 £000	2018/19 £000	Increase £000
Place	2,788	2,887	99
Adult Services	1,200	2,136	936
Children's Services	2,013	5,220	3,207
TOTAL	6,001	10,243	4,242

- 4.4 Disabled Facilities Grant of £1,633k has been identified for 2018/19. This is an integral part of the Better Care initiative (formerly Integrated Transformation Fund) to support the integration of health and social care and as such will be protected for this purpose.

5. Capital Receipts

- 5.1 The Council has committed all available capital receipts to the support of the capital programme. This includes the net balance of the receipt from the sale of Blackpool Business and Technology parks and any accumulated reserves arising as a result of the Central Business District Development.
- 5.2 The Council is continually undertaking a review of its property portfolio in order to identify those properties that may be disposed of in order to generate capital receipts necessary to support approved capital schemes, in particular the Central Business District. In addition the 2018/19 revenue budget continues the stretched target for revenue savings from a continuing property rationalisation programme, which is already well underway.

6. Priority Led Budgeting

- 6.1 During 2013/14 the Corporate Asset Management Group formally agreed that a Priority Led approach would continue to be adopted in approving capital schemes from the available corporate resource.
- 6.2 The agreed approach allocates capital resources in line with the legislative framework, i.e. priority schemes are deemed to be those which include statutory obligations or health and safety issues.
- 6.3 A range of categories was agreed that could be assigned to each scheme:

Category 1 – have to do – statutory obligations, health and safety, committed schemes, overspends

Category 2 – need to do – schemes that generate future revenue savings or support transformational process

Category 3 – able to do - fully prudentially funded schemes / School schemes where resources available

Category 4 – want to do – aspirational schemes that the Council would like to progress should resources be available and which align with Corporate Priorities

Category 5 – do not want to do – schemes that do not align with Corporate Priorities.

7. Capital Programme

7.1 The proposed capital programme takes account of all available resources including capital receipts and the top-sliced resource to fund corporate priorities and other costs. These are identified at Appendix A.

7.2 The proposed schemes that will proceed or are in progress are set out in detail at Appendix B. The expenditure by directorate is:-

Directorate	2018/19 £000	2019/20 £000	2020/21 £000
Places	26,185	21,630	2,887
Housing Revenue Account	6,846	3,290	2,762
Community and Environment	1,199	-	-
Adult Services	2,073	2,136	2,136
Children's Services	4,568	-	-
Resources	-	-	-
Governance and Regulation	1,860	300	-
Net top-slice	1,076	TBD	TBD
TOTAL	43,807	27,356	7,785

7.3 The current forward plan has identified the development of Carleton cemetery as a future area of work and provision is required in the capital programme to commence this piece of work. The existing cemetery grounds have approximately 5 years left to expand to fulfil the projected burial requirements and work needs to be undertaken this next financial year to ensure that land which has been set aside is started to be prepared to enable expansion of the cemetery to be made. As part of this development programme of the cemetery and the chapel, provision is also being made to accommodate schemes to be drawn up with members of the Bereavement Partnership (a group of clergy and Funeral Director representatives) and also due to ongoing concerns regarding working conditions and equipment in the crematorium, any resultant changes which may need to be made following that review.

7.4 The proposed capital programme supports key priorities, in particular regeneration of the town. The key schemes to be undertaken in the next twelve months are:-

(1) Central Business District Phase 2

(2) Conference Centre.

7.5 The Council has also identified a number of schemes that are priorities for the year but do not yet have full funding in place. It is hoped these will also progress in 2018/19 and more detailed decision reports will be submitted to Executive in due course:-

- (1) Enterprise Zone
- (2) Central Leisure Quarter
- (3) Central Business District Phase 3
- (4) Museum.

Should these schemes be approved by the Executive, they will form part of the monitoring reported on a monthly basis.

8. Management of the Risks Associated with the Capital Programme

8.1 The key risks in terms of the management of the proposed capital programme are:-

- (1) expected revenue streams derived from capital schemes are not delivered
- (2) private sector developers unable to raise finance, renegotiating or pulling out of deals as a result of the economic downturn
- (3) contractors likewise getting into financial difficulty
- (4) anticipated funding, eg. grant, capital receipts and s.106 monies, not being realised and / or the clawback of external funding resulting in funding shortfalls
- (5) delivery of the scheme over-budget and / or late
- (6) increased reliance on Prudential borrowing and an increase in the pooled interest rate.

8.2 Regular monthly capital monitoring reports are provided and Finance staff aim to meet with project managers of the larger and more complex schemes on a monthly basis. A risk register and details of projected overspends on schemes are also provided on a regular basis.

8.3 Schemes that have specific funding attached should only proceed where the external funding has been formally agreed. There is no commitment upon the Council to fund a shortfall in such circumstances.

8.4 In addition, 2017/18 saw the emergence and resolution of a number of additional areas of risk within the Capital Programme. These are reported to the Corporate Leadership Team and Corporate Asset Management Group and work is ongoing to address these issues and mitigate where possible. A risk-based reserve strategy continues to be operated through the Medium Term Financial Sustainability Strategy and paragraph 10.3 recommends the creation of a top-slice contingency in the result

of any overspends arising.

9. Capital Expenditure Commitments

- 9.1 Regular capital monitoring identifies schemes for which there is a contractual and legal obligation to fund and these become a call on available resources. There are 2 areas that fall into this category:-

	£000
College Relocation	100
Leisure Assets	420
TOTAL	520

- 9.2 Corporate Asset Management Group has previously recommended the following:

- (1) On 8 January 2013 that College Relocation abortive costs phased over an initial 15-year period (from 2013/14) become the first call on any top-slice.
- (2) On 13 March 2017 that the Leisure Assets be funded via a prioritised call on top slice in order to facilitate the Spanish hall roof works and the Coronation Street façade repairs.

- 9.3 There is no remaining funding from the 2017/18 top slice. Having met the remaining commitments from the 2018/19 top-slice a residual amount of £556k remains. This will be allocated towards a contingency should any past, current or prospective capital scheme urgently require additional funding.

- 9.4 A number of long-term strategic schemes such as the Central Leisure Quarter development are referred to elsewhere in this report. On occasion the opportunity to purchase small parcels of land or property associated with these may arise and where these purchases are essential to the project and can be completed within officer delegations this will be done within the existing contingency and any unallocated resource contained within this report.

10. Recommendations

To recommend to Council:

1. To approve of the Capital Programme for 2018/19 as set out at Appendices A and B, including the in year contingency of £1,076,000.
2. To adopt the Single Capital Pot approach as outlined in Section 4 with a top slice of 12.5% to allow for investment in key priority areas and overspends that are not otherwise fundable (reference paragraph 4.2).
3. That Executive approvals will continue to be required for all Prudential borrowing schemes (reference paragraph 3.1)
4. To approve the Capital Prudential Indicators as identified in Appendix C.

MR S THOMPSON
DIRECTOR OF RESOURCES

BLACKPOOL COUNCIL

APPENDIX A

DRAFT CAPITAL PROGRAMME 2018/19 TO 2020/21

SERVICE	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
PLACE	26,185	21,630	2,887
HOUSING REVENUE ACCOUNT	6,846	3,290	2,762
COMMUNITY & ENVIRONMENT	1,199	-	-
ADULT SERVICES	2,073	2,136	2,136
CHILDREN'S SERVICES	4,568	-	-
RESOURCES	-	-	-
GOVERNANCE AND REGULATION	1,860	300	-
TOP-SLICE TO BE ALLOCATED	1,076	TBD	TBD
TOTAL PROGRAMME	43,807	27,356	7,785

FUNDING SOURCES	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
GRANTS / CONTRIBUTIONS	27,771	5,129	2,656
PRUDENTIAL BORROWING	5,531	17,098	-
SPECIFIC CAPITAL GRANTS	10,243	5,023	5,023
CAPITAL RECEIPTS	262	106	106
REVENUE CONTRIBUTIONS	-	-	-
TOTAL FUNDING	43,807	27,356	7,785

Please note that capital funding and spend approved in previous years that has slipped into this period is not reflected in this schedule.

BLACKPOOL COUNCIL

DRAFT CAPITAL RESOURCES 2018/19 TO 2020/21

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
GRANTS / CONTRIBUTIONS / ETC.			
C & YP - Devolved Capital			
HRA Revenue	6,014	3,101	2,573
LEP	19,187	1,945	
Housing Contribution			
Affordable Homes	487	-	-
Major Repairs			
Leaseholder Income	83	83	83
Development Trust	2,000		-
PRUDENTIAL BORROWING			
Central Business District Phase 2	581	16,798	-
Carleton Crematorium	1,860	300	-
Conference Centre	3,090	-	-
SPECIFIC CAPITAL GRANTS			
C & YP - Basic Need	4,568	-	-
C & YP - Free infant school meals	-	-	-
C & YP - Top Slice @ 12.5%	652	-	-
C & YP - Condition	-	-	-
ASC - Social Care	440	503	503
ASC - Top Slice @ 12.5%	63	-	-
Department for Transport	-	-	-
LTP - Integrated Transport	1,505	1,866	1,866
LTP - Maintenance	1,021	1,021	1,021
LTP - Top Slice @ 12.5%	361	-	-
DFT Potholes	-	-	-
Infrastructure Investment	-	-	-
Disabled Facilities Grant	1,633	1,633	1,633
CAPITAL RECEIPTS			
Housing - Right to Buy	106	106	106
Capital Reserves	-	-	-
Regen - Council Office Receipts	-	-	-
Housing - Property Resale Receipts	156	-	-
TOTAL RESOURCES	43,807	27,356	7,785

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Place

Quality Corridors
 LTP - Capital Maintenance
 LTP - Integrated Transport : Traffic Management
 LTP - Integrated Transport : Walking and Cycling
 LTP - Integrated Transport : Public Transport
 LTP - Integrated Transport : Local Safety Schemes
 LTP - Integrated Transport : Parking Management
 LTP - Monitoring
 Conference Centre
 Central Business District - Phase 2

	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
	2,757	2,203	-
	1,021	1,382	1,382
	758	563	800
	10	29	20
	353	510	500
	50	100	150
	40	25	20
	15	20	15
	18,600	-	-
	2,581	16,798	-
TOTAL	26,185	21,630	2,887

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Housing Revenue Account

Queens Park phase 2
 Maintain Decent Homes Standard
 Other Schemes

TOTAL

2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
1,586	-	-
2,810	2,436	1,920
2,450	854	842
6,846	3,290	2,762

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
Community & Environment			
Bridges	1,199	-	-
TOTAL	1,199	-	-

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Adult Services

Disabled Facilities Grant
Adult Social care

TOTAL

2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
1,633	1,633	1,633
440	503	503
2,073	2,136	2,136

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Children's Services

New Pupil Places/Basic Need
Condition
Devolved Capital

2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
4,568	-	-
-	-	-
-	-	-
4,568	-	-

TOTAL

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Resources

2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
-	-	-
-	-	-

TOTAL

BLACKPOOL COUNCIL

Capital Programme 2018/19 to 2020/21

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Governance and Regulation

Carleton Crematorium

	2018/19 PROPOSED PROGRAMME £000	2019/20 POTENTIAL PROGRAMME £000	2020/21 POTENTIAL PROGRAMME £000
Carleton Crematorium	1,860	300	-
TOTAL	1,860	300	-

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**THE PRUDENTIAL CODE FOR CAPITAL FINANCE:
PRUDENTIAL INDICATORS**

1. Prudential Indicators: the actual position

Actual Capital Expenditure for 2018/19

Non-HRA and HRA

After the year-end the actual capital expenditure incurred during the financial year will be recorded. This prudential indicator will be referred to as actual capital expenditure and shall be expressed as 'actual capital expenditure for OX/OY'. The Code also requires separate identification of the actual HRA and non-HRA elements of this Prudential Indicator. (*Prudential Code, paragraph 51 & 52*).

Actual capital expenditure for 17/18	non-HRA	HRA
	£m	£m

2. Prudential Indicators for Affordability

Prudential Indicators for Affordability: Estimates of the incremental impact of capital investment decisions on the Council Tax and on housing rents.

Non-HRA and HRA

Blackpool is required to:

- (i) forecast the total non-HRA budgetary requirements for the authority based on no changes to the existing capital programme.
- (ii) forecast the total non-HRA budgetary requirements for the authority with the changes proposed to the capital programme included in the calculation.
- (iii) take the difference between (i) and (ii) and calculate the addition or reduction to Council tax that would result.
- (iv) forecast the total HRA budgetary requirements for the authority based on no changes to the existing capital programme.
- (v) forecast the total HRA budgetary requirements for the authority with the changes proposed to the capital programme included in the calculation.
- (vi) take the difference between (iv) and (v) and calculate the addition or reduction to average weekly housing rents that would result.

The two prudential indicators (*Prudential Code, paragraph 40*) will be referred to as 'estimates of the incremental impact of new capital investment decisions on the Council Tax/average weekly housing rents' and shall be expressed in the following manner: £xx.xx.

These indicators of the incremental impact of their capital investment decisions allow the effect of the totality of Blackpool Council's plans to be considered at budget setting time. They also allow different options for the capital investment programme to be considered by comparing the different impact on council tax (and housing rents) that would result, holding all other

things constant other than varying the capital programme. Moreover, these indicators take into consideration the effects of self-financing. They also reflect the revenue impact of capital schemes other than financing costs, thus facilitating the consideration of revenue intensive vis-a-vis capital intensive options.

Incremental impact of new capital investment decisions	on the Council Tax	on the average weekly housing rents
2018/19	£0.31	£0.06
2019/20	£13.37	£2.45
2020/21	£0.00	£0.00

3. Prudential Indicators for Prudence

Prudential Indicators for Prudence: Capital Expenditure (including capital commitments).

Non-HRA and HRA

Local authorities are required to make reasonable estimates of the total of capital expenditure that they plan to incur during the forthcoming financial year and at least the following two financial years. These prudential indicators shall be referred to as the 'estimate of total capital expenditure to be incurred in years 1, 2 and 3'. A local authority that has a Housing Revenue Account (HRA) will identify separately estimates of HRA capital expenditure and estimates of non-HRA capital expenditure. (*Prudential Code, paragraphs 48 & 49*).

The Corporate Asset Management Group in conjunction with the Capital Finance Team have completed the capital programme likely to be required over the next three years, together with the financial resources likely to be available for those schemes. This has taken into account new borrowing for which the Government is providing resources to meet interest and debt repayment costs via Formula Grant, Government grants, capital receipts and other funding (including s106 receipts). The current estimates of capital expenditure that should be funded are:

	Total schemes	Non-HRA schemes	HRA schemes
2018/19	£43.8M	£37.0M	£6.8M
2019/20	£27.4M	£24.1M	£3.3M
2020/21	£7.8M	£5.0M	£2.8M

The above figures have to be approved in the February 2018 Capital Programme report. The Council may as part of its budget considerations in future years decide to approve a lower level of capital expenditure - thus reducing the costs of financing in the revenue budget - or a higher level of capital expenditure if there is scope.