

Public Document Pack

Dear Councillor

EXECUTIVE - MONDAY, 9TH FEBRUARY, 2015

Please find attached the appendices related to the Capital Programme 2015/2016, 2016/17 and 2017/18 Monday, 9th February, 2015 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 27th February 2015, please bring this document to either meeting if you are attending.

Agenda No Item

4 **CAPITAL PROGRAMME 2015/2016, 2016/2017 AND 2017/18** (Pages 1 - 20)

Yours sincerely

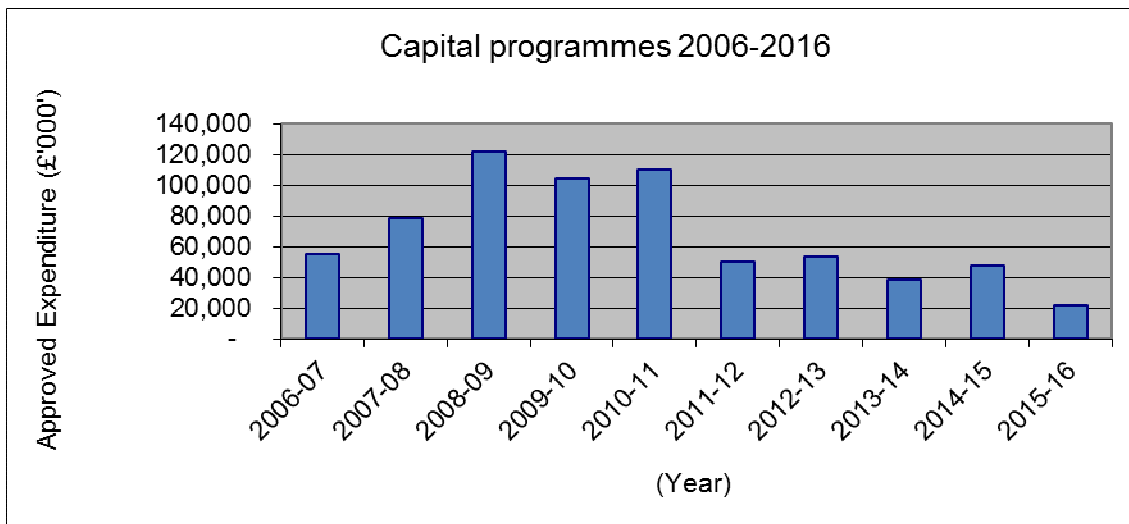
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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
9TH FEBRUARY 2015

CAPITAL PROGRAMME 2015/16, 2016/17 AND 2017/18

1. Introduction

- 1.1 The Council's 2015/16 Capital Programme runs concurrently with the 2015/16 revenue budget and reports on both are submitted to this meeting for approval. 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 2015/2016 is £21.5m and over a three-year period is estimated at £84.3m (See Appendix A and B).
- 1.2 The 2016/2017 and 2017/2018 programmes have been drawn up based upon known allocations and provisional bids. Government announcements in respect of some allocations have 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 2016/17 and 2017/18 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 2016/17 and 2017/18.
- 1.3 The Council has suffered from severe cuts in capital funding. It has continued to be proactive in seeking additional funding for schemes but as the graph below demonstrates the proposed programme



for 2015/16 is significantly less than 5 years ago.

- 1.4 The status of the Capital Programme is reported monthly to the Corporate Leadership Team (CLT) and the Executive as well as the Finance and Audit Committee.
- 1.5 The Capital Programme now submitted is consistent with that agreed for 2014/15. 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 2015/16 does not include budgeted expenditure that has previously been approved by Executive. Blackpool Council has approximately £30m available for capital projects eg Tyldesley / Rigby Rd housing development that has been approved in previous years but not yet expended. The total capital budget therefore for 2015/16 is in reality in the region of £51.5m.
- 1.7 The capital programme does not yet take account of all funding announcements in respect of Children's Services. These are anticipated to be confirmed shortly after the approval of this Capital Programme and reference will be made in the subsequent financial monitoring report to Executive.

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 Borrowing 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 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-Housing Revenue Account and Housing Revenue Account) for 2015/2016 will be reported as part of the 2015/16 Capital Outturn report to Executive.

(2) Affordability – Estimates of the incremental impact of capital investment decisions on council tax (non-Housing Revenue Account) and on Housing rents (Housing Revenue Account) for 2015/2016.

(3) Prudence – capital expenditure including commitments for non-Housing Revenue Account and Housing Revenue Account for 2015/2016 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 2015/16 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	2015/16 Non-ringfenced Allocations £000	12.50% Top-slice £000	Net Total £000
Place	2,921	(365)	2,556
Adult Services (see 4.4 below)	1,649	(63)	1,586
Children's Services	3,475	(434)	3,041
TOTAL	8,045	(862)	7,183

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 a reasonable increase from 2014/2015 to 2015/2016:

Department	2014/15 £000	2015/16 £000	Increase £000
Place	3,303	2,921	(382)
Adult Services	1,459	1,649	190
Children's Services	1,256	3,475	2,219
TOTAL	6,018	8,045	2,027

- 4.4 Disabled Facilities Grant of £1,146k has been identified for 2015/16. 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 2015/2016 Revenue Budget assumes a stretched target for revenue savings from a property rationalisation programme, which is already underway.

6. Priority Led Budgeting

- 6.1 During 2013/2014 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	2015/16 £000	2016/17 £000	2017/18 £000
Places	2,556	10,468	15,440
Housing Revenue Account	6,826	8,636	9,250
Community and Environment	2,200	-	-
Adult Services	1,586	1,300	1,300
Children's Services	3,041	3,649	3,000
Resources	4,500	9,000	-
Governance and Regulation	-	-	-
Deputy Chief Executive	-	-	-
Net top-slice	862	353	348
TOTAL	21,571	33,406	29,338

7.3 Any new proposals will be submitted through the formal decision making process.

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

- (1) Central Business District Phase 2
- (2) Decent Homes Standard
- (3) Anchorsholme Seawall
- (4) Queens Park redevelopment.

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) private sector developers unable to raise finance, renegotiating or pulling out of deals as a result of the economic downturn
 - (2) contractors likewise getting into financial difficulty
 - (3) anticipated funding, eg. grant, capital receipts and s.106 monies, not being realised and / or the clawback of external funding resulting in funding shortfalls
 - (4) additional unbudgeted revenue consequences of schemes
 - (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, 2014/2015 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 Strategy and note 10.3 indicates 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 is one area which falls into this category:-

	£000
College Relocation	100
TOTAL	100

- 9.2 The Corporate Asset Management Group recommended on 8th January 2013 that:
- (1) College Relocation abortive costs phased over an initial 15-year period (from 2013/14) become the first call on any top-slice.
- 9.3 Having met the commitment above from the top-slice the residual amount of £762k will be held as a contingency against current and prospective capital schemes to provide a safety net

for any risk being faced.

10. Recommendations

To recommend to Council:

- 10.1 To approve the Capital Programme for 2015/2016 as set out at Appendices A and B, including the contingency of £762,000.
- 10.2 To approve 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).
- 10.3 To approve the Capital Prudential Indicators as identified in Appendix C.
- 10.4 To agree that Executive approvals will continue to be required for all Prudential borrowing schemes (reference paragraph 3.1).

MR STEVE THOMPSON
DIRECTOR OF RESOURCES

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BLACKPOOL COUNCIL

APPENDIX A

CAPITAL PROGRAMME 2015/16 - 2017/18

SERVICE	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
PLACE	2,556	10,468	15,440
HOUSING REVENUE ACCOUNT	6,826	8,636	9,250
COMMUNITY & ENVIRONMENT	2,200	-	-
ADULT SERVICES	1,586	1,300	1,300
CHILDREN'S SERVICES	3,041	3,649	3,000
RESOURCES	4,500	9,000	-
GOVERNANCE AND REGULATION	-	-	-
DEPUTY CHIEF EXECUTIVE	-	-	-
TOP-SLICE TO BE ALLOCATED	862	353	348
TOTAL PROGRAMME	21,571	33,406	29,338

FUNDING SOURCES	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
SUPPORTED CAPITAL EXPENDITURE	-	-	-
OTHER GRANTS/CONTRIBUTIONS	11,911	16,522	22,174
PRUDENTIAL BORROWING	1,500	9,000	-
SPECIFIC CAPITAL GRANTS	8,045	7,770	7,088
CAPITAL RECEIPTS	115	114	76
REVENUE CONTRIBUTIONS	-	-	-
TOTAL FUNDING	21,571	33,406	29,338

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

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BLACKPOOL COUNCIL

CAPITAL RESOURCES 2015/16 TO 2017/18

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
OTHER GRANTS/CONTRIBUTIONS/ETC.			
Childrens services - Devolved Capital	-	-	-
HRA Revenue	1,600	1,600	1,600
Lancashire Enterprise Partnership	-	-	5,000
Housing Contribution	931	1,573	3,179
Affordable Homes	208	1,463	488
Major Repairs	3,972	3,886	3,907
Heritage Lottery Fund	-	8,000	8,000
Environment Agency	2,200	-	-
CBD Development Trust Account	3,000	-	-
Regeneration - Homes & Communities Agency	-	-	-
Regeneration - ERDF	-	-	-
PRUDENTIAL BORROWING			
Central Business District Council Offices	1,500	9,000	-
SPECIFIC CAPITAL GRANTS			
C & YP - Basic Need	3,041	3,649	3,000
C & YP - Free infant school meals	-	-	-
C & YP - Top Slice @ 12.5%	434	-	-
C & YP - Building Schools for the Future	-	-	-
ASC - Social Care	440	400	400
ASC - Top Slice @ 12.5%	63	-	-
Department for Transport	-	-	-
LTP - Integrated Transport	1,505	1,505	1,505
LTP - Maintenance	1,051	963	935
LTP - Top Slice @ 12.5%	365	353	348
Disabled Facilities Grant	1,146	900	900
CAPITAL RECEIPTS			
Housing - Right to Buy	-	-	-
Capital Reserves	-	-	-
Regen - Council Office Receipts	-	-	-
Housing - Property Resale Receipts	115	114	76
TOTAL RESOURCES	21,571	33,406	29,338

BLACKPOOL COUNCIL

Capital Programme 2015/16

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Places

Blackpool Museum
 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
 Tramway Connection

	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
	-	8,000	8,000
	1,051	963	935
	435	435	435
	405	405	405
	395	395	395
	165	165	165
	85	85	85
	20	20	20
	-	-	5,000
TOTAL	2,556	10,468	15,440

BLACKPOOL COUNCIL

Capital Programme 2015/16

Housing Revenue Account

Queens Park phase 1
 Queens Park phase 2
 Maintain Decent Homes Standard
 Other Schemes

TOTAL

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
	638	-	-
	1,320	4,803	4,720
	2,683	2,124	2,769
	2,185	1,709	1,761
TOTAL	6,826	8,636	9,250

BLACKPOOL COUNCIL

Capital Programme 2015/16

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Community & Environment

Anchorsholme Seawall

TOTAL

2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
2,200	-	-
2,200	0	0

BLACKPOOL COUNCIL

Capital Programme 2015/16

Adult Services

Social Care Single Capital Pot
Disabled Facilities Grant

TOTAL

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
	440	400	400
	1,146	900	900
	1,586	1,300	1,300

BLACKPOOL COUNCIL

Capital Programme 2015/16

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Children's Services

New Pupil Places/Basic Need
Condition
Devolved Capital

2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
3,041	3,649	3,000
	FUNDING TO BE CONFIRMED	
	FUNDING TO BE CONFIRMED	
3,041	3,649	3,000

TOTAL

BLACKPOOL COUNCIL

Capital Programme 2015/16

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Resources

Central Business District - Phase 2

2015/16 PROPOSED PROGRAMME £000	2016/17 POTENTIAL PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000
4,500	9,000	-
4,500	9,000	0

TOTAL

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

1. Prudential Indicators: the actual position

Actual Capital Expenditure for 2015/16

Non-Housing Revenue Account and Housing Revenue Account

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 0X/0Y'. The Code also requires separate identification of the actual Housing Revenue Account and non-Housing Revenue Account elements of this Prudential Indicator. (*Prudential Code, paragraph 51 and 52*).

Actual capital expenditure for 14/15	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-Housing Revenue Budget and Housing Revenue Budget

Blackpool is required to:

- (i) forecast the total non-Housing Revenue Account budgetary requirements for the authority based on no changes to the existing capital programme.
- (ii) forecast the total non-Housing Revenue Account 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 Housing Revenue Account budgetary requirements for the authority based on no changes to the existing capital programme.
- (v) forecast the total Housing Revenue Account 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
2015/16	£4.18	£0.18
2016/17	£4.40	£0.31
2017/18	£4.40	£0.63

3. Prudential Indicators for Prudence

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

Non-Housing Revenue Account and Housing Revenue Account

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 Housing Revenue Account capital expenditure and estimates of non-HRA capital expenditure. (*Prudential Code, paragraphs 48 and 49*).

The Corporate Asset Management Group in conjunction with the Capital Finance Team has 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 section 106 receipts). The current estimates of capital expenditure that should be funded are:

	Total schemes	Non-HRA schemes	HRA schemes
2015/16	£21.6M	£14.8M	£6.8M
2016/17	£33.4M	£24.8M	£8.6M
2017/18	£29.4M	£20.1M	£9.3M

The above figures have to be approved in the January 2015 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.