

Date: 29th January 2016

All Members of the Council

Our Ref: n/a

Your Ref: n/a

Direct Line: 01253477157

Email: lennox.beattie@blackpool.gov.uk

Dear Councillor

Executive Meeting 8th February 2016 and Council Meeting 25th February 2016

Please find attached the Appendices relating to the Capital Programme 2016/17 to 2018/19

This document will be considered by the Executive at its meeting on the 8th February 2016 and will be considered by the Council at its meeting on the 25th February 2016.

Please bring these documents to either of these meetings, if you are attending.

If you have any queries please contact me by the direct line or email listed above

Yours sincerely

On behalf of the Head of Democratic Governance



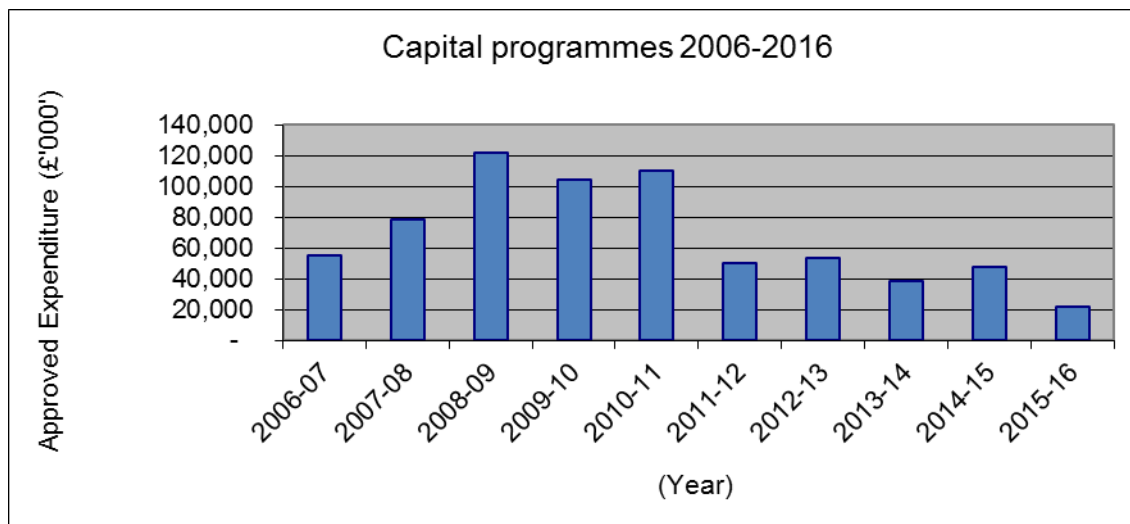
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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
8th FEBRUARY 2016

CAPITAL PROGRAMME 2016/17 to 2018/19

1. Introduction

- 1.1 The Council's 2016/17 Capital Programme runs concurrently with the 2016/17 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 2016/17 is £21.1m and over a three-year period is estimated at £73.9m (See Appendix A and B).
- 1.2 The 2017/18 and 2018/19 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 2017/18 and 2018/19 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 2017/18 and 2018/19.
- 1.3 The Council has suffered from severe cuts in capital funding. It has continued to be proactive in seeking additional funding for schemes, demonstrated by the funding obtained from the Department for Transport, but as the graph below demonstrates the proposed programme for 2016/17 is significantly less than 6 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 Tourism, Economy and Resources Scrutiny Committee.
- 1.5 The Capital Programme now submitted is consistent with that agreed for 2015/16. 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 2016/17 does not include budgeted expenditure that has previously been approved by Executive. Blackpool Council has approximately £30m available for capital projects, eg Anchorsholme seawall, that has been approved in previous years but not yet expended. The total capital budget therefore for 2016/17 is in reality approximately £51.1m.
- 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.

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 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 2016/17 will be reported as part of the 2016/17 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 2016/17.
 - (3) Prudence – capital expenditure including commitments for non- Housing Revenue Account and Housing Revenue Account for 2016/17 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 2016/17 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	2016/17 Non-ringfenced Allocations £000	12.50% Top-slice £000	Net Total £000
Place	2,821	353	2,468
Adult Services (see 4.4 below)	1,200	0	1,200
Children's Services	3,649	456	3,193
TOTAL	7,670	(809)	6,861

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 minor decrease from 2015/16 to 2016/17:

Department	2015/16 £000	2016/17 £000	Increase £000
Place	2,921	2,821	(100)
Adult Services	1,649	1,200	(449)
Children's Services	3,475	3,649	174
TOTAL	8,045	7,670	(375)

- 4.4 Disabled Facilities Grant of £1,200k has been identified for 2016/17. 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 2016/17 revenue budget continues the stretched target for revenue savings from a continuing property rationalisation programme, which is already 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	2016/17 £000	2017/18 £000	2018/19 £000
Places	2,468	11,291	16,050
Housing Revenue Account	9,274	9,938	3,171
Community and Environment	3,455	1,796	1,500
Adult Services	1,200	1,100	1,000
Children's Services	3,895	4,299	2,650
Resources	-	-	-
Governance and Regulation	-	-	-
Deputy Chief Executive	-	-	-
Net top-slice	809	TBD	TBD
TOTAL	21,101	28,424	24,371

TBD – To be determined

- 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 three key schemes to be undertaken in the next twelve months are:-
- (1) Queens Park redevelopment phase 2
 - (2) Bridges programme
 - (3) Anchorsholme Seawall.

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, 2015/16 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 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 4 areas that fall into this category:-

	£000
College Relocation	100
Christ the King	320
Housing site clearance	96
Syndicate	300
TOTAL	816

9.2 Corporate Asset Management Group has previously recommended the following:

- (1) On 8th 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 6th January 2015 that Christ the King school be funded via a prioritised call on top slice in lieu of a developer contribution failing to materialise
- (3) On 19th January 2016 that the commitment in respect of Housing site clearance and the overspend on the Syndicate be met by this contingency.

9.3 There is still a surplus remaining from the 2015/16 top slice of £227,000 and this will be utilised in the first instance to meet the commitments outlined above. Having met the remaining commitments from the in year top-slice a residual amount of £220,000 will remain to provide a contingency against should any current or prospective capital scheme urgently require additional funding.

10. Recommendations

The Executive is asked to recommend to Council:

1. To approve of the Capital Programme for 2016/17 as set out at Appendices A and B, including the in year contingency of £809,000.
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.

STEVE THOMPSON
DIRECTOR OF RESOURCES

BLACKPOOL COUNCIL

APPENDIX A

CAPITAL PROGRAMME 2016/17 TO 2018/19

SERVICE	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
PLACE	2,468	11,291	16,050
HOUSING REVENUE ACCOUNT	9,274	9,938	3,171
COMMUNITY & ENVIRONMENT	3,455	1,796	1,500
ADULT SERVICES	1,200	1,100	1,000
CHILDREN'S SERVICES	3,895	4,299	2,650
RESOURCES	-	-	-
GOVERNANCE AND REGULATION	-	-	-
DEPUTY CHIEF EXECUTIVE	-	-	-
TOP-SLICE TO BE ALLOCATED	809	TBD	TBD
TOTAL PROGRAMME	21,101	28,424	24,371

FUNDING SOURCES	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
GRANTS / CONTRIBUTIONS	9,953	11,188	4,721
PRUDENTIAL BORROWING	-	-	6,401
SPECIFIC CAPITAL GRANTS	11,048	17,136	13,149
CAPITAL RECEIPTS	100	100	100
REVENUE CONTRIBUTIONS	-	-	-
TOTAL FUNDING	21,101	28,424	24,371

TBD - To be determined

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

CAPITAL RESOURCES 2016/17 TO 2018/19

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
GRANTS / CONTRIBUTIONS / ETC.			
C & YP - Devolved Capital	179	150	150
HRA Revenue	1,600	1,600	1,600
LEP	600	1,200	1,500
Housing Contribution	3,263	3,675	(2,502)
Affordable Homes	394	619	0
Major Repairs	3,867	3,894	3,923
Leaseholder Income	50	50	50
PRUDENTIAL BORROWING			
Tramway Extension	0	0	6,401
SPECIFIC CAPITAL GRANTS			
C & YP - Basic Need	3,193	3,649	2,000
C & YP - Free infant school meals	0	0	0
C & YP - Top Slice @ 12.5%	456	0	0
C & YP - Condition	523	500	500
ASC - Social Care	0	0	0
ASC - Top Slice @ 12.5%	0	0	0
Department for Transport	2,855	9,357	7,239
LTP - Integrated Transport	1,505	1,000	1,000
LTP - Maintenance	963	1,530	1,410
LTP - Top Slice @ 12.5%	353	0	0
Disabled Facilities Grant	1,200	1,100	1,000
CAPITAL RECEIPTS			
Housing - Right to Buy	100	100	100
Capital Reserves	0	0	0
Regen - Council Office Receipts	0	0	0
Housing - Property Resale Receipts	0	0	0
TOTAL RESOURCES	21,101	28,424	24,371

BLACKPOOL COUNCIL

Capital Programme 2016/17 to 2018/19

FOR APPROVAL FOR INFORMATION FOR INFORMATION

Place

	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
LTP - Capital Maintenance	963	1,000	1,000
LTP - Integrated Transport : Traffic Management	435	450	440
LTP - Integrated Transport : Walking and Cycling	405	400	400
LTP - Integrated Transport : Public Transport	395	400	350
LTP - Integrated Transport : Local Safety Schemes	165	150	150
LTP - Integrated Transport : Parking Management	85	100	50
LTP - Monitoring	20	30	20
Tramway Extension	0	8,761	13,640
TOTAL	2,468	11,291	16,050

Should funding be awarded for the Blackpool Museum Project this will be included in future years.

BLACKPOOL COUNCIL

Capital Programme 2016/17 to 2018/19

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Housing Revenue Account

Queens Park phase 2
 Maintain Decent Homes Standard
 Other Schemes

TOTAL

2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
5,000	6,350	0
2,106	1,888	1,750
2,168	1,700	1,421
9,274	9,938	3,171

BLACKPOOL COUNCIL

Capital Programme 2016/17 to 2018/19

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
Community & Environment			
Bridges	3,455	1,796	1,500
TOTAL	3,455	1,796	1,500

BLACKPOOL COUNCIL

Capital Programme 2016/17 to 2018/19

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
Adult Services			
Disabled Facilities Grant	1,200	1,100	1,000
TOTAL	1,200	1,100	1,000

BLACKPOOL COUNCIL

Capital Programme 2016/17 to 2018/19

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Children's Services

New Pupil Places/Basic Need
Condition
Devolved Capital

	2016/17 PROPOSED PROGRAMME £000	2017/18 POTENTIAL PROGRAMME £000	2018/19 POTENTIAL PROGRAMME £000
	3,193	3,649	2,000
	523	500	500
	179	150	150
TOTAL	3,895	4,299	2,650

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

1. Prudential Indicators: the actual position

Actual Capital Expenditure for 2016/17

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 0X/0Y'. 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 15/16	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
2016/17	£5.71	£0.27
2017/18	£5.86	£0.25
2018/19	£6.00	£0.02

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
2016/17	£21.1M	£11.8M	£9.3M
2017/18	£28.4M	£18.5M	£9.9M
2018/19	£24.4M	£21.2M	£3.2M

The above figures have to be approved in the January 2016 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.