BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

4 February 2019

CAPITAL PROGRAMME 2019/20, 2020/21 AND 2021/22

---

1. Introduction

1.1 The Council's 2019/20 Capital Programme runs concurrently with the 2019/20 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 2019/20 is £45.8m and over a three-year period is estimated at £100.4m (See Appendix A and B).

1.2 The 2020/21 and 2021/22 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 2020/21 and 2021/22 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 2020/21 and 2021/22.

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 2018/19. 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 2019/20 does not include budgeted expenditure that has previously been approved by Executive. Blackpool Council has approximately £30m available for capital projects, e.g Conference Centre, Town Centre Acquisition and Central business District phase 2, Waste Company works and vehicles, that has been approved in previous years but not yet expended. The total capital budget therefore for 2019/20 is in reality approximately £75.8m.

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 Supressed 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 CLT 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 2019/20 will be reported as part of the 2019/20 Capital Outturn report to Executive.

(2) Prudence – capital expenditure including commitments for non-HRA and HRA for 2019/20 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 ring-fenced and non-ring-fenced. The ring-fenced 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-ring-fenced 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-ring-fenced 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 2019/20 for corporate priorities including additional expenditure anticipated on existing schemes. The impact of this 12.5% proposal is set out overleaf (excluding Disabled Facilities Grant - see 4.4):

Department	2019/20 Non-ringfenced Allocations £000	12.50% Top-slice £000	Net Total £000
Communications and Regeneration	2,686	336	2,350
Adult Services (see 4.4 below)	2,136	81	2,055
Children's Services	-	-	-
TOTAL	**4,822**	**417**	**4,405**

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-ring-fenced capital grant allocation shows a decrease from 2018/19 to 2019/20:

Department	2018/19 £000	2019/20 £000	Decrease £000
Communications and Regeneration	2,887	2,686	(201)
Adult Services	2,136	2,136	-
Children's Services	5,220	-	(5,220)
TOTAL	**10,243**	**4,822**	**(5,421)**

4.4 Disabled Facilities Grant of £1,485k has been identified for 2019/20. 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 2019/20 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.

6.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy incorporates the Capital Programme.

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	2019/20 £000	2020/21 £000	2021/22 £000
Communication and Regeneration	31,525	34,239	3,447
Housing Revenue Account	9,086	8,535	2,669
Community and Environment	500	-	-
Adult Services	2,055	2,136	2,136
Children's Services	-	-	-
Resources	1,500	1,200	-
Governance and Partnerships	692	185	-
Net top-slice	417	TBD	TBD
TOTAL	**45,775**	**46,295**	**8,252**

7.3 As identified in last year's Capital Programme the development of Carleton cemetery (burial ground extension) was identified as a future programme of work and provision is required in the capital programme to commence this piece of work. The existing cemetery grounds have approximately 3-4 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 requested to accommodate schemes to be drawn up with members of the Bereavement Partnership (a group of clergy and Funeral Director representatives) and indicated in last year's report. These relate to additional car parking to accommodate increased use of the chapel, lighting around the chapel to assist with services in the winter months and a flower shelter for families to lay flowers after services.

The forward plan has also identified refurbishments and upgrades to the leisure facilities.

The refurbishment of the Trams is undertaken over a rolling 8-year period, and will be funded over the next 3 financial years.

The imminent additional loss of parking provision and increasing demand, the need to procure new parking provision in pursuit of Blackpool Council's corporate, planning and transport objectives is becoming pressing. The development of Blackpool Central and Talbot Gateway will have major implications for car parking and coach handling facilities which need to be addressed as a priority. During peak periods, there are acute pressures on town centre car parks, which will increase as the major

regeneration initiatives that are currently being driven forward by the Council in partnership with the private sector increase the attractiveness of the town centre and the resort. Parking and associated traffic circulation issues need to be addressed, together with the need to improve and replace Blackpool's coach handling facilities.

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) Enterprise Zone.

(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 2019/20 and more detailed decision reports will be submitted to Executive in due course:-

(1) Blackpool Central

(2) Central Business District Phase 3

(3) Museum

(4) CCTV relocation

(5) Grange Park development

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, 2018/19 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 10.2 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 3 areas that fall into this category:-

	£000
College Relocation	100
Carleton Crematorium - Cremators	166
Carleton Crematorium – Small projects	127
Un-allocated	24
TOTAL	**417**

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 16 January 2018 that the old Carleton Crematorium Cremators would be funded over a 14 year period (from 19/20).
(3) On 18 December 2018 that the Carleton Crematorium proposals from the Bereavement Partnership (ie additional parking, lighting and flower shelter) would be funded through the top slice.

9.3 There is no remaining funding from the 2018/19 top slice.

9.4 A number of long-term strategic schemes such as the Blackpool Central 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

The Executive is asked to recommend to Council:

10.1 To approve the Capital Programme for 2019/20 as set out at Appendices A and B.

10.2 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).

10.3 To approve the Capital Prudential Indicators as identified in Appendix C.

10.4 To agree that Executive approval will continue to be required for all Prudential Borrowing schemes (reference paragraph 3.1.

MR S THOMPSON
DIRECTOR OF RESOURCES