

Report To: Council
Date of Meeting: 9 September 2014
Lead Member: Councillor Julian Thompson-Hill
Report Author: Head of Finance and Assets
Title: Capital Plan 2013/14 – 2017/18

1. What is the report about?

- 1.1 The report updates members on the 2013/14 outturn position of the Capital Plan and the latest position in 2014/15. The report also includes a recommendation of the Strategic Investment Group to approve Bodnant Community School extension and refurbishment works.

2. What is the reason for making this report?

- 2.1 To provide members with an updated Capital Plan including an update on major projects and the corporate plan.

The following Appendices are included:

- Appendix 1: Summary Capital Plan funding
- Appendix 2: Summary Capital Plan by Head of Service
- Appendix 3: Details of schemes
- Appendix 4: Major capital project updates
- Appendix 5: Recommendation of the Strategic Investment Group – Bodnant Community School

3. What are the Recommendations?

- 3.1 That Members note the 2013/14 outturn position of the Capital Plan; the latest position on the 2014/15 capital plan and the update on major projects.
- 3.2 Members support the recommendation of the Strategic Investment Group as detailed in Appendix 5.

4. Report details

4.1 Capital Expenditure 2013/14 and 2014/15

The full Capital Plan was last reported to Council in April 2014. Monthly updates are presented to Cabinet. The 2013/14 outturn expenditure was £35.478m. Capital expenditure to the end of July 2014 is £4.8m against a plan of £37.069m. Details of schemes are included in Appendix 3.

4.2 Major Projects

Appendix 4 provides an update on the following major projects:

- Rhyl Harbour Development

- Rhyl Going Forward
- Welsh Medium Area School – Ysgol Bro Dyfrdwy
- North Denbighshire Welsh Medium Provision
- Rhyl New School

4.3 Corporate Plan

The Corporate Plan 2012-17 sets out the Council’s ambition to deliver significant capital investment in its priorities and the latest figures highlight that the Council will need to invest in the region of £124.6m of capital funding.

A large proportion of this work will be in the delivery of five projects within the Band A proposals for 21st Century Schools. In support of this, Cabinet have recently approved the award of contracts for Rhyl High School subject to written confirmation of funding from the Welsh Government. The Capital Plan has also been updated with the latest scheme estimate of £24.586m for Rhyl New School following in principle approval of the scheme received from the Welsh Government. Formal confirmation of grant funding from the Welsh Government is awaited.

In addition the extension and refurbishment works at Cynwyd (Ysgol Bro Dyfrdwy) are complete and the new classrooms will be fully available to the school from September 2014.

Cabinet have recently approved the commencement of feasibility studies in relation to the Ruthin Review.

A summary of the latest estimate of the Corporate Plan is shown in Appendix 1 and is summarised in the table below:

	Council Funding £m	External Funding £m
21st Century Schools	36.700	36.700
Modernising Education	17.190	0
Extra Care Housing and Cefndy	9.305	14.000
Highways	5.775	4.916
Total	68.970	55.616

The Plan makes critical assumptions on various factors, including funding from both the Welsh Government and the council’s own resources, estimated costs and the timing of the works.

4.4 Recommendation of the Strategic Investment Group – Bodnant Community School

The Strategic Investment Group recently reviewed Bodnant Community School Extension and Refurbishment Scheme. The scheme is one of the five projects within the Band A proposals for 21st Century Schools

programme and is fully funded with 50% of the £3.4m cost being met by the Welsh Government. The Council's 50% contribution is funded within the Corporate Plan.

A submission in relation to this project is included as Appendix 5. The Strategic Investment Group recommends that Council approves this project.

4.5 Capital Receipts

The Capital Plan is dependent for part of its funding on capital receipts generated by the sale of Council assets. The table below shows those receipts achieved in 2013/14. No receipts have been achieved in 2014/15 to date, although a number of potential disposals are currently in development.

	2013/14 £000
Fronfraith	150
Bare Land at Bwlch Isaf	90
Cynwyd Youth Club	39
8 Brighton Road - Balance	20
	299

4.6 Prudential Indicators

Each year the Council sets Prudential Indicators that determine prudent limits on its borrowing. The Council's outstanding debt is currently £151m. This is within the Operational Boundary (£215m) and Authorised Limit (£220m) and is less than the forecast Capital Financing Requirement (£203.9m). This means the Council is adhering to the Prudential Code of Capital Finance and is not borrowing in excess of its capital needs.

The ratio of financing costs to the net revenue stream for 2014/15 is 6.93%. This ratio is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

Updates on prudential indicators and treasury management more generally are presented to the Corporate Governance Committee throughout the year.

5. How does the decision contribute to the Corporate Priorities?

Projects have been reviewed to understand their impact in delivering the Council's Corporate Objectives.

6. What will it cost and how will it affect other services?

6.1 Cost Implications

It is necessary to ensure that the Capital Plan is fully funded as any cost overruns above the total available funding have to be funded from revenue budgets.

6.2 Staffing/IT/Accommodation Implications

Each new project is required to complete a Business Case form and any specific implications are discussed at that stage.

6.3 Assessment of Impact on Climate Change – Mitigation and Adaptation:

New capital projects are subject to scrutiny by the Strategic Investment Group. Each business case will show, where relevant carbon tonne emission pre and post project, thus identifying whether the project is carbon emission positive, negative or neutral. In addition, it is necessary to ensure new capital projects are future proof and able to adapt to climate change.

7. What are the main conclusions of the Equality Impact Assessment undertaken on the decision?

All new projects are subject to an individual EqIA.

8. What consultations have been carried out with Scrutiny and others?

Projects are prepared and subsequently monitored in consultation with Heads of Service. The figures used in the reports are based upon the latest estimates available.

9. Chief Financial Officer Statement

No project should commence without being fully funded against a robust project plan and the project being discussed with the Strategic Investment Group.

Project Sponsors need to exercise tight control over their capital expenditure to ensure that the projects are able to remain within their budgets.

The Council has approved an ambitious Corporate Plan. Underpinning the affordability of the Plan are key assumptions around revenue budgets and cash. The scale of the Corporate Plan means that it will span a 5-7 year horizon and will undoubtedly mean that as it develops, there will be timing differences between planned and actual assumptions around the use of cash. This may mean that earmarked reserves will increase until commitments are made. It is crucial however to appreciate that if resources are diverted through the life of the Plan, the Council will have to decide which of the projects previously identified it would want to cancel.

The Corporate Plan is being reviewed as part of the ongoing budget process for 2015/16.

10. What risks are there and is there anything we can do to reduce them?

10.1 Risks associated with not agreeing the recommendations

Possible risks would include schemes not progressing, loss of grant and disruptions to services.

10.2 Risk associated with agreeing the recommendations

No capital project is without risk. However all schemes are reviewed by the Strategic Investment Group and are also subject to on-going monthly monitoring and reporting.

11. Power to make the Decision

Part 1 of the Local Government Act 2003 determines the arrangements for capital financing from 2004/05 onwards.