

Report To: Council

Date of Meeting: 24 February 2015

Lead Member: Councillor Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title: Capital Plan 2014/15 – 2017/18 and Recommendations of the Strategic Investment Group

1. What is the report about?

- 1.1 The report updates members on the 2014/15 element of the Capital Plan. Also attached are the recommendations of the Strategic Investment Group of Capital bids recommended for inclusion in the Capital Plan.

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 scheme estimates
- Appendix 4: Major capital project updates
- Appendix 5: Details of recommendations by Strategic Investment Group
- Appendix 6: Capital Bids recommended for approval
- Appendix 7: Ruthin Area primary Provision

3. What are the Recommendations?

- 3.1 That Members note the latest position on the 2014/15 element of the Capital Plan and the update on major projects.

- 3.2 Members support the recommendation of the Strategic Investment Group as detailed in Appendix 5 and summarised in Appendix 6.

- 3.3 To approve 2015/16 Capital Plan.

- 3.4 Approve business cases and capital allocation for the Ruthin Area Primary provision:

- The replacement of the existing Rhos Street/Ysgol Penbarras provision at the Glasdir site.
- A new school building for Ysgol Carreg Emlyn.
- A new school building for the Llanfair and Pentrecelyn area school, subject to the outcome of the school organisation proposals.

4. Report details

4.1 Capital Expenditure 2014/15

The full Capital Plan was last reported to Council in September 2014. Monthly updates are presented to Cabinet. The Estimated Capital Plan is now £35.9m. The plan has been updated very slightly since being reported to Cabinet on 17th February 2015.

4.2 Major Projects

Appendix 4 provides an update on the following major projects:

- Rhyl Harbour Development
- Rhyl Going Forward
- 21st Century Schools Programme – Bodnant Community School
- 21st Century Schools Programme – Rhyl New school
- Nova Development
- West Rhyl Coastal Development – Ph 3

4.3 Corporate Plan

The Corporate Plan 2012-17 sets out the Council's ambition to deliver significant capital investment in its priorities over the next few years, and the latest figures highlights that the Council will need to invest in the region of £119.047m 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.

	Council Funding £m	External Funding £m
21st Century Schools (50:50 Split)	22.655	22.655
21 st Century Schools – Faith (85:15 Split)	3.572	20.242
Modernising Education	16.907	0
Extra Care Housing and Cefndy	7.500	14.000
Highways	6.600	4.916
Total	57.234	61.813

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.

A summary of the latest estimate of the Corporate Plan is shown in Appendix 1.

4.4 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 2014/15. In addition, a number of potential disposals are also currently in development.

	2014/15 £000
Land at rear of H M Stanley, St Asaph	322
Land, Former Abattoir site, Rhuallt	65
Boat Mover, Foryd Harbour	26
TOTAL	413

4.5 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.

4.6 Recommendations of the Strategic Investment Group (SIG)

The Strategic Investment Group has reviewed capital bids and has made recommendations for inclusion in the Capital Plan from 2015/16 onwards. These are detailed in Appendix 5 and summarised in Appendix 6.

4.7 Ruthin Primary Area Review Proposals

As part of the Council's Corporate Plan the Council has made a commitment that, in addition to funding the 21st Century Schools, we would seek to invest further resources towards implementing our area reviews, refurbishments, and other improvements to our schools. Cabinet in July 2014 provided authorisation to commence feasibility studies in respect of three projects, the completion of which will be the subject of future budget decisions.

Cabinet at its meeting on the 13th January 2015 resolved to recommend to Council the approval of the business cases and capital allocations for:-

- New primary school at the Glasdir site in Ruthin to replace the existing school buildings for Ysgol Penbarras and Rhos Street Schools.
- New school building at Clocaenog for Ysgol Carrog Emlyn to replace the existing school buildings in Clocaenog and Cyffylliog
- New school building for an area school to serve the communities of Llanfair and Pentrecelyn

A summary of the rationale for the projects is included in Appendix 7 and explains the reasons for the proposed investments. The Strategic Investment Group considered at their meeting on the 16th December 2014 the full Business Cases for the projects and recommended their approval.

To support these proposals Cabinet at its meeting gave approval to the commencement of two school organisation proposals which will be developed in parallel to these investment projects. Consultation on both of these proposals commenced at the start of February 2015.

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

Projects have been reviewed to ensure that they satisfy 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/I T/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.

All members have been informed of the bids, with hard copies of bids being located in the Members room and project bids available to view on Mod.Gov.

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 may 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 cost of the three capital projects for the Ruthin Area review is approximately £15.m. As the schemes are not part of the Band A 21st Century Schools projects, the Council will have to fund all of the capital costs associated with the proposals. Investment on this scale comes with associated financial risks and therefore robust project and financial management and monitoring is essential. The proposals should generate revenue savings which can be reinvested into the Council's investment programme to fund borrowing. The completion of the three projects also gives potential to generate capital receipts.

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.