

Report To: Council

Date of Meeting: 23 February 2016

Lead Member: Councillor Julian Thompson-Hill

Report Author: Richard Weigh, Chief Finance officer

Title: Capital Plan 2015/16 – 2018/19 and Recommendations of the Strategic Investment Group

1. What is the report about?

1.1 The report updates members on the 2015/16 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

3. What are the Recommendations?

3.1 That Members note the latest position on the 2015/16 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 the 2016/17 Capital Plan.

4. Report details

4.1 Capital Expenditure 2015/16

The full Capital Plan was last reported to Council in February 2015. Monthly updates are presented to Cabinet. The Estimated Capital Plan is now £46.9m. The plan has been updated very slightly since being reported to Cabinet on 16th February 2016.

4.2 Major Projects

Appendix 4 provides an update on the following major projects:

- Rhyl Harbour Development
- 21st Century Schools Programme – Bodnant Community School
- 21st Century Schools Programme – Rhyl New School
- 21st Century Schools Programme – Ysgol Glan Clwyd
- 21st Century Schools Programme – Ruthin Primary Schools
- Nova Development
- West Rhyl Coastal Development – Phase 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 £132.521m of capital funding.

A large proportion of this work will be in the delivery of nine projects within the proposals for 21st Century Schools.

	Council Funding £m	External Funding £m
21st Century Schools (50:50 Split)	49.576	43.029
Extra Care Housing and Cefndy	7.500	14.000
Highways	13.500	4.916
Total	70.576	61.945

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 2015/16. In addition, a number of potential disposals are also currently in development.

	2015/16 £000
Land at Westbourne Avenue, Rhyl	27
Land at Lon Parcwr, Ruthin	30
Additional retail land, Prestatyn	35
ECTARC, Llangollen	200
TOTAL	292

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 £193.3m. This is within the Operational Boundary (£245m) and Authorised Limit (£250m) and is less than the forecast Capital Financing Requirement (£244.4m). 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 2015/16 is 7.16%. 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 2016/17 onwards. These are detailed in Appendix 5 and summarised in Appendix 6.

- 4.7 The Strategic Investment Group discussed the funding requirements of the Ruthin Primary School 21st Century Schools. SIG have made a recommendation to Cabinet that £4.8m contingency is set aside to support Glasdir and Ysgol Carreg Emlyn schemes, funded from the release of revenue budgets from within the project. It can be confirmed that this sum is affordable and maintains progress on the overall 21st Century schools programme.

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/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.

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 is delivering 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 spans a 5-7 year horizon and will undoubtedly mean that as it continues, 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, it will have an impact on project delivery.

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.