Report To: Council

Date of Meeting: 3 December 2013

Lead Member: Councillor Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title: Capital Plan 2013/14 – 2017/18

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1. What is the report about?

1.1 The report updates members on the 2013/14 element of 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.

Previous capital reports have been included as a part 2 item on the agenda. However following various requests for information, the status of the report has been reviewed, including a comparison with other Local Authorities, and it has been recognised that the item should be included within Part 1 of the agenda.

3. What are the Recommendations?

3.1 That Members note the latest position on the 2013/14 element of the Capital Plan and the update on major projects.

4. Report details

4.1 Capital Expenditure 2013/14

The full Capital Plan was last reported to Council in April 2013 when the 2013/14 Budget was set. Monthly updates are presented to Cabinet. The Estimated Capital Plan is now £40.638m (£39.704m on services and a contingency of £0.934m). The Plan has been updated slightly since being reported to Cabinet in November. A summary of the total plan and how it is financed is included as Appendix 1.

The actual expenditure to date is £13.3m and it is expected that there will be major expenditure on highways and the West Rhyl Housing Improvement project during the next few months. Any slippage in the plan will be reported to Cabinet. Summary planned expenditure for each Head of Service is shown in Appendix 2. and 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
Prestatyn Library Re-location
Welsh Medium Area School – Ysgol Maes Hyfryd Site

North Denbighshire Welsh Medium Provision
Ysgol Dyffryn Ial

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 five years, and the latest figures highlights that the Council will need to invest in the region of £124.6m of capital funding.

	Council Funding £m	**External Funding** £m
21 Century Schools	36.700	36.700
Modernising Education	17.190	0
Extra Care Housing and Cefndy	8.550	14.000
Highways	6.600	4.916
Total	**69.040**	**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.

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

4.4 Capital Bids 2014/15

The provisional Welsh Government Capital Settlement for 2014/15 is £4.844m, which is £0.022 less than for 2013/14. This continues with the very poor settlements provided by the Welsh Government over the last 6 years. In light of the settlement and the decrease in other capital funding it has been decided to focus the 2014/15 funding on previously agreed block allocations. Bids are being invited from the relevant Heads of Service and the Strategic Investment Group will meet in December to review the bids. The proposals for the 2014/15 allocations will be presented to Council for approval in February 2014.

4.5 Capital Receipts

It is anticipated that the Council will receive £341k in capital receipts by March 2014.These include Fronfraith, Rhyl and other smaller receipts

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 £132.5m. This is within the Operational Boundary (£170m) and Authorised Limit (£175m) and is less than the forecast Capital Financing Requirement (£194.6m). 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 2013/14 is 6.38%. 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.

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.

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.

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.