

TRAFFORD COUNCIL

Report to: Executive and Council

Date: 17 February 2016

Report for: Decision

Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL PROGRAMME & PRUDENTIAL INDICATORS 2016/19

Summary

This report consists of two main areas for the Executive to consider:

Capital Programme – This report highlights the Council’s investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council’s own resources. The level of resources forecasted to be available for capital investment purposes during the period 2016/19 is £89.4m.

New schemes with a value of £19.7m are recommended for approval (Appendix 1). If agreed this would result in a total Capital Programme for 2016/19 of £90.7m (Appendix 2). This equates to £1.3m of over-programming which will be reviewed in future years.

Prudential Indicators – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are outlined at Appendix 3.

Recommendations

That the Executive :

- 1) approve the Capital Programme as detailed in the report.
- 2) recommends the Council to approve the Capital Programme in the sum of £90.7m for the period 2016/19.
- 3) recommends the Council to approve the Prudential Indicators as set out at Appendix 3 of this report.

Contact person for access to background papers and further information:

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Background Papers – None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial Implications	Planned capital expenditure over the next three year period will be contained within available capital resources.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2016/19.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes are being undertaken in 2016/19 on the grounds of health and safety.

INTRODUCTION

1. Annually the Council sets a three year Capital Programme and the purpose of this report is to :
 - review the decisions taken in February 2015 with regard to the 2016/17 and 2017/18 budgets in light of any new priorities and bids for capital support
 - to amend 2016/17 and 2017/18 budgets for any updated central government grant allocations
 - propose an indicative 2016/19 Capital Programme taking into account the issues reported above and
 - ensure that there are adequate levels of resources available to finance the three year Capital Programme.
 - Update the prudential indicators for 2016/19.

STRATEGIC CONTEXT

2. The Capital Strategy outlines the Council's approach to capital investment with the purpose of providing clear direction for the Council's capital investment plans.
3. The aim of the Capital Strategy is to:-
 - **Link capital investment to Council priorities** by ensuring resources are allocated to schemes using a transparent prioritisation process
 - **Achieve value for money from available capital resources by using** options appraisal techniques for all new projects and adopting the Council's Procurement Policies for managing capital projects.
 - **Ensure Council resources are used to their maximum potential** by ensuring that resources are employed to either generate additional revenue or reduce revenue liabilities.
 - **Develop an affordable Capital Programme by:-**
 - Adopting a robust budget preparation and challenge process
 - Ensuring compliance with the CIPFA Prudential Code to ensure spending plans are prudent, affordable and sustainable
 - Considering the full extent of revenue implications in the Medium Term Financial Plan
 - Optimising the level of capital receipts from asset disposals
 - Maximising the use of external support towards capital projects

- **Manage the Capital Programme effectively** with projects completed on time and within budget by:-
 - Effective budget monitoring and reporting, including milestone monitoring
 - Effective project management methods
 - Identifying and managing risks; and implementing measures to mitigate them

CURRENT CAPITAL PROGRAMME 2015-18

4. The current forecasted expenditure for 2015/16 to 2017/18 is £105.8m with estimated resources available to support this programme of £109.8m, summarised below

Table 1 : 2015-18 Capital Programme & Resourcing	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Service Area				
• Children, Families & Wellbeing	21,590	14,949	11,142	47,681
• Economic Growth, Environment & Infrastructure	20,068	24,120	9,094	53,282
• Transformation & Resources	2,915	1,900	0	4,815
Capital Programme total	44,573	40,969	20,236	105,778
Resourcing				
• Capital Grants	26,582	19,027	12,211	57,820
• External contributions	6,751	5,291	2,000	14,042
External Resources	33,333	24,318	14,211	71,862
• Capital Receipts	8,121	3,938	6,273	18,332
• Borrowing	2,093	8,855	3,550	14,498
• LSVT VAT Income	3,421	400	0	3,821
• Revenue & Reserves	992	300	0	1,292
Internal Resources	14,627	13,493	9,823	37,943
Resourcing total	47,960	37,811	24,034	109,805
(Surplus) / Deficit	(3,387)	3,158	(3,798)	(4,027)

5. As part of the budget process the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.
6. The 2015/16 programme of £44.6m includes the delivery of a number of key projects including:-
- School Places and condition works of £38.6m - £16.2m in 2015/16
 - Adult Social Care of £9.0m - £4.1m in 2015/16
 - Corporate Landlord investment of £4.5m - £2.7m in 2015/16
 - Town Centre regeneration and investment of £12.4m - £3.8m in 2015/16
 - Highways improvements of £25.5m - £8.2m in 2015/16
 - Metrolink extension contribution of £7.0m - £3.0m in 2015/16
 - Parks and Open Space improvements of £1.5m - £1.0m in 2015/16
 - ICT investment of £4.5m - £2.6m in 2015/16

Capital Investment Resources 2016/19

7. The level of resources forecasted to be available for capital investment purposes during the period 2016/19 is £89.4m comprising external resources totalling £54.2m and internal totalling £35.2m.
8. External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.
9. We have previously been notified, or have made assumptions of our external grant allocations for 2016/17 and 2017/18. Whilst announcements on some allocations are still awaited a number of assumptions have been updated from the numbers shown in Table 1. In order to set a three year programme assumptions have also been made for 2018/19 and these are listed below.

Table 2 : Grants & External Contributions	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
<i>Government Grants</i>				
• Schools Basic Need	7,889	6,573	6,000	20,462
• Schools Devolved Formula	790	390	390	1,570
• Schools Maintenance	3,304	1,929	1,900	7,133
• Disabled Facilities	950	950	950	2,850
• Highways Structural Maintenance	2,134	2,069	2,100	6,303
• Highways – TfGM	3,660	0	0	3,660
Sub-total	18,727	11,911	11,340	41,978
<i>Developer Contributions</i>				
• External Contributions	3,291			3,291
• S.106 – Metrolink extension (note)	2,000	2,000	5,000	9,000
Sub-total	5,291	2,000	5,000	12,291
Total	24,018	13,911	16,340	54,269

note : The Council's agreed contribution toward the Metrolink extension is £20m which is to be financed by S.106 contributions. To date we have received £3.5m, have the ability to drawdown £12.2m from the Barton Square development contribution and have identified £2.2m to be received by 2018/19 that has potential to be utilised toward the scheme. This leaves £2.1m still to be identified to support Trafford's contribution. At this stage it is not proposed to earmark resources currently available as the phasing of the contributions means that sufficient resources will be available to cover the contributions for the first few years and the position can be reviewed when setting the 2017/18 programme. In addition it is expected receipts from the Community Infrastructure Levy will also become available over the next few years and these can be made available to cover the shortfall.

10. In addition internal resources are estimated to amount to £35.2m for the three year period. These mainly comprise of capital receipts from the disposal of surplus assets, borrowing and the balance of LSVT VAT Income.

Table 3 : Internal Resources	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Current Resources				
Capital Receipts(*)	8,182	6,273	1,500	15,955
Prudential Borrowing	14,555	3,950		18,505
Revenue & Reserves	700	0		700
Total current resources	23,437	10,223	1,500	35,160

(*) Includes surplus from 2015/16 of £4,244k (allowing for the uncommitted 2015/16 budgets of £857k - see table 5). The above figures for 2016/17 and 2017/18 take account of latest updates of the land sale programme and are net of the sum required to repay the principal repayment element of the Sale PFI costs. The Old Trafford Masterplan has identified sites which can be released for sale. Receipts of £1.0m are expected to be realised in 2017/18.

11. At this stage no estimate has been made on levels of capital receipts from the sale of surplus property beyond 2017/18 and the first call of any new capital receipts from the land sales programme in 2018/19 will be in respect of the commitment on the PFI scheme. The capital receipt figures for 2018/19 relate to:
- The Local Authority Mortgage Scheme (LAMS) was first included in the Capital Programme in 2012/13 and we are due to receive repayments of our advances. Repayment of our 1st tranche of investment is due to be received in 2017/18 £1.5m and 2018/19 £0.5m. The current programme assumes a £1.5m LAMS repayment, therefore £0.5m is available to support new investment.
 - Altair Premium of £2m is expected by 2018/19 over a maximum of four instalments linked to the phases of the development; this represents an increase of £1m over current assumptions detailed in Table 1. There is potential for part of this to be received after 2018/19.
12. Borrowing of £12.4m is included in the current capital programme to support major investment in LED street lighting and the continued redevelopment of Lancashire CCC. It is expected that savings achieved in energy and running costs and returns from LCCC will be sufficient to repay the borrowing costs and provide for additional savings to the revenue budget.
13. Included in the Prudential Indicators is a further amount of £6.1m in respect of the future relocation of the Council's depot facilities. A further report will be presented to the Executive over the next few months detailing all the options considered and the specific financial implications, but at this stage it is assumed any costs associated with new prudential borrowing will be neutral on the revenue budget.
14. The level of estimated discretionary resources available to the programme is £5.5m as summarised below :

Table 4 : Discretionary Resource Available	£'000
Current position:	
Current Surplus (per Q3 monitor report – See Table 1)	4,027
Additional receipts assumptions :	
Additional LAMS Repayment (see para.11)	500
Altair Development premium (see para.11)	1,000
Total Discretionary Resources available for investment	5,527

Capital Investment Bids Received

15. The value of bids received for 2016/19 total £23.1m and is significantly higher than the level of resources available. The majority of the bids relate to required maintenance of the Council's assets (property and highways). The value of bids is clearly unaffordable within the available resource envelope and therefore an assessment of the bids is required to identify key priority works.
16. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment.
17. The current capital strategy details how capital projects are prioritised and affords priority to the following factors:-
 - Schemes of a mandatory / contractual nature
 - Invest to save schemes
 - Schemes that protect the asset base
 - Schemes that meet Council priorities
 - Schemes that meet Other priorities
 - Schemes funded by prudential borrowing.
18. The capital strategy will be reviewed but a key priority for future programmes will be to support investment which has the impact of improving the taxbase, whether that be housing or commercial, for example the continuation of programmes of town centre investment.
19. In the recent Comprehensive Spending Review announcement, local authorities will be able to use capital receipts to pay for transformational reform programmes. The current assumption is that the Council's transformation programme will continue to be financed from a combination of savings and earmarked revenue reserve. This will be kept under review. If capital receipts were to be used then this would reduce the size of the capital investment programme.
20. Similarly, capital receipts can be used to finance the cost of redundancy payments. The Council has an earmarked reserve for such payments (£3.1m) but when this is fully utilised an alternative source of funding will be required.
21. Given the value of bids it is appropriate to consider them against schemes in the current programme that are as yet uncommitted. The table below details these and the budgets totalling £6.6m which could be redirected in support of new priorities in light of the bids coming forward.

Table 5 : Uncommitted schemes in the current programme				
	2015/16	2016/17	2017/18	Total
	£'000	£000	£000	£000
Disabled Facility Grants		1,000	1,000	2,000
Asbestos Management	50	50	50	150
Legionella Control Remedial Works	59	50	50	159
Energy Efficiency & Sustainability Works	100	50	25	175
DDA Compliance Works		100	100	200
Mechanical & Electrical Works	65	200	200	465
Public Building Repair Works		300	300	600
Community Asset Transfer	483	500		983
Allotments - Welfare & Security Works		50		50
Countryside Infrastructure		75		75
Parks Infrastructure		225	200	425
Assistance to Owner Occupiers		100	50	150
Housing Standards / Empty Property Initiatives	100	100		200
Integrated Transport Schemes		500	500	1,000
TOTAL	857	3,300	2,475	6,632

22. Taking into account the level of available internal resources (see table 4) and those budgets as yet uncommitted there is a total of £12.2m to support investment in 2016/19.

23. The total value of new bids received is £23.1m which, if all were added to the Capital Programme, would move the current surplus position to a deficit of £10.9m. This is too large an amount to over-programme given the dwindling level of discretionary resources available.

24. Appendix 1 provides a proposed list of schemes with an estimated cost of £19.7m to be financed from discretionary resources, of which £13.5m are to be funded from capital receipts. The inclusion of these schemes would result in an over-programming position of £1.3m.

2016/19 INDICATIVE PROGRAMME

25. The value of the indicative three year Capital Programme is £90.7m and a summary shown in the table below. At this stage the figures for 2016/17 are known in detail, whereas the external resource position for 2017/18 and 2018/19 is less certain, which means that the programme we are aware of for those two years is at a lower level than in 2016/17, but may increase as additional resources are confirmed.

Table 6: Capital Programme 2016/19 - Analysis by Priority	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget Total
	£000	£000	£000	£000
Protecting the Asset Base	9,303	4,239	4,050	17,592
Supporting Service Provision	13,164	8,892	8,290	30,346
Supporting the Local Economy	6,535	4,000	1,950	12,485
Investing in New Technology	2,425	0	0	2,425
Investing in Major Infrastructure	18,632	4,200	5,000	27,832
Total Investment	50,059	21,331	19,290	90,680

26. Performance on delivering the investment proposals has been an issue over recent years, with only 65% of the budget utilised in 2014/15 and an expected outturn of 84% of the budget in 2015/16. In order to address this procedures are being implemented to ensure that a full detailed programme of works is provided prior to any new budgets being included in the Capital Programme.

27. In light of this the opportunity has been taken to review the phasing of the proposals and other budgets already included to better reflect the expected delivery of the investment, taking into consideration any funding constraints on external grants. For new internally funded schemes approx. 25% of the budget has been re-phased from 2016/17 and known re-profiling has also been incorporated (e.g. LED Replacement Programme £2.5m).

28. The overall 2016-19 budget remains the same, with the exercise allowing for re-profiling of £6.4m from 2016/17 to 2017/18 and 2018/19. If however there is the potential for any of this to be undertaken in 2016/17 it can be accommodated in the projected resourcing envelope.

29. The result of this re-profiling is shown in an amended summary table below with scheme detail provided in Appendix 2.

Table 7 : Capital Programme 2016/19 - Analysis by Priority	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget Total
	£000	£000	£000	£000
Protecting the Asset Base	7,263	5,654	4,675	17,592
Supporting Service Provision	12,798	9,158	8,390	30,346
Supporting the Local Economy	5,585	4,850	2,050	12,485
Investing in New Technology	2,015	410	0	2,425
Investing in Major Infrastructure	16,042	6,790	5,000	27,832
Total Investment	43,703	26,862	20,115	90,680

Protecting the Asset Base – This includes investment in public buildings and infrastructure which is crucial in ensuring much needed facilities, used by the public, are kept open as lack of investment will lead to health and safety issues and potential closures.

Supporting Service Provision – This predominantly relates to the continuation of investment in school buildings including a programme that will create 1,750 additional school places across the Borough to address the shortage of primary school places as well as addressing priority condition needs.

Supporting the Local Economy – Includes major investment in the Borough's town centres

Investing in New Technology – This investment will support the completion of a number of corporate improvements. Also investment in Telecare products which monitor people at risk in their own homes, improving their safety and helping them to stay independent and healthy for longer.

Investing in Major Infrastructure – This investment includes improvements to 65km of carriageway, 66km of footways, 750 new street lighting columns and replacement of all luminaires, major bridge refurbishments and junction improvements.

PRUDENTIAL INDICATORS

30. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council's treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (These are included in the Treasury Management Strategy Report). The Director of Finance will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
31. All the indicators take account of the proposals in this report and a list of Prudential Indicators is included at Appendix 3.

RECOMMENDATIONS

32. That the Executive:-

- approve the Capital Programme as detailed in the report.
- recommend the Council approve the Capital Programme in the sum of £90.7m for the period 2016/19.
- recommend the Council approve the Prudential Indicators.

Other Options

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. Based on the level of receipts available this could save approximately £0.2m in 2017/18 rising to £0.3m by 2019/20. However, the proposed application of the capital receipts are to schemes with mandatory requirements or schemes to protect the long-term viability of the Council's assets; enabling efficient and effective service delivery and avoiding potential increases in maintenance costs in future years, the benefits of which are greater than just using the receipts to repay debt.

Consultation

Consultation has taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2016/19.

Reasons for the Recommendation

The Authority is regularly assessed on the performance of its Capital Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

Finance Officer Clearance (type in initials)GB.....

Legal Officer Clearance (type in initials)HK.....

Director of Finance

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

Appendix 1

2016/19 CAPITAL PROGRAMME : NEW START PROPOSALS	Service Area	2016/17	2017/18	2018/19	Total
		£'000	£'000	£'000	£'000
Schemes of a Mandatory / Contractual Nature					
Disabled Facilities Grants	CFW	650	650	650	1,950
Disabled Access Works (DDA)	EGEI	200	200	200	600
Timperley Sports Club – Artificial Pitch Replacement	T&R			350	350
Sub-total		850	850	1,200	2,900
Invest to save schemes					
Adult Social Care - Assistive Technology	CFW	300			300
Corporate Landlord – Asset Management System	EGEI	250			250
Sub-total		550			550
Schemes that protect the asset base					
Mechanical & Electrical Works	EGEI	100	100	100	300
Public Building Repairs	EGEI	800	750	750	2,300
Leisure Assets – Property repairs	EGEI	502			502
Altrincham Leisure Centre - Roof	EGEI	102			102
Stretford Leisure Centre - Roof	EGEI	100			100
Highway Structural Maintenance Works	EGEI	1,700	400	400	2,500
Street Lighting Column Replacement	EGEI		650		650
Car park Improvements	EGEI	115			115
Parking – Electronic Permit Signs	EGEI	30			30
Allotments - Welfare & Security Works	EGEI	50			50
Countryside Infrastructure	EGEI	75			75
Parks Infrastructure	EGEI	225	200		425
Park Gates - Replacements	EGEI	35	20		55
Play Area Refurbishments	EGEI	250			250
Waterside Arts Centre – Lighting Upgrade	T&R	95			95
ICT – Wifi controller upgrade	T&R	45			45
Sub-total		4,224	2,120	1,250	7,594
Council Priorities					
CCTV – Upgrade to equipment and connectivity	T&R	320			320
Trafford & GMP – HR Shared Service	T&R	485			485
Libraries – RFID Self-serve Kiosks	T&R	180			180
Sub-total		985			985

2016/19 CAPITAL PROGRAMME : NEW START PROPOSALS	Service Area	2016/17	2017/18	2018/19	Total
		£'000	£'000	£'000	£'000
Other Priorities					
Integrated Transport Plan Works	EGEI	500	500	500	1,500
Sub-total		500	500	500	1,500
Prudential Borrowing					
Dunham Cemetery Bungalow - Development	EGEI	35			35
Relocation of depot facilities	EGEI	5,700	400		6,100
Sub-total		5,735	400		6,135
TOTAL PROPOSALS		12,844	3,870	2,950	19,664

2016/2019 INDICATIVE CAPITAL PROGRAMME			
	2016/17	2017/18	2018/19
DESCRIPTION	£000	£000	£000
Children's			
Basic Need : School Places & Condition Issues	8,139	6,573	6,000
Devolved Formula Capital	590	490	490
Capital Maintenance Grant	3,294	1,929	1,900
UIFSM – Flixton Infant School	10		
Sub-total	12,033	8,992	8,390
Adults			
Assistive Technology – Care Support	300		
Disabled Facility Grants	1,800	1,700	1,700
Sub-total	2,100	1,700	1,700
Economic Growth, Environment & Infrastructure			
Mechanical & Electrical Works	75	100	125
DDA Compliance	150	225	225
Public Building Repairs	600	750	950
Leisure Services Assets – Improvement Programme	527	127	50
Corporate Landlord – Asset Management System	185	65	
Relocation of Depot Facilities	5,700	400	
Lancashire CCC – New hotel development	1,600	2,400	
Altrincham – Library / Community Facility	1,000	700	
Altrincham Town Centre – Public Realm	1,150		
Stretford Town Centre – Public Realm	1,000	750	
Integrated Transport Schemes	392	558	550
Congestion Performance Works	77		
Altrincham Interchange	850		
A56/Davyhulme Rd East, Stretford – Junction Improvements	50		
Public Transport - S106s Projects	190	100	
Trans Pennine Trail – Urmston to Ashton-on-Mersey	97		
Altrincham Town Centre – Cycle Link	400		
Cycle City Ambition Grant	1,413		
Trafford Park Metrolink - S106 Contribution	2,000	2,000	5,000
Highways Structural Maintenance	3,234	2,869	2,700
Street Lighting – LED Programme & Column Replacement	4,765	4,290	

	2016/17	2017/18	2018/19
DESCRIPTION	£000	£000	£000
Parks Infrastructure	225	125	75
Countryside Infrastructure	75		
Allotments - Welfare & Security Works	50		
Parks Gates – Replacements	35	20	
Play Areas Refurbishments	175	75	
Housing Standards / Empty Property Initiatives	100	46	
Car Park Improvements	115		
Parking – Electronic Permit Signs	30		
Sub-total	27,095	15,600	9,675
Transformation & Resources			
Timperley Sports Club – Artificial Pitch			350
Waterside Arts Centre – Building Improvements	70	25	
CCTV – Upgrade to system & connectivity	240	80	
Libraries – RFID self-serve kiosks	135	45	
Trafford & GMP- HR Shared Service Centre	365	120	
CRM Upgrade & Project Team	1,000		
Electronic Data Records Management System (EDRMS)	400	200	
Web / Customer Strategy	200	100	
WiFi controller upgrade	45		
Insurance – Claims Management System	20		
Sub-total	2,475	570	350
TOTAL	43,703	26,862	20,115

Prudential Indicators – Estimates 2016/19

Capital Prudential Indicators	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Expenditure	44.6	43.7	26.9	20.1
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2015/16 and the following three years.				
Capital Financing Requirement as at 31 March	135.4	144.0	146.3	141.0
Capital Financing Requirement (CFR) - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).				
Financing Cost to Net Revenue Stream	6.1%	6.2%	7.0%	7.0%
Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. The increase at 2017/18 is due to a reduction in the net revenue stream as a result of a reduction in settlement funding.				
Incremental Impact on Band D Council Tax (£)	0.00	0.00	0.00	0.00
Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support.				

All the prudential indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.