

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>17 OCTOBER 2016</b>
<b>SUBJECT:</b>	<b>CAPITAL STRATEGY 2017/18</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES – HEAD OF FUNCTION (RESOURCES)</b>
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<b>LOCAL MEMBERS:</b>	n/a

### A - Recommendation/s and reason/s

In order for the Council to determine which projects are included in the 2017/18 capital programme, guidance is sought from the Executive as to the level of funding that will be made available, bearing in mind the impact of the capital programme on the capital financing budget element of the Council's Revenue budget.

The Executive is requested to consider the points raised in the report, following which Officers can begin the work of preparing the 2017/18 capital programme.

### B - What other options did you consider and why did you reject them and/or opt for this option?

N/A

### C - Why is this decision for the Executive?

Responsibility for determining the Council's budget strategy is delegated to the Executive.

### CH - Is this decision consistent with policy approved by the full Council?

Yes

### D - Is this decision within the budget approved by the Council?

N/A

### DD - Who did you consult?

### What did they say?

	Who did you consult?	What did they say?
1	<b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory)	Report has been considered and accepted by the SLT at its meeting on 19 September 2016.
2	<b>Finance / Section 151</b> (mandatory)	N/a – this is the Section 151 Officer's report
3	<b>Legal / Monitoring Officer</b> (mandatory)	TBC
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	

<b>E - Risks and any mitigation (if relevant)</b>		
1	<b>Economic</b>	
2	<b>Anti-poverty</b>	
3	<b>Crime and Disorder</b>	
4	<b>Environmental</b>	
5	<b>Equalities</b>	
6	<b>Outcome Agreements</b>	
7	<b>Other</b>	
<b>F - Appendices:</b>		
Appendix 1 – Capital Strategy 2017/18		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		

### 1. INTRODUCTION

- 1.1. Part 1, Section 3 of the Local Government Finance Act 2003 requires that the Authority shall determine and keep under review how much it can afford to borrow. The Act is supported by the Prudential Framework for local authority capital investment and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code).
- 1.2. The Code does not set out a maximum level of borrowing for an authority, but instead lays down principles for setting a level of affordable borrowing and how those levels must be monitored. The monitoring information (prudential indicators) are set out in the annual Treasury Management Strategy, mid-year review and end of year review which are reported to the Audit Committee, the Executive and the Full Council each year.
- 1.3. The following report identifies the potential future capital expenditure, assesses the impact on the capital financing element of the revenue account and determines the funding available to finance new capital schemes in 2017/18.

### 2. BACKGROUND INFORMATION

- 2.1. Capital expenditure is expenditure to acquire or create new assets or to maintain existing assets where the life of the asset is greater than one financial year. The assets can be tangible (buildings, vehicles, infrastructure) or intangible (software licences).
- 2.2. The capital programme is funded from the following sources:-
  - **General Capital Grant** – This is a sum of money which is provided by the Welsh Government as part of the annual settlement. The Council is free to use the capital grant on any capital project it wishes.
  - **Supported Borrowing** – The Council will borrow from the Public Works Loans Board (PWLB) to fund the expenditure. The revenue costs arising from the borrowing (Interest Costs and Minimum Revenue Provision) are funded by the Welsh Government through the annual revenue settlement, hence the term “Supported Borrowing”.
  - **Unsupported Borrowing** – Again, the Council borrows the funding from the PWLB but is required to finance the revenue costs from its own resources. Projects funded by means of unsupported borrowing tend to be projects which deliver revenue savings and it is these savings that are used to meet the additional revenue costs arising from the borrowing.
  - **Specific Capital Grants** – The Council will be awarded capital grants which partly or fully fund the cost of a project. Capital grants usually come with restrictions surrounding the expenditure which can be funded and by when the expenditure must be incurred.
  - **Revenue Contribution** – Services can make a contribution from their revenue budgets to fund projects. These contributions tend to be as a match funding to a project which is mainly funded from a specific capital grant.
  - **Capital Receipts** – The funds generated from the sale of assets can be used to contribute to the funding of the capital programme. These are usually generated from the sale of surplus assets (normally land or buildings).
  - **Reserves** – Funding held in reserve, e.g. unapplied capital receipts, can be used to support the capital programme.
- 2.3. The capital programme for 2016/17 was approved by the Full Council at its meeting on 10 March 2016 and is summarised in Table 1 below. A more detailed programme is attached as Appendix 2.

<b>Table 1 2016/17 Capital Programme</b>	
<b>Service</b>	<b>2016/17 Annual Budget £'000</b>
Housing General Fund	2,000
Housing Revenue Account	14,169
Lifelong Learning	12,776
Economic Regeneration	5,696
Highways	10,973
Waste Management	628
Property	1,128
Transformation	1,653
Planning	975
Adult Services	914
<b>TOTAL EXPENDITURE</b>	<b>50,912</b>
<b>Funded By:</b>	
General Capital Grant	1,336
Specific Capital Grants	23,275
Capital Receipts	6,575
Supported Borrowing	2,189
Unsupported Borrowing	6,030
Revenue Contributions	10,667
Reserves	500
Insurance	340
<b>TOTAL FUNDING</b>	<b>50,912</b>

- 2.4. Although the Housing Revenue Account operates separately from the Council Fund, the Council operate a one pool approach in respect of borrowing, i.e. we do not borrow separately for Council Fund and HRA expenditure, all borrowing is combined into one pool and the costs apportioned to the two funds based on the level of expenditure funded from borrowing for the two funds.
- 2.5. As part of the planning process future commitments for the following two years are also identified, although there is no guarantee that the funding will actually be released for the specific project. The potential commitments for 2017/18, along with the potential source of funding, is shown in Table 2 below:-

**Table 2  
Potential Capital Commitments 2017/18**

Scheme	2017/18 Funding £	Funded by				
		Grant	Unsupported Borrowing	Supported Borrowing	Revenue Contribution	General Capital Grant and Capital Receipts
Ysgol Cybi	149	50	75	25	0	0
Ysgol y Llannau	131	44	65	22	0	0
Seiriol Extra Care	1,000	0	0	0	0	1,000
New Highway - Wylfa	4,918	4,918	0	0	0	0
Ysgol Parc y Bont	874	293	437	144	0	0
CCIS Implementation	75	0	0	75	0	0
Bro Rhosyr / Aberffraw 21 <sup>st</sup> Century School	3,696	1,238	1,848	610	0	0
Gypsy and Traveller Site	1,500	1,500	0	0	0	0
Llangefni Link Road	1,450	1,450	0	0	0	0
Holyhead Strategic Infrastructure	1,957	1,935	0	0	0	23
Llangefni Strategic Infrastructure	1,157	1,135	0	0	0	23
Website Content Management	25	0	0	0	0	25
Software Licences	72	0	0	0	0	72
Servers & Disks	100	0	0	0	0	100
HRA Planned Maintenance	5,492	2,650	0	0	2,842	0
HRA New Housing	2,184	0	0	0	2,184	0
<b>TOTAL</b>	<b>24,780</b>	<b>15,213</b>	<b>2,425</b>	<b>876</b>	<b>5,026</b>	<b>1,243</b>

### 3. LIMITATIONS ON NEW FUNDING

3.1. As explained in paragraph 2.2, the capital programme is funded from various sources which impact on the Council's financial position in different ways.

- Funding that is received in the form of grants (general or specific) does not have any impact on the long term financial position of the Council as any grant received is used to fund the capital expenditure. There may be timing differences which can lead to grants being unapplied and carried from one year to the next via the Council's balance sheet.

- Capital Receipts result in surplus assets being converted into cash which, in turn, results in the creation of a new asset. Again, this type of funding has little long term impact on the Council's financial position but there will come a point where all surplus assets have been disposed of and the level of funding available through capital receipts will fall.
  - Use of the Housing Revenue Account uses the surplus on the HRA account (excess of rental income over expenditure) to fund capital expenditure. This is reflected in the HRA business plan and does not impact on the Council Fund.
  - The use of revenue funding will reduce the value of funds held in reserves or the sum transferred to the general Council balances at the year end, i.e. it converts surplus cash into a new asset.
  - Both supported and unsupported borrowing impacts on the Council's Capital Financing Requirement (CFR) which, in turn, has implications on the Revenue budget in the form of increased Minimum Revenue Provision (MRP) and annual interest payments.
- 3.2.** The CFR measures the Council's underlying requirement to borrow to fund capital expenditure, i.e. the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The level of gross external borrowing should not, except in the short term, exceed the capital financing requirement. The CFR is used to calculate the level of MRP charged to the Council's Revenue Account.
- 3.3.** The MRP is a minimal amount that must be charged to the revenue account in order to provide for the repayment of loans. The MRP charge does not result in loans actually being repaid at the same time or at the same rate as the MRP. Borrowing is repaid in accordance with the terms of the loan agreement and can be funded from new borrowing or by using surplus cash within the Authority.
- 3.4.** The MRP charged to the Council Fund is calculated at 4% of the opening balance of the CFR for all projects apart from those projects funded through unsupported borrowing, where the MRP is based on the useful life of the asset.
- 3.5.** In addition to the MRP, borrowing, whether supported or unsupported, will result in an interest charge which is charged to the Council's revenue account. As borrowing increases, the interest charge must also be funded and this interest charge, along with the MRP, is a restriction on the amount of borrowing which can be undertaken.
- 3.6.** Within each settlement, the Welsh Government sets out the capital settlement for all local authorities and this, in turn, is shared out between the 22 local authorities, identifying how much will be funded in the form of the General Capital Grant and how much supported borrowing the Welsh Government will fund as supported borrowing, i.e. the revenue settlement includes a sum which will cover the MRP relating to the supported borrowing plus the interest costs.
- 3.7.** For 2015/16 and 2016/17, the settlement in respect of capital was as shown in Table 3 below:-

<b>Table 3 Capital Settlement 2015/16 and 2016/17</b>			
	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>% Change</b>
All Wales General Capital Funding	142,837	142,837	0%
<b>Settlement Figures for Anglesey</b>			
General Capital Grant (1)	1,332	1,335	+ 0.2%
Supported Borrowing (2)	2,189	2,195	+0.2%
<b>General Capital Funding (1) + (2)</b>	<b>3,521</b>	<b>3,530</b>	<b>+0.2%</b>
<b>Revenue Settlement (Capital Element)</b>			
Debt Repayment (3)	3,054	3,019	-1.1%
Interest Payments (4)	4,484	4,615	+2.9%
<b>Total Capital Financing (3) + (4)</b>	<b>7,538</b>	<b>7,634</b>	<b>+1.3%</b>

3.8. The capital financing budget for 2016/17 is £8.45m, £0.82m higher than the funding allowed for in the settlement and this reflects the additional MRP and interest costs of the unsupported borrowing that has taken place over a number of years.

3.9. Therefore, it can be seen that there is scope to fund new projects in 2017/18 through the funding that is received as part of the Welsh Government's financial settlement. Unsupported borrowing is possible but, unless the projects generate revenue savings, then the additional MRP charge and interest costs will increase the revenue budget which must be funded by increased Council Tax or by making revenue savings elsewhere.

#### 4. 21<sup>st</sup> CENTURY SCHOOLS

4.1. Members are aware that the Council has commenced an ambitious programme to modernise schools through the 21<sup>st</sup> Century schools programme. The programme, if it achieves all its planned objectives, will take over 10 years to complete at a total capital cost of around £120m. Work has already commenced on the programme with two new schools being built (Ysgol Cybi and Ysgol Y Llannau).

4.2. The 21<sup>st</sup> Century Schools programme is funded by 50% additional funding from the Welsh Government and 50% via unsupported borrowing. The Welsh Government funding is partly grant funding (67%) and partly supported borrowing (33%).

4.3. Please note that the figures included in Tables 4 to 6 below are based on initial work undertaken by Capita Asset Services and may be subject to change but they give a clear indication of the impact of the programme on the Council's revenue budget and borrowing.

4.4. The funding for the programme is summarised in Table 4 below:-

<b>Table 4</b>						
<b>21<sup>st</sup> Century Schools Programme Funding</b>						
<b>Project</b>	<b>Band</b>	<b>Region</b>	<b>21<sup>st</sup> Century Schools Funding</b>			
			<b>Unsupported Borrowing £'m</b>	<b>Supported Borrowing £'m</b>	<b>WG Grant £'m</b>	<b>Total £'m</b>
A1	A	Cybi	5.176	1.708	3.468	10.352
A2	A	Rhyd y Llan	2.795	0.923	1.873	5.591
A3	A	Bro Aberffraw	0.379	0.129	0.262	0.770
A4	A	Bro Aberffraw	2.742	0.926	1.881	5.549
C1	A	Graig	0.483	0.159	0.324	0.966
C2	A	Corn Hir	3.752	1.238	2.514	7.504
C6	A	Esceifiog	1.000	0.330	0.670	2.000
C3	A	Henblas	0.500	0.165	0.335	1.000
<b>Total Band A</b>			<b>16.827</b>	<b>5.578</b>	<b>11.327</b>	<b>33.732</b>
A5	B	Seiriol	2.771	0.914	1.857	5.542
B1	B	Amlwch	10.625	3.506	7.119	21.250
B3	B	Llanerchymedd	3.000	0.990	2.010	6.000
D1	B	Uwchradd Caergybi	7.250	2.393	4.858	14.501
D2	B	Ysgol Gyfun Llangefni	9.750	3.218	6.533	19.501
D5	B	Moelfre	3.000	0.990	2.010	6.000
<b>Total Band B</b>			<b>36.396</b>	<b>12.011</b>	<b>24.387</b>	<b>72.794</b>
C4	C	Uwchradd Bodedern	8.980	2.963	6.017	17.960
C5	C	David Hughes	11.835	3.906	7.929	23.670
B2	C	Bryngwran	4.125	1.361	2.764	8.250
B4	C	Cemaes	1.800	0.594	1.206	3.600
<b>Total Band C</b>			<b>26.740</b>	<b>8.824</b>	<b>17.916</b>	<b>53.480</b>
Add	D	Kingsland	3.750	1.238	2.513	7.501
D3	D	Fali	4.125	1.361	2.764	8.250
D4	D	Llanfawr	2.450	0.809	1.642	4.901
<b>Total Band D</b>			<b>10.325</b>	<b>3.408</b>	<b>6.919</b>	<b>20.652</b>
<b>TOTAL PROGRAMME</b>			<b>90.288</b>	<b>29.821</b>	<b>60.549</b>	<b>180.65</b>

4.5. Given the level of borrowing required, it is unlikely that the Council's own cash reserves (internal borrowing) could be used to any great extent. It is, therefore, assumed that all of the unsupported and supported borrowing would be undertaken through new PWLB loans over a length of time which matches the expected life of the asset (50 years).

4.5 As explained in paragraph 3.1, additional supported or unsupported borrowing will increase the Council's CFR which, in turn, will increase the annual MRP charge to the revenue account and will result in additional annual interest payments.



4.6 The impact on the CFR and the potential loan repayment dates are shown in Table 5 below:-

<b>Table 5</b> <b>Estimated CFR and Repayment Dates as a Result of 21<sup>st</sup> Century Schools Programme</b>					
	<b>Supported Borrowing £'m</b>	<b>Unsupported Borrowing £'m</b>	<b>Current CFR £'m</b>		<b>Loan Repayment Date</b>
Current Position as at 31 March 2016	75.755	34.989	127.657		2059/60
<b>Programme</b>	<b>Supported Borrowing £'m</b>	<b>Unsupported Borrowing £'m</b>	<b>Peak CFR £'m</b>	<b>Peak CFR Year</b>	<b>Loan Repayment Date</b>
Band A Only	5.578	16.827	115.599	2018/19	2069/70
Band A & B	17.589	53.223	147.791	2022/23	2073/74
Band A, B & C	26.413	79.963	166.349	2024/25	2077/78
Bands A - D	29.821	90.288	169.402	2027/28	2078/79

4.7 The supported borrowing will be financed by increases in the capital financing element of the annual revenue settlement, however, it is for the Council to determine how it funds the unsupported borrowing. As the CFR increases, the level of MRP charged to the revenue account will continue to increase and interest payment must also be funded. Table 6 below shows the impact that the 21<sup>st</sup> Century schools programme would have on the revenue budget. This assumes that all expenditure is funded through borrowing and a long term interest rate of 2.5%.

<b>Table 6</b> <b>Impact on Revenue Costs of 21<sup>st</sup> Century Schools Programme</b>				
	<b>MRP £'m</b>	<b>Borrowing Costs £'m</b>	<b>Total Revenue Costs £'m</b>	
2016/17 Budget (Council Fund only)	3.843	4.609	8.451	
<b>Programme</b>	<b>Max Additional MRP £'m</b>	<b>Peak MRP Year</b>	<b>Max Additional Borrowing Costs £'m</b>	<b>Peak Borrowing Costs Year</b>
Band A Only	0.544	2020/21	0.538	2018/19
Band A & B	1.688	2023/24	1.646	2022/23
Band A, B & C	2.456	2027/28	2.342	2025/26
Bands A - D	2.758	2028/29	2.599	2027/28

- 4.8** The additional revenue costs in undertaking all the bands would equate to £5.3m at its maximum level, which is an additional 63% on the current level. Clearly, this level of additional funding is not affordable by the Council unless there is contribution / full funding from the Delegated Schools Budget. The current delegated schools budget is £38m, therefore, if the additional capital financing costs were funded from the delegated schools budget, then this would equate to a reduction of 14% from its current level. This would be in addition to any savings required to balance the Council's revenue budget.
- 4.9** It is not a decision that should be taken now as to which projects are undertaken and which are not, that decision would be taken following a detailed financial analysis and business case, but it is important to now establish the principle as to how the additional unsupported borrowing costs (MRP & Interest) are funded, i.e. to what level is it expected that the schools delegated budget will be reduced to meet the additional unsupported borrowing costs.
- 4.10** Given the scale of the 21<sup>st</sup> Century Schools programme, it is also important to establish the principle that the programme needs to stand alone and should not be undertaken to the detriment of other projects which are funded from the normal sources of capital funding (general capital grant, supported borrowing, specific grants, capital receipts – non schools).

## **5 ESTIMATING THE FUNDING AVAILABLE FOR 2017/18**

- 5.1** As one of the main priorities for the Council is to reduce revenue expenditure in order to deliver a balanced budget whilst minimising the reduction in service budgets, it is reasonable for the Council to minimise the increase required to the capital financing budget. It will be necessary to provide additional capital funding but this should be maintained at a level that is funded through the settlement (general capital grant and supported borrowing), so that the increase in the capital financing costs is funded through capital receipts and any specific grants that are available.
- 5.2** Unsupported borrowing (outside the 21<sup>st</sup> Century schools programme) should only be considered where the relevant service budget can be reduced by a sum greater than the MRP and interest costs.
- 5.3** At this stage, the level of supported borrowing and general capital grant is unknown but, if it remains at the 2016/17 level, this would provide £1.3m as a general capital grant and £2.2m as supported borrowing.
- 5.4** As part of the 2016/17 approved capital programme, £0.96m was allowed for on 4 schemes where the scheme will not go ahead or the project is likely to underspend. As the revenue cost of these schemes has been included in the 2016/17 capital financing budget, the funding could continue without increasing the revenue budget. The schemes are as follows:-

<b>Table 7</b>	
<b>2016/17 Schemes where Initial Funding is no Longer Required</b>	
<b>Scheme</b>	<b>Funding Available £'000</b>
Holyhead Fishdock	96
Llanbedrgoch Cemetery	68
Smarter Working	400
<b>TOTAL UNUSED FUNDING</b>	<b>564</b>

- 5.5** In addition to this funding, there would be resources available to fund HRA projects through the Major Repair Allowance (£2.66m) and through any funding made available from the HRA's own reserves.
- 5.6** Specific grants which have been approved, likely to be approved or that result from successful bids, will also be available to fund capital schemes. In some cases, it may be necessary for the Council to contribute a sum of its own capital funding as match funding to enable the grant funding to be drawn down. The grants which have been currently identified as sources of funding for 2017/18 include:-
- Llangefni Link Road – To enable the scheme to be completed;
  - Safer Route in the Community – 100% grant funding;
  - Road Safety – 100% grant funding;
  - Beaumaris Flood Alleviation – Around 90% funding;
  - VVP 2 – Still in discussion with Welsh Government;
  - Holyhead and Llangefni Infrastructure – Awaiting confirmation if successful or not.
- 5.7** The level of capital receipts is dependent on which assets become available to sell. The receipts from the sale of some assets are linked to projects which have already commenced, e.g. sales of former school sites are linked to the 21<sup>st</sup> Century Schools programme, the sale of former office sites is linked to the Smarter Working project. As a result, not all capital receipts received in 2017/18 can be allocated to fund new capital projects.
- 5.8** As stated previously, any unsupported borrowing must generate additional income / revenue expenditure savings to fund the additional capital financing costs (MRP and interest charges) which will be charged to the revenue account. Any proposed schemes funded by unsupported borrowing will be assessed on a scheme by scheme basis.
- 5.9** In summary, the funding for new capital projects in 2017/18 should be limited to the level of general capital grant (estimate £1.3m), supported borrowing (estimate £2.2m), unused funding from previous years (£0.96m) and any unallocated capital receipts generated in the year. This would give a total budget available in the region of £4.5m (final figure is dependent on the Welsh Government settlement).

## **6 POTENTIAL COMMITMENTS FOR 2017/18**

- 6.1** Previous capital programmes have identified potential commitments but have not given any guarantees on funding and, as such, it could be argued that there are no commitments at this stage. If 21<sup>st</sup> Century School projects, HRA schemes and grant funded schemes are excluded, then this may be the case but expenditure should be committed on an annual basis to maintain and upgrade essential assets. The main areas which should receive funding on an annual basis are:-
- Laptop and PC replacement – estimated £100k required to enable devices to be replaced over a four year period;
  - Disks, Servers and Network - £150k was identified in the 2016/17 capital programme as the ongoing funding required;
  - Software Licensing - £72k was identified in the 2016/17 capital programme as the ongoing funding required;
  - Vehicle replacement – a sum of £150k was allocated in the 2016/17 capital programme;
  - Capitalised repairs to Council buildings and schools – the 2016/17 capital programme identified that £1.8m per annum was required over 4 years to address deficiencies in all the school buildings. A further £200k per annum was identified to undertake essential repairs to non-school buildings;

- Disabled Facilities Grant – this is a mandatory grant which must be offered. In 2016/17 £816k was allocated to meet the cost of applications received.
- 6.2** As part of the bidding process for the Invest to Save projects, a number of bids were received for minor capital works which would reduce revenue costs, e.g. energy saving projects. Some of the projects had been considered previously as part of the 2016/17 bidding process but had not scored highly enough as they did not contribute to the Council's corporate objectives. It is, however, felt that these bids do merit consideration with the funding met from a pre-determined sum which is allocated annually from the overall capital programme. It would then be possible to determine which projects are funded based on an agreed set of criteria for these projects only.
- 6.3** Initially, a capital sum was included in the capital programme to fund road surfacing works and the additional borrowing costs were funded through supported borrowing. In 2016/17, £2.2m was included in the capital programme but the specific support from the Welsh Government had ended. In order to deliver more revenue savings and to ensure that the minimum contract thresholds of work allocated to the contractors are achieved, a request has been made to include this sum again in the capital programme. This proposal would only be cost-effective if the work was funded from the capital grant / supported borrowing. If the work is funded by means of unsupported borrowing, the proposed revenue savings of £50k would be insufficient to meet the additional capital financing costs which would be in the region of £150k.
- 6.4** As Members are aware, the Council is required to develop one permanent site and two temporary sites for Gypsies and Travellers. The cost of the permanent site will be covered by a grant from the Welsh Government but a temporary site will not. The cost of the works will be dependent on the chosen sites, i.e. if the land needs to be purchased, then the cost of the temporary sites will be increase.
- 6.5** The final commitment relates to the Website Content Management System. £75k was allocated in 2016/17 and a further £25k was requested for 2017/18. As this project has commenced, any outstanding costs for 2017/18 should be funded.

## **7 INITIAL DRAFT CAPITAL PROGRAMME COUNCIL FUND 2017/18**

- 7.1** Based on paragraph 5 and 6, a draft capital programme for the Council Fund for 2017/18 would be as shown in Table 8 below. The HRA capital programme will be funded from borrowing or from the fund reserves and the schemes which will be included in the capital programme will be initially determined by the Housing Services Board.

**Table 8  
Outline Capital Programme 2017/18**

<b>2017/18 Outline Capital Programme (excl. 21<sup>st</sup> Century Schools, HRA and grant funded projects)</b>		
<b>Funding</b>	<b>£'m</b>	<b>Comment</b>
General Capital Grant	1.30	This is the 2016/17 allocation
Supported Borrowing	2.20	This is the 2016/17 allocation
Allocated funding no longer required	0.56	See paragraph 5.4
Capital Receipts	0.30	Estimate
<b>TOTAL FUNDING</b>	<b>4.36</b>	
<b>2017/18 Projects to be Funded</b>		
<b>Annual Allocations</b>		
I.T. hardware replacement		
I.T. Software Licensing		
Vehicle Replacement		
Repairs and Maintenance of Buildings		
Disabled Facilities Grant		
Invest to Save projects		
<b>Ongoing Commitments</b>		
Gypsy and Traveller Temporary Sites		
Website Content Management		
Highway Resurfacing		
<b>New Projects</b>		
To be determined based on bids		Sum available dependent on the funding available and the sums allocated to the annual allocation projects and the ongoing commitments

## **8 RECOMMENDATIONS**

**8.1** The Executive is asked to approve the following recommendations as part of the capital strategy:-

- 1.** The principle is set that any additional capital financing costs relating to the 21<sup>st</sup> Century Schools programme is funded by an equivalent reduction in the delegated schools budget.
- 2.** That the 21<sup>st</sup> Century Schools programme is considered separately from the general Council capital programme.
- 3.** That individual projects under the 21<sup>st</sup> Century Schools programme must generate a positive net present value and the evaluation takes into account the fact that the additional capital financing costs are funded from the delegated schools budget.
- 4.** That the 2017/18 capital programme funding is limited to value of the general capital grant, the level of supported borrowing, the value of the funding for previously agreed projects which is no longer required and the value of any unallocated capital receipts which are generated.
- 5.** That the principle is set whereby the items noted in paragraph 6.1. above are included in the capital programme each year. The sum allocated to each heading will be agreed as part of the process for setting the capital budget each year, depending on the level of funding available.
- 6.** Projects which are to be funded from unsupported borrowing will only be undertaken if the reduction in revenue costs or increased income generated is sufficient to meet the additional capital financing costs incurred.
- 7.** That a level of road surfacing work is funded from the capital programme each year. The sum allocated will be dependent on the funding required to achieve any minimum contract value guarantees, the level of funding available and an assessment of the state of repair of the Authority's roads.
- 8.** Grant funded projects are added to the 2017/18 capital programme once the funding is known.
- 9.** Projects that require a level of match funding to enable grant funding to be drawn down are assessed on a case by case basis by the Executive. The decision whether to commit funding will be dependent on the project, how it fits into the Council's corporate priorities and the ratio of Council funding to grant funding.
- 10.** Bids for new projects will be assessed in accordance with the scoring matrix that applied in 2016/17, i.e. priority will be given to projects which assist the Council in achieving its corporate objectives, mitigates corporate risk, achieves future revenue savings and can demonstrate that adequate project management processes have been put in place.