

<b>SUBJECT:</b>	<b>Capital Programme Considerations 2018-19</b> <b>Capitalisation of revenue expenditure and addition of schemes</b>
<b>MEETING:</b>	<b>County Council</b>
<b>DATE:</b>	<b>21<sup>st</sup> February 2019</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

**1. PURPOSE:**

- 1.1 To explain to full Council the resourcing priorities associated with recent extra Welsh Government capital resourcing provided during 2018-19.
- 1.2 The Council's Constitution regards that any addition to the capital programme is a consideration of Full Council.

**2. RECOMMENDATIONS:**

- 2.1 To approve a capitalisation of revenue expenditure totalling £444k as described in month 7 financial monitoring shared with Cabinet and 4 Select Committees and included below in resourcing section.
- 2.2 To endorse additional capital spending in relation to Highways maintenance (£150k) and classroom creation (£30k)
- 2.3 To endorse the balance of extra funding (£716k), be utilised to provide further capitalisation opportunities to assist with a beneficial outturn position and allow extra capacity to replenish reserve levels.

**3 KEY ISSUES**

- 3.1 The Council has recently received confirmation that it will receive from Welsh Government an extra £1.34 million to be utilised within 2018-19.

*An extra £50m capital for local authorities' general capital fund – this is the first instalment of a £100m increase over three years to the general capital fund.”*

- 3.2 The revenue forecast explained that the outturn prediction included an assumption to utilise £444k of this extra funding, pending full Council's agreement, to capitalise expenditure that would meet the definitions of capital expenditure e.g.
- Either , that creates a tangible fixed asset
  - Significantly extends the useful life of an asset,
  - Significantly increases its value,
  - Or significantly enhances its use.
- 3.3 Originally the month 7 monitoring position provided to Cabinet and Select Committees, presumed the balance of available funding be used to assist in mitigating the potential overspend on Future schools tranche A programme. However the council gets more benefit in funding such via borrowing over the economic useful life of those assets and instead advantaging the year end outturn to allow greater opportunity to replenish reserves

So after allowing for additional highway maintenance spend (£150k) and extra classroom provision (£30k), the remainder of the extra capacity (£716k) is proposed to be utilised as follows,

Further £80k capitalisation of passenger transport major vehicle revenue repairs  
Further £250k capitalisation of Highways revenue works that meet capital definitions  
£200k capitalisation in respect of restatement of gulley and culvert revenue works  
£186k capitalisation of revenue asset costs e.g. material property maintenance

#### **4 REASONS**

- 4.1 This report seeks to obtain the full Council's endorsement of the financing assumption made in recent monitoring reports shared with Members.

#### **5. RESOURCE IMPLICATIONS:**

- 5.1 Month 7 monitoring report predicted £316k surplus outturn, based upon an assumed £444k capitalisation of precommitted revenue expenditure. In not utilising this capacity in this fashion would alter the outturn prediction to £128k deficit.
- 5.2 The presumption also identified additional works not currently incurred that require approval to add to capital programme. This included extra highway maintenance works (£150k) and provision of an additional classroom at Y Fenni primary school (£30k) to address demand for places.

5.3 This report also revises the use for the residual unallocated amount as evidenced in para 3.3 above, to provide the following collective combined use,

Service Area	Nature	Amount
		£'000
Enterprise - Passenger transport	Major vehicle repairs capitalisation	230
Enterprise - Garage	Major vehicle repairs capitalisation	44
	Caldicot Depot refurbishment capitalisation	50
Enterprise – Highways & Grounds	Additional maintenance works	150
	Capitalising highway maintenance works	250
	Capitalising restatement of gulleys and culverts	200
Social Care – Adult	SWIFT system invest to save reserve repayment capitalised	40
Resources – Estates	Innovation House 2 <sup>nd</sup> flr refit capitalisation	20
	Solar farm expenditure capitalisation	15
Children & young people – Gilwern School	Reception improvements capitalisation	32
Children & young people – Y Fenni School	Additional classroom	30
Children & young people – King Henry VIII school	IT replacement capitalisation	30
Children & young people – schools general	IT replacement capitalisation	63
Resources –Property Maintenance	Capitalisation of material asset maintenance (tbc)	186
Total		1,340

5.4 Outside of the normal periodic financial monitoring schedule, Finance staff will be undertaking month 10 monitoring forecast for Senior Leadership Team to provide an update on likely outturn activity, and check whether presumption to use extra resourcing remains valid and on track.

## 6. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

6.1 This report is not anticipated to have any direct safeguarding, equalities, future generations or corporate parenting implications.

**7. CONSULTEES:**

SLT  
Cabinet  
Head of Legal Services  
Chief Officer for Resources

**8. BACKGROUND PAPERS:**

None

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