monmouthshire COUNTY COUNCIL sir fynwy

AGENDA ITEM TBC

SUBJECT:	**DRAFT CAPITAL BUDGET PROPOSALS 2017/18 TO 2020/21**
MEETING:	**Joint Select Committee**
DATE:	**31st January 2017**
DIVISION/WARDS AFFECTED:	**Countywide**

1. PURPOSE:

1.1 To outline the proposed capital budget for 2017/18 and the indicative capital budgets for the three years 2018/19 to 2020/21.

2. RECOMMENDATIONS:

2.1 That Select Committee scrutinizes the draft capital budget proposals for 2017/18 to 2020/21 released for consultation purposes as set out below and referred to in Appendix 2

2.2 That Select Committee notes the following recommendations approved by Cabinet:

2.3 That Cabinet confirms a capital strategy, which seeks to prioritise the Council's Future Schools programme and other commitments whilst also continuing to finance a minimum core capital programme, recognizing the risks associated with this approach.

2.4 That Cabinet reviews the priorities in the Capital programme in the light of the issues raised in 3.7 and other demands for capital resources

2.5 That Cabinet reaffirms the principle that new schemes can only be added to the programme if the business case demonstrates that they are self financing or the scheme is deemed a higher priority than current schemes in the programme and therefore displaces it.

2.6 That Cabinet agrees to maximize the use of capital receipts when received to fund the capital programme (therefore reducing the need to borrow) and/or set aside to repay debt as outlined in paragraph 3.10.

2.7 That Cabinet agrees to the sale of the assets in accordance with the Asset Management Plan and identified in the exempt background paper in order to support the capital programme, and that once agreed, no further options are considered for these assets.

3. KEY ISSUES:

Capital budget strategy

3.1 The capital MTFP strategy put in place in the face of an ever reducing resource base from Welsh Government has been reviewed. The strategy going forward has the following key components:

- The core MTFP capital programme needs to be financially sustainable without drawing on further funding.
- The original Match funding identified for the Council's priority of the Future schools programme (£40 million) has been supplemented with £11.9 million additional funding.
- Budgets for Disabled Facilities Grants and Access for all schemes will be maintained in line with the Council's priority of protecting services to vulnerable adults and children.
- No inflation increases will be applied to any of the capital programme with property maintenance budget and Infrastructure maintenance budget set at the same level as last year
- The County farms maintenance and reinvestment programme is based on the revised asset management plan for County farms, supported by the latest condition survey data
- Budget for Area Management of £20k in the programme could be further reduced or cut in the face of other pressures
- £1m unsupported prudential borrowing per annum has been contained in the programme for a number of years and this will continue in the current 4 year programme
- The capital MTFP currently projects no increase in supported borrowing for 2016/17 onwards (provisional settlement received October 2016)
- Use of the capital investment reserve to ease the transition to a balanced budget
- Budget to enhance or prepare assets for sale will be maintained and funded through the capital receipt regeneration reserve in order to maximize this funding stream for the Future schools programme priority

Capital MTFP issues

3.2 The four year capital programme is reviewed annually and updated to take account of any new information that is relevant.

3.3 The major component of the capital MTFP for the next few years is the Future schools programme, and the Council has recently approved further funding for this programme at its meeting on the 20th October 2016.

3.4 There are a number of other areas where there is a commitment to invest, however the schemes currently sit outside the programme as work progresses to identify the funding requirements. These are:

- Monmouth Pool – commitment to reprovide the pool in Monmouth as a consequence of the Future schools programme

- Abergavenny Hub – commitment to reprovide the library with the One Stop Shop in Abergavenny to conclude the creation of a Hub in each of the towns

- Disabled Facilities Grants – the demand for grants is currently outstripping the budget, work is being undertaken to assess the level of investment required to maximize the impact and benefit for recipients.

- City Deal - 10 Authorities in the Cardiff City region are looking at a potential £1.2 billion City Deal. Agreement to commit to this programme is being sought across the region in January and so would impact on the capital MTFP. The potential impact on individual authority budgets is currently being modelled in advance of decisions on specific projects and profiles in order for authorities to start reflecting the commitment in their MTFPs.

- J and E Block – the office rationalization programme is being considered to see if there is a solution that would enable the Magor and Usk sites to be consolidated, releasing funding to pay for the necessary investment to bring the blocks into use.

3.5 A strategy that enables the core programme, Future schools and the above schemes to be accommodated is being developed. Notwithstanding this there will still remain a considerable number of pressures that sit outside of any potential to fund them within the Capital MTFP and this has significant risk associated with it. Cabinet have previously accepted this risk.

3.6 The current policy is that further new schemes can only be added to the programme if the business case demonstrates that they are self financing or the scheme is deemed a higher priority than current schemes in the programme and therefore displaces it.

3.7 In summary the following other issues and pressures have been identified:

- Long list of back log pressures – infrastructure, property, DDA work, Public rights of way, as outlined in Appendix 1. None of these pressures are included in the current capital MTFP, but this carries with it a considerable risk.

- Capital investment required to deliver revenue savings – this is principally in the area of office accommodation and looking at alternative delivery models for leisure and culture, and social care, property investment and possibly Additional Learning needs. The level of investment is currently being assessed however, in accordance with the principle already set above, if the schemes are not going to displace anything already in the programme then the cost of any additional borrowing will need to be netted off the saving to be made.

- The IT reserve is depleted so funding for any major new IT investment is limited. Any additional IT schemes will need to either be able to pay for themselves or displace other schemes in the programme.
- Circuit of Wales – the Authority has undertaken due diligence work on a version of the proposal which concluded not to proceed, the current proposal is being considered by Welsh Government without recourse to Local Authority funding.

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Available capital resources

3.8 The capital strategy identified above establishes that the core programme will not increase so that available funding can be prioritised for the Future Schools Programme and other commitments provided.

3.9 In light of the current pressures on the Authority's medium-term revenue budget, and the principles on which any prudential borrowing must be taken of affordability, prudence and sustainability, the use of further prudential borrowing has to be carefully assessed.

3.10 The table below illustrates the balance on the useable capital receipts reserve over the period 2016/17 to 2020/21 taking into account capital receipts forecasts provided by Estates and revised balances drawn to finance the existing programme. The Council still needs to continue to make a concerted effort to maximize its capital receipts generation over the next few years. Further opportunities to set aside capital receipts to repay debt have been modelled for 2016/17 and 2017/18, however this is dependent on significant asset sales taking place and the profile of expenditure in the relevant years. Further detail is provided in Appendix 4.

GENERAL RECEIPTS	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Balance as at 31st March	**11,226**	**608**	**0**	**5,156**	**4,861**

3.11 The above table illustrates that the capital receipts balance is set to reduce over the MTFP. This is dependent on the capital receipts forecasts provided materializing, which in itself is a significant risk, then being used to fund the capital programme. Experience suggests that there is often significant slippage in gaining receipts which may be due to factors outside the control of the Authority. The risk assessment on the receipts projected is contained in Appendix 5. It is crucial that once assets are identified and approved for sale that this decision is acted upon. Exploration of any alternative use of surplus assets needs to be undertaken before Council approves them for sale in order to assist in the capital planning process.

3.12 Opportunities to generate further receipts and funding streams in line with the Asset Management Plan are continuously being sought, these are outlined below:

- Review of accommodation/buildings in use by the council, with a view to further rationalization – some further rationalisation of office accommodation has been done, but there may be further potential leading to other buildings being released for sale and this is also key in identifying revenue savings

- Identification of services that can be combined as part of the whole Place agenda and establishment of community Hubs, and therefore release buildings for sale

- Review the existing County Farms strategy

- Community Infrastructure Levy – this will become more relevant for the capital MTFP once implemented and can include funding for more general 'place-making' schemes that support the growth proposed in the LDP e.g. sustainable transport improvements, upgrade/provision of Broadband connectivity, town centre improvements, education, strategic sports/adult recreation facilities and green infrastructure.

4. REASONS:

4.1 To provide an opportunity for consultation on the capital budget proposals.

5. RESOURCE IMPLICATIONS:

5.1 Resource implications are noted throughout the report both in terms of how the core programme is financially sustainable, the key issues that require further quantification and also the risks associated with not addressing the pressures outlined in Appendix 1.

6. FUTURE GENERATIONS ASSESSMENT AND EQUALITY IMPLICATIONS:

6.1 Capital budgets which impact on individuals with protected characteristics, most notably renovation grants and access for all budgets are being maintained at their current levels and further work is being progressed to assess how the demand for DFGs can be met.

6.2 The equality impact of the mechanism to allocate maintenance budgets to individual schemes should be in place and being used to aid allocation of funding

6.3 The actual impacts from this report's recommendations will be reviewed on an ongoing basis by the Capital Working Group.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

None

8. CONSULTEES:

Senior Leadership Team

All Cabinet Members
Head of Legal Services
Head of Finance

9. APPENDICES:

Appendix 1 – Capital MTFP pressures
Appendix 2 – Capital budget summary programme 2017 to 2021
Appendix 3 – Schools programme
Appendix 4 – Forecast capital receipts 2016 to 2020/21
Appendix 5 – Capital receipts risk factors
Exempt Appendix 6 – Forecast receipts
Appendix 7 – Future Generations Evaluation

10. BACKGROUND PAPERS:

List of planned capital receipts: Exempt by virtue of s100 (D) of the Local Government Act 1972

11. AUTHOR:

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