

REPORT TO	ON
CABINET	14 th February 2018

September 2017



TITLE	PORTFOLIO	REPORT OF
Capital Strategy 2018/19 to 2022/23	Finance	Deputy S151 Officer

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	Yes
Is this report confidential?	No

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to set out the proposed Capital Strategy for the next 5 years and how it will be funded. This is a key element of the Council's Corporate Planning process setting out the major capital expenditure to deliver its ambitions and services for residents. It seeks Cabinet approval for confirmation by full Council on 28th February 2018.

2. PORTFOLIO RECOMMENDATIONS

- 2.1 Cabinet approve the Capital Strategy detailed in Appendix 1 and recommend its approval to Council;
- 2.2 Cabinet approve the funding arrangements for the Capital Strategy and recommend its approval to Council;
- 2.3 Cabinet note the implications of using debt to fund the Strategy and the implications of future revenue budgets;
- 2.4 Cabinet agree to the implications of the Capital Strategy being incorporated into the Corporate Risk Register.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe	X	Strong and healthy communities	X
Strong South Ribble in the heart of prosperous Lancashire	X	Efficient, effective and exceptional council	X

However, when approved by Council, the corporate priorities for 2018/19 to 2022/23 will change to those in the Corporate Plan. This Strategy aligns to those priorities.

4. BACKGROUND TO THE REPORT

- 4.1 A 5 year Capital Strategy has been developed as part of the Council's Corporate Planning process this year. It sets out a programme of spending to deliver on the priorities set in the Corporate Plan and is attached at Appendix A. The Strategy is structured against the corporate priorities which have been developed in conjunction with Members over the past few months.
- 4.2 This is an ambitious strategy that is deliverable. It seeks to set out an affordable financial strategy over the next 5 years, programmed to deliver real change. A significant shift in this plan is for the Council to undertake external borrowing over the period to fund the expenditure. The implications of this change is incorporated into the Council's Treasury Management Strategy which will need Council approval on 28th February 2018. Use of external borrowing will incur both interest and repayment costs. These costs, and savings that have been identified from that investment, have been incorporated into the Medium Term Financial Strategy (MTFS) which is considered later on the agenda.
- 4.3 It is important to note that this is a 5 year plan and funds are allocated to priorities and clear intentions are set out. It is based upon what is affordable and deliverable. The detailed programmes for each year will still need to be developed and ratified by Members throughout the 5 years.
- 4.4 There is a little more detail associated with 2018/19 element of the Strategy. Some plans have already been identified for next year but further plans will come before Members if the Strategy is approved. In addition it includes a few carry forward schemes from the current financial year that have commenced but still need to be completed. These are set out below.

5. PROPOSALS

5.1 Health, Leisure and Well Being

This programme has evolved with the development of the Campus programme for South Ribble. A Cross Party Member Working Group worked with Officers to develop the Campus Concept for the Borough. This high level concept was agreed at Cabinet on 6th December 2017. For the full benefit to be derived, many key partners need to come together to bring about step change. However, Members have examined options to use Council investment to start the programme. The programme proposed makes investments in green infrastructure, existing assets and delivers a new leisure facility as the first part of a Leyland Campus. The 5 year programme proposed will make a significant improvement for residents. The final element is to look to construct a playing pitch hub with artificial grass pitches to improve the offer and the reliability of that offer. This programme has previously been discussed and agreed at the Working Group and Cabinet.

5.2 Place

South Ribble has embraced the Growth agenda in its Local Plan and as a partner in City Deal. Funding has been allocated to enhance existing towns to meet future challenges of that growth.

A large part of that Growth agenda will be delivery of new housing. Most of this will be family housing delivered by the private sector. However, Members have identified shortfall in affordable housing. Programme to deliver more in appropriate locations within the Borough has been identified.

Keeping residents safe and within their homes as life changes is a key service of the Council. It will continue to support those people through Disabled Facility Grant. In addition the Strategy has earmarked a further £1m to help address other issues that may be identified from the Stock Condition Survey that will be commissioned in April.

5.3 **Excellence & Financial Stability**

Capital funding is required for the Council to deliver services and improve what it does. An ICT programme, vehicle replacement programme and investments in core buildings will help drive more efficiency in its organisation and ultimately better services to the public.

In addition the Council decided last year to use some of its reserves to invest in income generating assets to provide income to deliver services in the future. The processes to deliver this investment are now in place and assets will be acquired over the next two years

5.4 **Schemes carried forward from 2017/18 programme**

The Capital Strategy is a funding programme for capital expenditure for the next 5 years to deliver the Council's ambitions and all future spend will be against those priorities. However, there are a few schemes that have been approved and commenced in the current financial year that will not be completed until 2018/19. These carry forward schemes are:

Table 1 - Carry Forward Schemes from 2017/18 Programme

Open Spaces Infrastructure Schemes	35,000
Hurst Grange Park Drainage works	20,000
St Mary's, Penwortham - Churchyard wall repairs	105,000
Withy Grove Park	40,000
Worden Park - Replacement conservatory / greenhouse	142,505
Worden Park - Toilet facilities improvements	200,000
McNamara Memorial	5,500
Priory Park	11,000
Lostock Hall Football Facility (s106)	145,000
Walton-le-dale Community Centre car park refurbishment	54,505
	758,510
Vehicle Replacement Programme	718,444
Carry Forward from 2017/18	1,476,954

6. **FUNDING**

- 6.1 The proposed programme is £42.625m over 5 years, including schemes carried forward from 2017/18. This is a substantial programme for a Borough Council. Additional resources for programme management have been identified to help deliver this. However, affordability is an important factor and this section looks at how the funding will occur.
- 6.2 Table 1 below show the funding. The funding cocktail utilises capital receipts and reserves that the Council already has and draws down new receipts from future sales, some grant and debt of £18m.

Table 2 – Funding of Capital Strategy 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Capital Receipts Reserve	450	500	500	450	100	2,000
New Capital Receipts		1,500	500	500	1,500	4,000
Capital Reserve	800	800	800	800	200	3,400
Borough Investment Reserve	2,500	1,324				3,824
Grants (DFG)	574	550	550	550	550	2,774
Grants (Other)		1,200	960			2,160
S106	500	500	500	500	500	2,500
City Deal	100	500	750	750	400	2,500
Loans	1,750	1,800	13,490	950		17,990
Carry Forward Funding from 2017/18 Programme	1,477					1,477
Funding	8,151	8,674	18,050	4,500	3,250	42,625

6.3 The debt proposed will have a revenue cost to the Council of ultimately £900,000 per annum. This has been built into the medium term financial strategy and is offset by future savings and reduced maintenance liabilities. The programme also looks at utilising £9.2m of reserves. It is estimated that the Council will have £26m of reserves at 31st March 2018 so utilising this element to invest in future benefits is a reasonable approach and does not jeopardise the Council in the future. A separate section of the Medium Term Financial Strategy looks at reserves, their use and future contributions.

6.4 The carry forward schemes were funded in 2017/18 programme and this funding will be carry forward into 2018/19.

7. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

7.1 Consultation with partners and key stakeholders has been undertaken in the formulation of the Council priorities for the next 5 years and the construction of the Corporate Plan. The Capital Strategy is one element of the financial strategy to deliver those Corporate Plan ambitions. The latest residents' survey results has also influenced how this Strategy has been developed.

8. FINANCIAL IMPLICATIONS

8.1 This report is part of the overall financial strategy for the Council for the next 5 years that will enable delivery of the Corporate Plan ambitions. It sets out a clear affordable programme and the revenue implications are part of the Medium Term Financial Strategy to be recommended to Council.

9. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

9.1 There are no direct implications on HR and organisational development in this report at this stage. However, some of the investments in buildings and ICT may well impact on how the Council works and therefore have an impact. Any of those impacts will be detailed at that stage.

10. ICT/TECHNOLOGY IMPLICATIONS

- 10.1 The programme identifies funding for ICT over the 5 year period that should meet existing priorities. A detailed plan is target to be drawn up early in 2018-19 that will set out how this will be spent.

11. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 11.1 Many of the elements of the Strategy have property and asset management implications. Investing in new and improved green infrastructure will have implications on future maintenance programmes. Care will be taken in the detailed implementation to ensure materials used help minimise these. Equally investment in facilities will have positive impact on future maintenance liabilities. However, care also needs to be taken that future planned maintenance is incorporated into the plan. Some consideration has been included in the papers before Cabinet but detailed implications will be included in each scheme as they are progressed and approved by Members.

12. RISK MANAGEMENT

- 12.1 All of the programmes within this Capital Strategy have risks associated with them ranging cost variation to delivery timescales. Changes in each will have further impacts on the wider programmes. The Council has adopted a strong programme management approach in its structure and way forward. Each of these schemes will have a definitive project plan, timescale and responsible officer for delivery. This will be shared with Members as those plans are developed.

13. EQUALITY AND DIVERSITY IMPACT

- 13.1 The investments proposed will have a positive impact for all residents across the whole Borough. The proposed investment in Health, Leisure and Well Being will have direct impact on all. Access to better open spaces and green links will be significantly improved to open up those wonderful opportunities to more of the population. Investment in facilities will address some shortfall in provision to meet existing need but will also open up opportunities for wider cultural and non-sporting uses.
- 13.2 The resources identified for Place will deliver the wide ambitions to improve the physical infrastructure of towns and villages in the Borough which will open up those places to more residents. In addition resources are focussed on helping housing.

14. COMMENTS OF THE STATUTORY FINANCE OFFICER

- 14.1 The report sets out an ambitious Capital Strategy that has been developed to address the priorities of the Corporate Plan. At £42.6m it is significantly larger than previously undertaken by the Council because of the major investment in assets. Allocating funding for programme management within the Strategy will help recruit the necessary resources to ensure delivery.
- 14.2 The programme is dependent upon debt funding. These costs are reflected in the proposed Medium Term Financial Strategy. However, significant savings will be achieved from this investment as outlined previously. Therefore this change in approach is reasonable.

15. COMMENTS OF THE MONITORING OFFICER

- 15.1 Our proposed Capital Strategy is ambitious in scale. Potentially it could have a positive impact on all of our residents. The Capital Strategy is a key element in the delivery of our Corporate Plan and the decisions of Cabinet will be subject to confirmation by full Council at its meeting on the 28th of February.

15.2 There is general enabling legislation that empowers councils to adopt and carry out such strategies – most particularly relevant provisions of the Local Government Act 1972 and the Localism Act 2011.

16. **BACKGROUND DOCUMENTS/APPENDICES**

Appendix A Capital Strategy 2018/19 to 2022/23

Jane Blundell
Deputy Section 151 Officer

APPENDIX A

CAPITAL STRATEGY 2018/19 TO 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23		Total
Corporate Priority	£000's	£000's	£000's	£000's	£000's		£000's
<u>Health, Leisure & Well Being</u>							
Project Management	50	100	100	50	50		350
Green Infrastructure	400	600	500	500	500		2,500
Existing Built Assets	400	400	400	400	400		2,000
New Leisure Facility	100	1,000	13,000	900			15,000
Sports Pitch Hub	1,000	2,000	1,600				4,600
<u>Place</u>							
Masterplanning & Regeneration of key areas	100	500	750	750	400		2,500
Affordable Housing	500	500	500	500	500		2,500
Disabled Facilities Grant	550	550	550	550	550		2,750
Private Sector Housing	200	200	200	200	200		1,000
South Ribble Partnership	24						24
<u>Excellence & Financial Stability</u>							
Information Technology Programme	150	150	150	150	150		750
Vehicle Replacement Programme	300	1,200	150	400	400		2,450
Corporate Buildings	50	150	150	100	100		550
- Banqueting Suite	80						80
- Civic Centre	200						200
- Depot	70						70
Investment Property	2,500	1,324					3,824
Carry Forward Schemes not yet completed	1,477						1,477
CAPITAL STRATEGY	8,151	8,674	18,050	4,500	3,250		42,625