

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Corporate Management Team  
to  
Cabinet  
on  
20 January 2015

Report prepared by: Joe Chesterton  
Head of Finance and Resources

---

Draft Capital Programme 2015/16 to 2018/19  
All Scrutiny Committees  
Executive Councillor: Councillor Woodley  
*A Part 1 Public Agenda Item*

---

## 1. Purpose of Report

- 1.1 The purpose of this report is for Members to consider a draft programme of capital projects for the period 2015/16 to 2018/19 (and later years) that can be submitted to Council for approval.

## 2. Recommendation

**That the Cabinet:**

- 2.1 Note the current approved Programme for 2015/16 to 2017/18 of £100.1m (Appendix 1);
- 2.2 Note the changes to the approved Programme as set out in Appendix 2;
- 2.3 Consider and approve the proposed new schemes and additions to the Capital Programme for the period 2015/16 to 2018/19 (and later years) totalling £49.0m of which £41.2m is for the General Fund and £7.8m for the Housing Revenue Account (Appendices 6 and 7);
- 2.4 Note that the proposed new schemes and additions (Appendices 6 and 7) and other adjustments (Appendix 2) will result in a proposed capital programme of £156.9m for 2015/16 to 2018/19 (and later years) (Appendix 8);
- 2.5 Note that, of the total programme of £156.9m for the period 2015/16 to 2018/19 (and later years), the level of external funding supporting this programme is £57.8m (paragraph 7.1).

**2.6 Note that a final exercise is being undertaken on the 2014/15 projected outturn and that the results will be included in the report to Cabinet on 12 February 2015;**

**2.7 Refer this report as approved to all Scrutiny Committees and then to Budget Cabinet on 12 February 2015.**

### **3. Background**

3.1 Capital expenditure is defined as expenditure incurred on the enhancement, acquisition or creation of assets needed to provide services, such as houses, schools, vehicles etc. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

3.2 Under the Local Government Act 2003, from 1 April 2004, each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority.

3.3 Unsupported borrowing is not specifically financed by capital grant and no longer as a separate stream in the Government revenue grant. However, the Council has full discretion on how it allocates its formula grant funding. Therefore, any unsupported borrowing undertaken is financed from the total available resources to the Council from both Grant and Council Tax in the setting of its Council tax.

### **4. Capital Programme 2014/15 to 2017/18 - Movements**

4.1 The Council's current agreed capital programme for 2014/15 and future years is attached as Appendix 1 and totals £145.4m.

4.2 Movements and proposed new schemes and additions since the agreement of the revised programme in November 2014 have an overall effect of increasing the capital programme by £55.6m and are set out in Appendix 2, with more detail in Appendices 3 to 7.

### **5. Spending Plans 2015/16 to 2018/19 (and later years)**

The proposed additions to the Capital Programme for 2015/16 to 2018/19 (and later years) of £49.0m are set out in Appendix 6, with the details of each scheme and its funding explained in Appendix 7. The key areas of investment and funding for the Council are identified in the sections below.

## 5.1 Education

5.1.1 The Government announced the Education Capital allocations and Devolved Formula Capital (DFC) for 2014/15 and Basic Need allocations for 2014-2017 in late January 2014. Capital grant for 2014/15 was also allocated to assist the schools to deliver the new Universal Infant free school meals requirement from September 2014.

The grant funding was confirmed as follows:

- £4.01 million of basic need funding to provide school places to be paid over three years from 2014/15 to 2016/17 with £2.97 million paid in 2014/15;
- £1.89 million of Maintenance Capital to support the needs of the schools we maintain and for the Sure Start children's centres;
- £0.331 million of Devolved Formula Capital for schools;
- £0.389 million for free school meal requirements

5.1.2 All of these allocations will be delivered as capital grant. The 2015/16 allocations have not yet been announced.

5.1.3 The education capital programme for 2015/16 onwards will continue to be dominated by the need to provide more school places to cope with the rising pupil numbers.

5.1.4 The £3.79 million Targeted Basic Need capital funding awarded in 2013/14 over two years has mostly funded the permanent expansions of Thorpe Greenways Infant and Junior and Sacred Heart Primary School by 1 form of entry (FE) each).

5.1.5 £5.76 million of Basic Need projects that were given funding approval in 2013/14 are progressing. These include St Helen's Primary School, St Mary's Primary School, Darlinghurst Primary School, Bournemouth Park Primary School and Porters Grange Primary School.

5.1.6 The focus on additional places will mean that expenditure on condition projects will again be limited, will approximately £1 million being allocated in 2015/16 to new high priority condition items at schools and children's centres, which if not done could result in a closure. The replacement of boilers and rewiring continues to dominate.

5.1.7 The list of possible condition projects that the above have been identified from, could extend the 2015/16 programme by a further £2.5 million and the longer that these projects are not addressed the greater the risk of having to undertake emergency projects during the year. This risk will increase year by year if only a minimal condition programme is possible given the continual demand on primary places.

5.1.8 Government funding is not ring fenced and Southend, like many other authorities, will be spending more on Basic Need than the awarded grant.

- 5.1.9 The devolved formula capital allocations to schools are expected to continue into future years at the lower level set in 2012/13. This will continue to put pressure on any central programme with schools unable to address larger condition issues.
- 5.1.10 The income received from Central Government for maintenance will continue to reduce in relation to the increase in the number of academies. Academies are able to bid into a central pot directly to the Department for Education for capital funding. However, the Basic Need funding to Councils does include expansion at academies and the Government would expect the Council to fund capital works for any new academy arising from a Basic Need requirement.
- 5.1.11 The implementation of the new Universal Free School Meals initiative from September 2014 has been successful with all infant age pupils having access to a free lunch. The £0.389 million capital grant awarded to assist with this has been distributed to schools following a bidding round. A second round of funding was offered by the Department for Education in September 2014 with Local Authorities invited to bid on school's individual projects that had not been included in the spending of the first grant award. Southend submitted eleven bids ranging from £3k to £210k. Results will be known in February 2015.

## **5.2 Housing**

- 5.2.1 The Housing Revenue Account (HRA) capital programme for the 2015/16 financial year is £10,002,000 which comprises mainly Decent Homes work to the Council's housing stock including kitchen and bathroom modernisations together with health and safety works. This also includes a budget of £400,000 for some remodelling works to sheltered housing schemes.
- 5.2.2 In 2014 the Council started work on building the first new Council House which has been part funded from the HRA capital programme together with some Section 106 affordable housing money received from developers. The Cabinet has also agreed to progress with a project to build on some of the existing garage sites and the first phase is being progressed at Shoeburyness and a planning application will be submitted early in 2015. An indicative budget of £2 million has been set aside to meet the cost of this project in 2015/16. Initial feasibility work is underway for the Queensway regeneration project and this could have implications in terms of the capital programme in the future
- 5.2.3 It is proposed to undertake a review of Sheltered Housing in the Borough during 2015 and this will have an impact on the Council's sheltered housing stock. Therefore it is proposed that only essential health and safety works are carried out to sheltered housing schemes in 2015 until the outcome of the review is known. There could be some capital implications for the Housing Revenue Account arising from the review but this is unlikely to have any financial implications until 2016/17.
- 5.2.4 The overall capital programme for the next four financial years 2015/16 to 2018/19 includes a commitment of at least £7 million each year for major repairs and Decent Homes work to the Council's housing stock.

### 5.3 Highways and Transportation

5.3.1 The expenditure will be delivered by fully un-ringfenced capital grants.

5.3.2 The settlement is as follows:

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Integrated Transport	1,401	1,401	1,401
'Needs Based' Highways Capital Maintenance Block	1,393	1,277	1,238

In addition, for the financial years 2018/19 – 2020/21 the following indicative allocations have been announced:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Integrated Transport	1,401	1,401	1,401
'Needs Based' Highways Capital Maintenance Block	1,121	1,121	1,121

5.3.3 The allocations for the Integrated Transport Block (ITB) 2018/19 to 2020/21 are indicative and are subject to review. The Department for Transport intend to refresh the data in April 2017 and then announce confirmed allocations. Formal letters will be sent in March 2015.

5.3.4 Following the spending round 2013, £2.75billion has been allocated nationally to ITB funding over the 6 year period from 2015/16 to 2020/21. This equates to £458million per year. Each year £200million of this funding will be top sliced and put into the Local Growth Fund (LGF). The first wave of allocations of the Local Growth Fund, including this element, to Local Enterprise Partnerships, were announced on 7<sup>th</sup> July. The remaining £258million of ITB funding per year will be allocated by formula.

5.3.5 The majority of funding for maintenance will continue to be provided on a formula 'Needs basis'. This formula comprises information on key highway asset types, such as road length, bridges, street lighting and footways and cycleways. The allocations from 2018/19 are indicative and pending a data refresh, the collection of cycleway and footway data and a review of the bridges element in the formula. It is worth nothing that further funding will be distributed on an 'incentive basis' with the level of funding that a local highway authority will receive to be based on the local authority's record in pursuing innovation, efficiencies and asset management. The Government is also setting up a 'Challenge Fund' for local authorities to bid to for major maintenance projects that could include bridges, carriageways, footways, drainage and street lighting.

5.3.6 To allow the full delivery of the 2015/16 Local Transport Plan (LTP) programme, the full spend is proposed to be met 100% by capital grant.

- Typical schemes are presented in the context of four 'Actions' as set out in Appendix 3 (LTP3 Implementation Plan: 2015/16 – 2020/21 Diagram 4) of the recent Report to Cabinet on 6<sup>th</sup> January 2015 "Information Report on Review of Local Transport Plan 3 document".
- The recommended allocation to the 'Actions' is set out in Appendix 5a. The Director for Place will progress a prioritised list of schemes for both Integrated Transport and Highways Maintenance in consultation with the Portfolio Holder for Public Protection, Waste and Transport and the Head of Finance and Resources. This includes a list of schemes developed by the Traffic and Parking Working Party and Members requests.
- The prioritisation process is set out in Diagram 1 of the Implementation Plan in the Cabinet report on 6<sup>th</sup> January 2015. In addition, maintenance schemes will be progressed using the latest information from the Asset Management work.
- As in previous years, there is flexibility to allocate funding between the two blocks and the LTP actions.

## 5.4 Other Services

5.4.1 In respect of the other proposed general fund schemes these are to be funded through borrowing, grants and from earmarked reserves and the required relevant borrowing costs have been factored into the Medium Term Financial Strategy.

5.4.2 The other proposed general fund schemes encompass the following key themes:

- Condition works at Priory House (funded from earmarked reserve - £225k);
- Construction of a Waste Transfer Station and upgrade of the Short Street site (the former is subject to the final Waste Management Contract and may not be required to be funded by the Council);
- Replacement of non-functioning land drainage on sports pitches;
- Refurbishment of property to improve structural integrity and for health and safety reasons;
- Delivery of suitable storage within Southend for the Prittlewell Prince artefacts;
- Condition works and modernisation of the ICT infrastructure for Southend Pier;
- Development of the derelict, unused, empty space on Victoria Avenue (funded by a grant of £6,700k from the Local Growth Fund);

- Refurbishment of public conveniences;
- Cliff slip remediation and reinforcement works.

## 6. Capital Programme 2014/15 to 2018/19

- 6.1 The Council's proposed capital programme for 2014/15 and future years is attached as Appendix 8, which includes all of the adjustments identified in the other appendices.
- 6.2 The proposed capital programme represents a significant investment of over £201million on the part of the Council in the Southend area and the projected investment in 2015/16 alone amounts to over £54million.

## 7. Funding the capital programme

- 7.1 The proposed capital programme presented in this report is currently fully funded and has been prepared based on the level of borrowing the Council can support, notified capital grants, prudent assumptions over the level of other grants and the timing and valuation of capital receipts (from the sale of existing surplus Council assets) that will be realised.

The proposed estimated funding for the programme is as follows:

<b>Type of funding:</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 and later years</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External funding – capital grant	13.3	8.5	12.9	21.5	<b>56.2</b>
External funding – third party contributions	1.6	0	0	0	<b>1.6</b>
Capital Receipts	3.0	1.0	1.0	1.0	<b>6.0</b>
Major Repairs Reserve (Housing Revenue Account)	7.6	7.0	7.5	7.8	<b>29.9</b>
General Fund earmarked reserves	4.4	2.1	0.3	0.4	<b>7.2</b>
Borrowing	24.3*	16.1	15.5	0.1	<b>56.0</b>
	<b>54.2</b>	<b>34.7</b>	<b>37.2</b>	<b>30.8</b>	<b>156.9</b>

\* This relates to both internal and external borrowing and in respect of 2015/16 external borrowing is estimated to be in the order of £14 million.

- 7.2 A disposal strategy to achieve the required receipts target will be presented when the Council formally agrees its Asset Management Plan (AMP) for the period of the capital programme at the Cabinet meeting in February 2015. If the Council does not agree the disposal strategy to support capital investment then there will be either the increased need to prudentially borrow or reduce the extent of the Capital Programme.

- 7.3 When the Council enters into Prudential Borrowing to fund Capital expenditure, there is a revenue impact and therefore an increase to the Councils budget requirement. As an indicative guide to the revenue consequence, there is a cost of approximately £80k for every £1m borrowed or if £8m is borrowed this would equate to an increase in Council Tax of approximately 1%.
- 7.4 The full impact of borrowing costs associated with the funding of the proposed programme has been included in the Council's current financial planning for 2015/16 to 2018/19. The draft 2015/16 revenue budget elsewhere on this agenda incorporates the required borrowing costs budget requirement for 2015/16.
- 7.5 In summary, it is the Chief Finance Officer's view that the 2015/16 to 2018/19 proposed capital programme is Prudent, Affordable and Sustainable.

## **8. Capital Strategy, Asset Management Plan & Prudential Indicators**

- 8.1 Each year the Council agrees a Capital Strategy that sets out the framework for controlling and monitoring the Capital Programme. The Capital Strategy is a key document for the Council. It sets out the processes and policies relating to capital expenditure and includes reference to other key documents of the authority which influence capital investment such as the Medium Term Financial Strategy (MTFS). It is best practice for this strategy to be reviewed annually alongside the MTFS, and an updated Capital Strategy will be presented to Cabinet in February 2015. Further to this the Asset Management Plan will be presented at the same meeting.
- 8.2 In addition, each year the Council agrees a Treasury Management Strategy and prudential borrowing indicators that includes identifying how planned capital investment is to be funded. The strategy will be presented to Cabinet in February 2015 as part of the suite of papers agreeing the overall 2015/16 to 2018/19 budget.

## **9. Other Options**

- 9.1 The proposed Capital Programme is compiled from a number of individual projects, any of which can be agreed or rejected independently of the other projects.

## **10. Reasons for Recommendations**

- 10.1 The proposed Capital Programme is compiled from a number of individual projects which either contribute to the delivery of the Councils objectives and priorities or enhance the Councils infrastructure.



## **11. Corporate Implications**

### 11.1 Contribution to Council's Vision & Corporate Priorities

The projects directly contribute to the delivery and achievement of the Councils Corporate Priorities.

### 11.2 Financial Implications

As set out in the report.

### 11.3 Legal Implications

None at this stage.

### 11.4 People Implications

None at this stage.

### 11.5 Property Implications

Officers are preparing an update to the Capital Strategy and Asset Management Plan (with an associated disposals strategy) that may affect the Council's property holdings, assets and liabilities. The Strategy and AMP will reflect the implications of the agreed capital programme.

### 11.6 Consultation

Consultation has taken place as agreed in the budget timetable.

### 11.7 Equalities and Diversity Implications

Assessments have been carried out for all capital investment proposals where appropriate.

### 11.8 Risk Assessment

All capital projects are delivered using best practice project management tools as appropriate. This requires a full risk assessment and management review to be carried out. The programme includes an appropriate sum within each project to cover build risk and claims.

### 11.9 Value for Money

All projects are required to follow and adhere to procurement guidance issued by the Council. They must also comply with procedure rules for entering into and managing contracts with suppliers.

#### 11.10 Community Safety Implications

Assessments have been carried out for all capital investment proposals where appropriate.

#### 11.11 Environmental Impact

Assessments have been carried out for all capital investment proposals where appropriate.

### **12. Background Papers**

12.1 None.

### **13. Appendices**

Appendix 1 – Approved Capital Programme November 2014

Appendix 2 – Changes to Approved Capital Programme

Appendix 3 – Virements Between Approved Schemes

Appendix 4 – Re-profiles Between Years

Appendix 5 – New External Funding

Appendix 5a – LTP3 – Capital Actions and Allocations

Appendix 6 – Proposed New Schemes and Additions to the Capital Programme

Appendix 7 – Proposed New Schemes and Additions - descriptions

Appendix 8 – Amended Capital Programme 2015/16 to 2018/19 (2014/15 shown for information)