

Report to Cabinet

Meeting to be held on 6 October 2016

Report of the Director of Development and Corporate Services and the Director of Financial Resources

Electoral Divisions affected: All

The County Council's Re-profiled Capital Programme for 2016/17 to 2018/19 and later years

(Appendices 1 to 8 refer)

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Executive Summary

This report sets out the proposed re-profiling of the County Council's Capital Programme for 2016/17 to 2018/19 and where appropriate later years.

Recommendation

Cabinet is asked to:

- (i) Note the additions to the Capital Programme approved during quarters 1 and 2 of 2016/17 set out in section 2 of Table 1 in the main body of this report; and
- (ii) Approve the re-profiling of the County Council's Capital Programme for 2016/17 to 2018/19 and where appropriate for later years as set out in section 3 of Table 1 to this report.

Background and Advice

1. Introduction

This report sets out the proposed re-profiling of the County Council's Capital Programme for 2016/17 to 2018/19 and, where appropriate later years.

The maintenance and development of the capital programme is funded from a range of sources including Central Government Grants, external funding contributions and the County Council's own resources. The programme has a current approved value of £381.864 million and comprises approximately 2,000 individual projects.

The delivery of the Capital Programme for 2016/17 and future years has been re-profiled, having regard to the experience of actual delivery in 2015/16. In 2016/17, for Transport, the proposed delivery includes 181 transport projects, including the opening to the public on 31st October of the Heysham to M6 Link (Bay Gateway), with work on the entire project due to be completed in Spring 2017. Highways delivery includes circa 750 projects and Schools 127 projects.

The revised profile expenditure for 2016/17 is £151.510m compared to an actual spend in 2015/16 of £150.877m.

2. The Tables and Appendices to this Report

Cabinet at its meeting in July 2016 requested that, given the slippage identified within the 2015/2016 out turn report, a re-profiling exercise of the County Council's Capital Programme be undertaken and presented back to Cabinet. This report sets out the proposed re-profiling and is presented in the following format:

Table 1 in this report comprises:

- Section 1 :outline restatement of the approved 2016/17 to 2018/19 capital programme and future years;
- Section 2: the approved additions to the capital programme since its approval by Full Council on the 11th February 2016. This relates to proposals received in Quarter 1 and Quarter 1 2016/17 and changes to national government funding notified since February 2016;
- Section 3: the proposed re-profiling of the programme across each of the Capital Programme blocks.

Table 2 in this report comprises a summary position over the life of the programme against approved budget for each block and in total, as a result of the proposed re-profiling.

A more detailed breakdown of each element of the Capital Programme is provided in Appendices 1 to 8 to this Report.

The details of the City Deal and Lancashire Economic Partnership activities are reported separately via the existing LEP reporting and assurance framework. However, given that the County Council is the accountable body for the LEP and therefore is responsible for cash flow support to the City Deal, a risk review of it is presented within this report.

3. The Re-profiling Exercise

The outcome of the re-profiling exercise is set out in Appendices 1 to 8 as follows and is summarised in Tables 1 and 2 below:

- Appendix 1 - Schools
- Appendix 2 - Children and Young People
- Appendix 3 - Waste and other projects
- Appendix 4 - Adult Social Care
- Appendix 5 - Corporate
- Appendix 6 - Vehicles
- Appendix 7 - Transport
- Appendix 8 - Highways

Table 1 below is in three sections.

The starting point is Section 1 which shows the Capital Programme for 16/17 to 18/19 approved by the County Council in February 2016, together with the slippage of £108.778m identified in the 2015/16 outturn report.

Section 2, describes the changes as a result of Cabinet member approvals and further funding received during 2016/17 to date which results in an overall capital programme of £381.864m.

Section 3 sets out the proposed re-profiling of the capital programme for 2016/17 to 2018/19 and, where appropriate later years.

Table 1 - Summary	2015/16	2016/17	2017/18	2018/19	2019/20 and 2020/21	Total
	£m	£m	£m	£m	£m	£m
Section 1: Three year programme 2016/17 to 2018/19 inclusive approved Feb 2016 plus slippage reported in 15/16 out turn report	108.778	105.861	78.190	49.621	0.000	342.450
Section 2: Additions to the programme :						
Grant funding changes notified after Feb 2016						
Adjustment to Schools Condition funding		-0.110	-0.110	0.000	0.000	-0.220
Schools Basic Need 18/19		0.000	0.000	2.580	0.000	2.580
Devolved Formula Capital 16/17		2.545	0.000	0.000	0.000	2.545
DfT Highways maintenance annual funding		0.700	0.000	0.000	0.000	0.700
DfT Incentive funding		1.293	0.000	0.000	0.000	1.293
Disabled Facilities Grant received and paid to Districts in April 2016		11.477	0.000	0.000	0.000	11.477

Approved cabinet member reports						
a) Funded from grant						
DfT Pothole Action Fund		1.241	0.000	0.000	0.000	1.241
Balance of contribution to Fisher More High School		0.086	0.000	0.000	0.000	0.086
b) Funded from borrowing						
Customer Access Core System upgrade		1.419	0.000	0.000	0.000	1.419
Contribution to Lancashire Environmental Fund		0.100	0.100	0.100	0.000	0.300
Contribution to Rossendale BC re Rawtenstall Bus Station		0.512	0.000	0.000	0.000	0.512
Asset preservation at two waste recovery parks		3.492	0.000	0.000	0.000	3.492
Mobile libraries		0.000	0.480	0.360	0.000	0.840
c) Funded from external sources other than grant						
S278 and s106 schemes		2.282	0.000	0.000	0.000	2.282
Growth Deal and Districts re Burnley Pendle Growth Corridor		0.832	4.000	4.485	0.000	9.317
Growth Deal re East Lancs Strategic Cycle Network		0.000	0.000	1.550	0.000	1.550
Revised Current Budget	108.778	131.730	82.660	58.696	0.000	381.864
Section 3: Re-profiling						
Schools (excluding Devolved Formula Capital)		27.318	29.686	28.562	2.580	88.146
Schools Devolved Formula Capital		2.545	2.634	2.634	0.000	7.813
Children and Young People		1.491	3.014	4.560	3.586	12.651
Waste and Other		6.091	2.023	0.100	1.665	9.879
Adult Social Care		12.537	0.562	7.808	6.061	26.968
Corporate		13.251	10.848	13.661	11.349	49.109
Vehicle Replacement		1.934	3.930	3.460	0.000	9.324
Transport		35.280	26.082	14.641	0.840	76.843
Highways		51.063	39.604	19.567	0.000	110.234
Revised Profile		151.510	118.383	94.993	26.081	390.967

Table 2 below shows the position over the life of the programme against approved budget for each block and in total, as a result of the proposed re-profiling. Overall the re-profiled spend would be £ 9.103m more than the approved programme budget. This difference is explained under the paragraph titled Transport below.

Table 2 position against currently approved budget	Total approved budget	Total proposed re-profiled spend	Re-profiled spend against approved budget (over) under
	£m	£m	£m
Schools (excluding Devolved Formula Capital)	88.146	88.146	0.000
Schools Devolved Formula Capital	7.813	7.813	0.000
Children and Young People	12.651	12.651	0.000
Waste and Other	9.879	9.879	0.000
Adult Social Care	26.968	26.968	0.000
Corporate	49.109	49.109	0.000
Vehicle Replacement	9.324	9.324	0.000
Transport	67.740	76.743	-9.103
Highways	110.234	110.234	0.000
Totals	381.864	390.967	-9.103

Highways: Due to the ongoing rolling three year programme of Highways works, where emerging priorities and unanticipated service demand are constantly evolving, the re-profiling figures for the Highways and Transport blocks include current forecasts of expenditure required to complete existing approved projects. Across the Highways block in particular, some projects are forecast to overspend, and some to underspend, which has always been the case given the vast number of individual projects which comprise the Highways capital programme. In addition, the extra DfT funding received since February 2016 of £1.993m is currently being programmed.

Transport: The Heysham to M6 Link is the major scheme in this block and is the main component of this block's forecast overspend. The 2015/16 Out turn report contained not only the out turn for 2015/2016 but also the forecast out turn for the three years 2015/16 to 2017/18 inclusive, which for the Heysham scheme was reported at a forecast overspend of £6.5m, due to three elements: cost pressure due to delay, a significant number of compensation events and the need for motorway communications. This position has been updated and the current forecast overspend is £9.9m. A detailed risk matrix has been undertaken which identifies further risks of circa £5.0m which have not been built into the forecast overspend but could materialise should risk mitigation not be achieved. At this stage it is not proposed to increase the Capital Programme, by borrowing for this pressure and instead officers should be asked to review how this could be funded from within the overall capital programme.

A monitoring report detailing the forecast outturn position for 2016/17 against the re-profiled programme budget will be presented to Cabinet in December. This will include the position regarding financing of the capital programme and the Council's overall level of debt and impact on the financial strategy with a revised MTFS also being reported to Cabinet in December.

4. City Deal

The 10-year City Deal was signed by Government and the three Councils (South Ribble, Preston and Lancashire) in 2013, with 2014/15 the first year of implementation. The core principle of the City Deal is that the Councils and Government (via the Homes and Communities Agency - HCA) pool resources to deliver an agreed set of infrastructure priorities to create new homes (Circa 17,500) and jobs (Circa 20,000) in Central Lancashire.

The City Deal is underpinned by an Infrastructure Delivery Fund (£334m) split into two sections – resources, i.e., income received/forecast to be received into the fund and delivery programmes, i.e., expenditure paid/forecast to be paid on infrastructure schemes. Income is from: New Homes Bonus, Community Infrastructure Levy, business rates, local authority capital receipts, HCA loan and grant from land sales and developer contributions such as s278 monies. The City Deal is an accelerated delivery model based on an agreement that while the timing of resources coming into the model will be behind expenditure on schemes, requiring cash flow support from the County Council, there is a commitment of the partners to keep the model balanced. The model is dynamic with changes to inputs and outputs of the model occurring over time. This is sustainable subject to County Council maximum cash flow approvals being in place and not breached.

Given that the expenditure is front loaded within the programme, the County Council is responsible for cash flow support in the period when expenditure is greater than income. The scheme is managed to be in overall balance at the end of the period as income greater than expenditure flows into the project in the later years. The original model was for a 10 year delivery model – with expenditure and all income received from the housing sites to be repaid to the model in those 10 years. The City Deal itself allows for an extension of 5 years to allow for the money to come into the model if housing sales / development is not at the pace expected.

The original profile identified a maximum deficit in year 5 of £106.670m in year five, this has now decreased to a maximum of £80.393m in year 6 of the programme. The revised position is based upon payback over the full 15 year period and this will be subject to discussion by the City Deal Executive in October. The model is under regular review with the greatest sensitivity and thus impact on cash flow support from the County Council relating to housing development. These variations can relate to:

- reduced s106 monies resulting from size / speed of development;
- the number of type of housing impacts income levels;
- timing and rate of build of developments.

Risks to the County Council can be summarised as follows:

- Housing – sites not coming forward at the rate or size expected in the model – this would mean income may not be received at the expected time or level used in the model;
- Scheme cost increases – the original allocations were based on estimates without full design at a point in time of the deal being signed. There will be differences to the allocations required as schemes are fully developed and designed;
- Scheme scope changes – whilst projects had an initial plan when allocations were made the planning process can result in changes to their scope.

Whilst these issues in general pose a risk to the model remaining in balance, the City Deal Executive are aware of them and the need to take decisions in order to mitigate this by either securing additional funds, changing allocations and/or reviewing schemes.

Consultations

N/A.

Implications:

This item has the following implications, as indicated:

Risk management

The re-profiling does not make allowance for unanticipated service demands eg. out-of-the ordinary weather conditions such as the type experienced in the winter of 2015/16 which can increase costs of delivery;

In addition to the above, there are a number of specific risks within the existing programme as presented within this report. Several of these are listed below.

Section 278 Contributions

These are subject to developer timeframes, and therefore expenditure may slip.

Waste and Other Projects

Improvements to closed Landfill sites are expected to cost an additional £0.520m over the next few years.

Corporate

The Property Portfolio Rationalisation project currently has £20m identified to support the delivery of the Neighbourhood Centres Project and the general rationalisation of LCC buildings. The final re-profiling of this element of the Capital Programme remains subject to the completion of an overall delivery plan for the Neighbourhood Centres project.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A