1. PURPOSE OF THE REPORT

To advise Members of the 2016/17 Capital Programme outturn (the figures are subject to audit) and to review the 2017/18 - 2020/21 Capital Programme.

2. EXECUTIVE SUMMARY

2.1 The total capital expenditure in 2016/17 including the Housing Revenue Account (HRA) was £82,627k. This is £8,150k less than the total approved by the Executive Board at its meeting on 14 February 2017 (HF/13/17). The main reasons for the net decrease are:

- Slippage of spend on non HRA projects from 2016/17 to 2017/18 of £5,357k
- A net decrease in spend of £62k on non HRA projects.
- A net decrease in the HRA capital programme of £2,731k.

2.2 The Capital Programme is fully funded by borrowing supported by the Welsh Government, grants and contributions, capital receipts and prudential borrowing and interest free loans from Welsh Government.

2.3 On 9 June 2017 an Information Report (HF/41/17) informed Members of the Council Fund revenue outturn for 2016/17 and the proposal to transfer £885k to the Capital reserve to fund specific projects. It is proposed that £75k of this reserve is allocated to fund the purchase of Christmas lights in 2017/18 and £270k for town centre improvements including CCTV camera enhancement.
Executive Board (HCCS/73/16) on 11 October 2016 approved that the Authority should adopt a centralised model for ICT and invest in a comprehensive infrastructure redesign and refresh. The estimated cost required for the ICT investment is £1,360k with £1,215k being funded from reserves. The report identified a shortfall in funding of £145k and it is proposed that this shortfall is funded from previously unallocated Welsh General Capital Funding in 2016/17 of £85k and £60k from currently unallocated funding in 2017/18.

3 RECOMMENDATIONS

3.1 The capital outturn is noted.
3.2 Allocate £75k of the Capital Reserve to fund the purchase of Christmas lights in 2017/18 and £270k for town centre improvements including CCTV camera enhancement.
3.3 The allocation of £145k to ICT Infrastructure as outlined in paragraph 2.4 is approved.
3.4 The rolling programme for 2017/18 to 2020/21 as detailed in appendices 2 and 3, including changes to the Highways capital schemes as outlined in paragraph 4.18, is approved.
3.5 The capital programme is next reviewed and reported to the Executive Board in October 2017.

REASONS FOR RECOMMENDATIONS

(i) This report follows an earlier monitoring report in February in compliance with Financial Regulation 3.13 that requires that the Head of Finance monitors and reports to Members on the Capital Programme.

(ii) Local Authorities are required under the Local Government Act 2003 to comply with the CIPFA Prudential Code for Capital Finance.

4. BACKGROUND INFORMATION

Capital Programme 2016/17

4.1 The Executive Board approved the last revision of the capital programme 2016/17 to 2020/21 on 14 February 2017 (HF/13/17). Appendix 1 provides a summary of expenditure by service, the financing of that expenditure and the variance between the actual programme and the previously approved position.

4.2 The actual expenditure on all capital schemes is £82,627k, a net decrease of £8,150k compared with the projected expenditure reported to the Executive Board in February. The significant changes are as follows:-

Slippage of Expenditure to 2017/18

4.3 Changes to the phasing of expenditure have resulted in £5,357k of spending originally planned in 2016/17 to be rescheduled to 2017/18. Projects where significant slippage has occurred are set out below:

- Improvements to Leisure Facilities (-£444k) Variation of phasing (see paragraph 4.17).
- Arts Cultural & Market Space (-£673k). Procurement issues delayed the contractor starting on the site. Expenditure is ongoing with the work on the arts and market facility on target to be completed in spring 2018.

- South West Wrexham Renewal Areas Vibrant and Viable Places Schemes (VVP) (-£131k). The completion of schemes including final retention payments will be made in 2017/18.

- Building Components Upgrades/Replacements (-£259k). In order to comply with legislation and enable a planned programme to be established, work was concentrated on completing surveys and condition reports of the authority’s assets. Following the surveys significant investment will be required to carry out the works identified in these reports.

- Reroofing Works Redwither Tower (£150k). The scheme is currently on hold.

- Cashless Solutions in Schools (-£78k). The installation of online cashless systems for payments to be made to schools for trips, uniforms and dinners etc. is ongoing. As contributions from schools are being received towards the installations timing issues around school budgets caused delays to some sites.

- School IT Equipment (-£64k) This allocation will be used to purchase IT equipment in new schools built as part of the 21st Century Schools Programme in 2017/18.

- Secondary Schools Reorganisation phase 2 (-£406k). Upgrades to accommodation at Darland School and The Maelor School Penley are due to be undertaken in 2017/18.

- 21st Century Schools Programme Penycae Primary (-£967k). The Work on site started slightly later than originally anticipated resulting in re-phasing of the scheme.

- 21st Century Schools Programme Bryn Alyn High School (-£502k). Demolition of an existing teaching block and refurbishment work were funded from the Secondary Schools reorganisation phase 2 in 2016/17. Re-development work is ongoing with completion due by October 2017.

- Scheme Preparation Costs (-£154k). Grant funding from the Welsh Government Local Transport Fund was received for works previously identified. Significant preparation work will be undertaken in 2017/18 on scheme development, bid preparation for external grant funding opportunities and delivery of statutory duties under the Active Travel Wales Act 2013. It is also proposed to transfer some of this allocation to Carriageway Surface Condition Improvements in 2017/18. (see paragraph 4.17)

- Bridges Strengthening and Repairs (-£90k). Claim settlements at Felin Puleston were lower than anticipated and a delay due to contractors availability in a specialised area of work.

- Street Lighting (-£594k). Due to the timing of invoices for work done in 2016/17 (£300k) being received after 31 March 2017. The balance of funding is
committed for the development and implementation of the phased invest to save work.

- Wrexham Cemetery Restoration of Lodge and Chapel (−£84k) Due to phasing of payments. Work to the grade 2 Chapel Buildings and Lodge are ongoing with the refurbishment due to be completed in the spring.

- Purchase of Recycling vehicle and Containers (−£224k). The orders for additional recycling boxes and vehicles were placed prior to the end of March but not received. The boxes have been now been received with the vehicles due to be received in the near future.

**Other Changes**

4.4 Other variations between the revised capital programme reported in February and the actual expenditure account for a net decrease in planned spending of £62k. The main reasons are as follows.

- Improvements to Leisure Facilities (−£143k). Variation of scheme costs (see paragraph 4.17).

- Substance Misuse Action Fund (SMAF) (−£231k). Planning was refused by Conwy County Council for the North Wales Area Planning Board scheme in relation to the Wallich Supported Residential Recovery Project.

- Cefn Mawr Townscape Heritage phase 2 (+£57k). Increased costs due to new contractors appointed to two sites following health and safety issues and unforeseen works occurring. The scheme is now completed with the final claim for grant funding being made to the Heritage lottery Fund (HLF).

- Miner’s Rescue Centre (−£150k). A number of conditions within the VVP grant funding requirements were not able to be met by this project and therefore did not proceed.

- Replacement Catering Equipment in Schools (+£116k). A number of large items of catering equipment in various schools were identified in the year as in need of replacement.

- South West Wrexham Renewal Area (+£69k). Additional Specific Capital grant for Renewal areas was awarded to the Authority due to underspends of grant by other local Authorities in the year.


- Refurbishment of Toilets in Schools (+£111k). Toilet Refurbishments at three schools were undertaken in the year funded by contribution from the repairs and maintenance revenue budget.
4.5 Changes to the projected HRA Capital Programme has resulted in a decrease of expenditure for 2016/17 of £2,731k. The main variances to the programme were:

- **Kitchens (-£1,234k).** During the last twelve months, there have been 767 tenant refusals. This has been for a variety of reasons, ranging from not wanting the disturbance, to having previously replaced the kitchen themselves. A plan is underway to revisit the tenant refusals as it is important to complete as many kitchens and bathrooms as possible. To encourage tenants who have previously refused to reconsider, an article will be included in the 'Housing Hotline' with testimonials from residents who are pleased with the works.

- **Bathrooms (-£1,272k).** There were 781 properties where tenants refused bathroom installations in the last twelve months. Reasons for refusal include tenants being happy with the existing bathroom, not wanting further disturbance or having had a disabled adapted bathroom installed or pending. As highlighted previously, a plan of action is underway for targeting the refusals.

- **Roofs & Structures (-£538k).** Extremely competitive tendered rates were received on a new framework which resulted in more roofs being replaced at a lower cost. This provided value for money against the original estimate for 2016/17. Additionally, different roof types and designs have impacted on this budget.

- **Major Repairs (+£549k).** This was as a result of the improvements made during the year in reducing the number of empty properties. When undertaking work to empty properties, enhanced work has been undertaken to improve those properties which are in a poor condition. Undertaking this additional work is considered to be beneficial and, in many cases necessary as it is cost effective to carry out this work whilst the property is vacant and in addition, this benefits the future in terms of tenant satisfaction and property desirability for re-letting.

- **Non Traditional Housing Repairs (-£468k).** There was a delay in getting onto site due to procurement issues. In addition the start has been slowed by the need to remove AIB Asbestos boarding which is a notifiable product to the Health & Safety Executive.

- **External Works (+£295k).** The cost of work varies as each area is different in terms of the actual works being carried out. Some of the areas worked on in 2016/17 have resulted in extensive works due to the topography, whereas, other areas are less challenging.

- **Environmental Improvements (-£229k).** There have been issues with internal resources to progress this budget which are currently under review. Some schemes also require planning and consultation with outside organisations e.g. Cadw.

- **Asbestos Work (+£264k).** The Asbestos budget covers all survey and removal works that are required prior to the capital programme works commencing. The quantity of asbestos related works varies and is dependent on the scope and extent of the capital programme work. In recent years an increasing proportion of this budget has been allocated to the removal of asbestos containing
materials ensuring that the future costs of managing asbestos are minimised and removing the risk from our properties.

4.6 On 14 June 2017 Homes & Environment Scrutiny Committee (HHE/28/17) reviewed the progress in 2016/17 towards achieving the Welsh Housing Quality Standard (WHQS) by 2020. The report summarised the operational position at the end of quarter 4 and for the full previous twelve months.

**Funding**

4.7 In funding the capital expenditure, the £5,661k Welsh Government General Capital Funding (GCF), and £7,570k Welsh Government Major Repairs Allowance (MRA) have been used in full.

4.8 Other specific grants and contributions of £27,782k were used. £6,724k from Capital Receipts, £31,736k by Unsupported (Prudential) Borrowing, £2,475k from the Welsh Government Local Government Borrowing Initiative (LGBI) and £679k from interest free loans from the Welsh Government.

**Capital Programme 2017/18 – 2020/21**

4.9 The revised programme includes:

- revised forecasts of expenditure on committed schemes.
- projects which have received specific funding or been agreed by the Executive Board.
- Annual capital provisions.

4.10 The resources available to fund the programme comprise Welsh Government unhypothecated and hypothecated supported borrowing, grants, contributions, capital receipts and prudential system unsupported borrowing.

4.11 By their very nature, capital programmes are dynamic and during the course of the year further funds may be made available for specific schemes. A close watch will also be needed to ensure that sufficient capital receipts are realised. It is therefore recommended that the capital programme is reconsidered and reviewed again in October 2017.

4.12 Specific issues on funding and spend on schemes in the programme are discussed below:

**Funding**

**Capital Receipts**

4.13 As shown in Appendix 1, the proposed capital programme will require capital receipts funding of an estimated £8.9 million from 2017/18 onwards. The corporate usable capital receipts available at 1 April 2017 were £11.9 million (including £2.2m HRA), which, together with a programme of asset sales for 2017/18 and 2018/19 estimated to realise £2.5m, gives an anticipated surplus of £5.5m. In accordance with Executive Board capital receipts policy £4.4m is earmarked for specific school improvements, £0.5m for the Commercial Estate and £0.6m for Affordable Housing projects.
Spending

Schemes Approved since the preparation of last monitoring report to the Executive Board on 14 February 2017

Capital Reserve

4.14 On 9 June 2017 an Information report (HF/41/17) was provided to Members informing them of the Council Fund revenue outturn for 2016/17, the proposals regarding the reserves and the year-end carry forward arrangements. The report included a proposal to transfer a sum of £885k to the Capital reserve to fund specific projects. It is proposed to allocate £75k of the reserve to fund the purchase of Christmas lights in 2017/18 and £270k for town centre improvements including CCTV camera enhancement.

4.15 It is the intention to carry out phased work in the town centre to continue to improve the environment in order to encourage more people to shop in the town. The initial plan is to focus on a single street and share the plans with local businesses to receive feedback and provide an opportunity to input ideas. The timescales for this work are still to be determined but it is intended to complete works in 2017/18.

Variations to Approved Schemes

ICT Infrastructure

4.16 Executive Board (HCCS/73/16) on 11 October 2016 approved that the Authority adopt a centralised model for ICT and invest in a comprehensive infrastructure redesign and refresh, including business applications, security network connectivity, data centre and facilities in order to support the wider service transformation. A one-off capital investment of £1,215k was approved with £615k funded from the capital reserve together with £600k from the Reshaping reserve. The estimated cost of the ICT Infrastructure is £1,360k with the shortfall of £145k now proposed to be funded from unallocated Welsh General Capital Funding in 2016/17 of £85k and £60k from currently unallocated funding in 2017/18.

Improvements to leisure Facilities

4.17 On 15 March 2016 the Authority received notification from Welsh Government that it had been awarded repayable funding of £1,000k from the Sports Facilities Capital Loan Scheme. The funding, together with £1,661k financed by prudential borrowing, is for improvements at nine sports facilities in the borough. The start date for improvements at Waterworld and Chirk Leisure Centre was slightly later than originally anticipated with revised completion dates of August 2017 and June 2017 respectively. Improvements to the All-weather pitch at Chirk was completed in March 2017 the pitches at Queensway completed in May 2017 and with work on the pitches at Morgan Llwyd due to start in July 2017. Replacement equipment will be installed at four sites on completion of the refurbishments.

Carriageway Surface Condition Improvements

4.18 Within the Highways capital budget, £154k funding for Scheme Preparation Costs originally planned to be used in 2016/17 has been rescheduled to 2017/18 (see paragraph 4.3). This would increase the allocation for Scheme Preparation Costs in
2017/18 to £329k. Due to the growing pressure on the Authority’s road infrastructure, and the level of capital investment being limited to the current allocation in 2017/18, it is proposed to transfer £200k from Scheme Preparation Costs and allocate to Carriageway Surface Condition Improvements.

**Projects Funded by Specific Grant**

**Flying Start**

4.19 Notification was received from Welsh Government on 26 April 2017 that the authority had been awarded Flying Start Capital funding of £35k to install security lighting at the Gwenfro Flying Start office and Childcare setting.

**ENABLE- Support for Independent Living**

4.20 An award of £158k has been made to the authority by Welsh Government in relation to the delivery of adaptations under the Enhanced Adaptations Service, ENABLE- Support for Independent living.

**Transport Grant**

4.21 The Authority received notification from Welsh Government on 19 April 2017 that it had been awarded £115k to complete outstanding matters on construction works, land negotiations and settlement of claims for Wrexham Industrial Estate Access Road.

4.22 Notification was also received from Welsh Government on 22 March 2017 that applications had been successful for grant funding on various transport schemes. The Authority has been awarded £169k from the Local Transport Fund for Active Travel Mapping and Improving Active Travel to Employment Sites. Road Safety grant of £173.7k has been awarded for three schemes in the Wrexham area with the aim to reduce casualties on Welsh roads. Also £72k has been awarded from Safe Routes in Communities for improving accessibility and safety to Victoria School Wrexham.

**Collaborative Change Programme**

4.23 The Welsh Government notified the Authority in February 2017 that funding of up to £480k had been awarded in relation to the Collaborative Change Programme to enable the purchase of three Resource Recovery Vehicles for regional use.

**Rights of Way Improvement Plans (ROWIP)**

4.24 Natural Resource Body for Wales (NRW) on behalf of Welsh Government have allocated the Authority £34k funding towards the implementation of adopted Rights of Way Improvement Plans in 2017/18.

5. **IMPLICATIONS**

5.1 **Policy Framework** – The process of producing the capital programme falls within the corporate theme of Organisation. However, individual projects will be prioritised under the People, Economy and Place themes.
5.2 **Budget** – The total capital programme for 2017/18 is £81.4 million, funding details are provided in Appendix 1.

5.3 **Legal** – Significant legal implications of individual projects are the subject of separate, project specific reports.

5.4 **Staffing** – There are no direct staffing implications as a result of this report.

5.5 **Equality/Human Rights** – Equality Impact Assessments are undertaken in relation to specific projects.

5.6 **Risks** – The risks which could impact on this Programme are:-

- Capital receipts are not delivered to the planned level.
- General Capital funding levels reduced.
- Projects overspend.

6. **CONSULTATION**

6.1 The Joint Member/Officer Corporate Land and Buildings Strategy Group received the ‘Allocation of funding to capital projects 2020/21’ report on 7 September 2016.

7. **EVALUATION OF OPTIONS**

7.1 Options are considered on a project by project basis in accordance with the Project Management Toolkit.

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