

## NORTH LINCOLNSHIRE COUNCIL

### Council

#### Capital Investment Strategy and Capital Programme 2018-2022

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek approval of the Council's Capital Investment Strategy 2019-2022.
- 1.2 To approve the revised capital programme 2018/19
- 1.3 This paper proposes a Capital Investment plan of £99.5m for 2019-2022.

##### 2. BACKGROUND INFORMATION

- 2.1 Capital expenditure is a key enabler for the Council to fulfil its duties and delivery of its ambitions and Council Plan priorities. Investment in the right things can underpin and support the achievement of improved outcomes for people and place of North Lincolnshire. Capital investment also contributes to efficiencies in the operation of the council and income generation to support long-term financial sustainability.
- 2.2 Local Authorities are now required to publish a Capital Investment Strategy as per the Chartered Institute of Public Finance and Accountancy (CIPFA): Prudential Code for Capital Finance in Local Authorities (2017). The code was updated to introduce more contextual reporting through the requirement to produce a capital strategy, which is intended to allow individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment.
- 2.3 There are three key elements to the Strategy.
  - Capital Investment Principles
    - Invest in outcomes
    - Invest for a return
    - Invest to save
  - Prudential Indicators
    - Indicators required by the Prudential Code

- Local indicators
  - Indicators of sustainability, value for money and risk management

The Strategy also sets out the legal and regulatory framework around capital investment. The Local Government Act 2003 is the main relevant legislation and CIPFAs Prudential Code is the core of the regulatory framework.

- 2.4 The current programme has been reviewed in line with the requirement of the Prudential Code and Capital Investment Strategy. A revised programme of capital schemes for 2018/19 is included in Appendix B, which informs the availability of capital resources for the three year period 2019/22. The future capital programme underpins the Council's strategic intent and ambition for the area. The Capital Investment Strategy and proposed plan provides an affordable and agile approach to investment prioritisation to enable the investment required to grow the local economy, enable communities to flourish, keep people safe and well whilst ensuring efficient operation of the council and long-term financial sustainability.

### 3. **OPTIONS FOR CONSIDERATION**

- 3.1 To approve the Capital Investment Strategy 2019-22, Appendix A
- 3.2 To approve the revised Capital Programme 2018/19, Appendix B
- 3.3 To approve the Capital Programme and Investment Resource 2019-22, Appendix C

### 4. **ANALYSIS OF OPTIONS**

#### **Affordability & Prudence**

- 4.1 Appendix C identifies funding of £99.5m to finance the capital programme over the three year period 2019/22. The funding is broken down as follows:-

#### Grant and External Funding (£49.7m)

- 4.2 The council seeks to maximise external funding for its capital schemes. This funding includes Government grants, funding from external organisations such as LEP funding. Some external funding requires match funding from the council.

#### Capital Receipts (£13.6m)

- 4.3 The council has an ambitious programme of asset rationalisation and disposal. This generates capital receipts which reduce the council's need to borrow.

#### Borrowing (£36.1m)

- 4.4 Further borrowing is required to support the proposed programme. The revenue cost of this borrowing, in the form of interest payments and Minimum Revenue Provision (MRP) payments are incorporated into the Medium Term Financial Plan presented alongside this report. Similarly the effect on Prudential Indicators are incorporated into the Treasury Strategy report also presented alongside this report.
- 4.5 The appropriate level of borrowing for the council is locally determined, taking into account the advice of its Chief Financial Officer. The Council agreed in February 2016 that the limit for capital financing costs should be set between 10% and 12% of the net revenue stream. The Capital Investment Strategy also proposes a local indicator of Total debt as a percentage of long term assets. This indicator is currently 34% and a limit of 40% is proposed.
- 4.6 Capital resources are limited and therefore robust prioritisation is a fundamental element of the Council's stewardship of public funds. A finite programme needs to work for the Council, make a difference to the area and people and generate returns on the investment. In extending the capacity of the programme it is important to avoid erosion of capital funding capacity through investment in schemes which may stand up on an individual basis, but collectively do not deliver the impact they could or exposes the council to too much collective risk. Schemes need to be evaluated relative to each other as well as independently necessitating a programmed approach.
- 4.7 The Capital Investment Strategy sets out the framework for all capital investment decisions. To enable long-term financial sustainability, the Capital Investment Strategy puts in place a more business-like approach to asset management and use of capital to support delivery of the Council Plan. This report proposes an affordable level of internal capital resource to be made available to future projects, after taking account of the existing commitments.
- 4.8 In addition to the committed capital programme the council also recognises that additional capital investment will be needed to support its transformation plans, to meet new and existing legislation; to maintain the infrastructure required to carry out its day to day business effectively and efficiently and to support the regeneration of the area. New investment needs are identified through the council's capital planning process and in line with our Capital Investment Strategy. Decisions are informed through a prioritisation process which takes account of such issues as local need, financial & social return, external funding availability and overall affordability.
- 4.9 Ongoing investment is required in some areas of the council's responsibilities, investment in highways improvements, replacement of machinery and vehicles, replacing outdated technology and improving flood defences being good examples of where this is the case. Other

areas of potential new investment may be more focussed on enhancing our current offer or making the most of commercial opportunities, potential new facilities for children or the purchase of commercial property for local business.

- 4.10 The Council will also look for more efficient ways of working and capital investment is often essential in facilitating these changes. This might take the form of physical changes to council buildings or new customer focussed digital software and hardware amongst other things.
- 4.11 Recognising this need, the capital investment plan for 2019/22 makes available £37m for these purposes, in addition to the £62.5m schemes outlined in the programme.
- 4.12 For planning purposes the current capital programme is prudent in terms of the internal resources currently available for the period of the plan. Grant and external funding can provide additional resource, but the potential for increased operating costs associated with assets funded in this way must be factored into our budget planning to determine affordability. The MTFP provides for the appropriate level of borrowing after taking account of grants and other external funding, and an ambitious target of capital receipts to be generated through the sale of surplus assets.

## **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

- 5.1 The capital programme has to be contained within available resources, including the impact of borrowing on revenue budgets.
- 5.2 Part 1, section 3 of the Local Government Act 2003 places a duty on the council to determine an affordable borrowing limit and to keep this under review. The proposed basis for measuring what is affordable is discussed in section 4.
- 5.3 Future revenue resources are do not yet have certainty pending the Comprehensive Spending Review CSR 2019 and further proposed changes to the local government finance system included the Fair Funding review. It is important, therefore, that the council does not overcommit resources to capital investment, which has an unsustainable impact on its revenue budget.
- 5.4 Calls for additional internally resourced capital schemes or contributions to match funded schemes should be carefully considered against other priorities for the revenue budget and where possible financing costs should aim for the lower end of the affordability benchmark.

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 Individual capital schemes are subject to impact assessment as appropriate.
- 6.2 The Local Government Act 2003 provides the legal framework for local authorities in determining the use of capital resources and use of borrowing. The strategy has been written in line with the statutory guidance published by CIPFA: Code of Prudential for Capital Finance in Local Government.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 7.1 The capital strategy is part of the council's strategic and service planning. Consultation takes place on a number of these plans including the Local Transport Plan and an Asset Management Plan for schools.
- 7.2 These plans help the council to identify its priorities for capital investment. Plans are made with reference to professional and technical requirements and in consultation with relevant stakeholders.

## **8. RECOMMENDATIONS**

- 8.1 To approve the capital investment strategy outlined in Appendix A.
- 8.2 To approve a revised capital programme for 2018/19 at Appendix B.
- 8.3 To approve the capital programme and investment resource for 2019/22 at Appendix C.
- 8.3 To confirm that, subject to the approval of the Cabinet Member for Finance and Governance, further capital projects, fully funded by external sources, which are self-financing or which will not cause the council's capital financing costs to exceed 12% of its net revenue stream, may be added to the capital programme when known and assessed by a proper business case.
- 8.4 To authorise the Chief Financial Officer to determine the methods of capital financing within the available funding (revenue budget, capital receipts, borrowing, specific external funding and leasing).
- 8.5 That the Chief Financial Officer be delegated authority to:
  - borrow within authorised limits and the operational boundaries for external debt
  - effect movements between agreed borrowing figures and long term liabilities, in accordance with option appraisal and the achievement of value for money for the council. Movements are to be reported to

cabinet or council as appropriate at the next meeting following the change

- 8.6 To approve the Prudential Indicators contained in Capital Investment Strategy Annex F, as modified by changes made to the capital programme, in accordance with Part 1, sections 3 and 5 of the Local Government Act, 2003.
- 8.7 To report any amendments required to Prudential Indicators during 2019/20, to Audit Committee, Cabinet or Council as appropriate

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#### **Background Papers used in the preparation of this report:**

Local Government Act 2003  
CIPFA Code of Practice 2018-19  
CIPFA The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

See separate document.

Revised Capital Programme 2018/19 (summary)

APPENDIX B1

Latest Approved Programme	2018/19 £000's
<b>Investment In Priority</b>	
Keeping People Safe And Well	616
Enabling Communities To Flourish	16,131
Growing The Economy	43,862
Organisational Enablers	6,097
<b>Total</b>	<b>66,706</b>
<b>Funding Analysis</b>	
External & Grant Funding	28,416
Revenue Funding	80
Borrowing	33,049
Capital Receipts	4,245
PTA Receipts	917
<b>Total</b>	<b>66,706</b>



Revised Capital Programme 2018/19 (detail)

APPENDIX B2

Capital Investment by Priority	2018/19		
	Total £000's	External Funding £000's	Internal Funding £000's
<b>Keeping People Safe And Well</b>			
Safer Roads Fund	276	276	-
Additional Defibrillators	48	-	48
Safe & Sound Grant	12	12	-
School Safety Zones	45	-	45
Telecare Investment	235	235	-
<b>Total</b>	<b>616</b>	<b>523</b>	<b>93</b>
<b>Enabling Communities To Flourish</b>			
Learning Disability & Tech	484	484	-
Community Equipment	250	250	-
Street Lighting & LED	4,000	-	4,000
20-21 VAC Refurbish Visitor Facilities	34	10	24
Ancholme River Path / Isle Cycleways	875	-	875
Axholme North Sports Centre	3,102	-	3,102
Barrow Market Place	24	-	24
Barton Leisure & Wellbeing Investment	1,699	-	1,699
Belton Picnic Area	277	-	277
Brigg Recreation Ground Redevelopment	9	-	9
Burton Sports Centre	133	-	133
Cremator	23	-	23
Environmental Improvements	100	-	100
Epworth Pool	34	-	34
Humberhead Levels Landscape Pt	358	238	120
Moors Railway	33	-	33
Normanby Hall Country Park Investment	125	-	125
Plowright Dressing Room Refurbishment	9	-	9
Skate Parks & Multi Use Games Areas	22	-	22
Visitor Centres	398	-	398
Winterton Gym & Skate Park	28	-	28
Community Services Infrastructure & HRC Sites	297	-	297
Leisure Equipment Replacement	180	12	168
Parks & Play Areas	50	-	50
Scunthorpe Bowls	5	-	5
Winterton Artificial Pitch	8	-	8
Scunthorpe Library Hub Investment	456	-	456
Enhanced & Prosperous Communities Fund	750	-	750
Westcliff Regeneration	13	-	13
War Memorials	10	-	10
Community Capital Grants	400	-	400
Disabled Facilities Grants	1,230	1,230	-
Home Assistance/RHHA Loan	715	597	118
<b>Total</b>	<b>16,131</b>	<b>2,821</b>	<b>13,310</b>

Capital Investment by Priority	2018/19		
	Total £000's	External Funding £000's	Internal Funding £000's
<b>Growing The Economy</b>			
Boosting Town Centres	150	-	150
Early Years Capital Fund	770	641	129
Enabling Housing Growth	170	-	170
Lincolnshire Lakes Blue Offer	12	12	-
Lincolnshire Lakes Flooding Prevention	4,054	4,054	-
Market Investments	7,337	2,315	5,022
Normanby Enterprise Phase 7	160	73	87
Northern Junction Lincolnshire Lakes Roundabout	78	78	-
Ongo Office Accommodation	1,768	504	1,264
Property Trading Account Developments	117	-	117
School Wellbeing Funding	129	-	129
Town Centre Regeneration - Car Parking	70	-	70
Formula Capital Devolved To Schools	320	320	-
Investment Property Schemes	1,200	-	1,200
Schools Investment Programme	3,266	2,343	924
BDUK North Lincs Broadband	398	398	-
Local Transport Plan	16,142	13,970	2,172
Trent & Humber Flood Works	1,771	-	1,771
Work well - Council Offices - Town Centre Regeneration	5,950	-	5,950
<b>Total</b>	<b>43,862</b>	<b>24,708</b>	<b>19,155</b>
<b>Enablers</b>			
Carbon Management	164	-	164
Waste Transfer Station	99	-	99
Dragonby Energy efficiency	57	35	22
Capital Receipts Flexibility	1,284	-	1,284
Best Assets - Communities' Buildings Investment	773	-	773
Best Assets - Efficient Fleet	2,128	-	2,128
Work well - A Digitally Efficient Council	1,592	329	1,263
<b>Total</b>	<b>6,097</b>	<b>364</b>	<b>5,733</b>
<b>Total Capital Investment</b>	<b>66,706</b>	<b>28,416</b>	<b>38,291</b>

Capital Programme and Investment Resource 2019/22

APPENDIX C1

Latest Approved Programme	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
<b>Investment In Priority</b>				
Keeping People Safe And Well	667	2,022	156	2,845
Enabling Communities To Flourish	6,515	2,229	2,229	10,973
Growing The Economy	29,361	8,068	7,391	44,820
Organisational Enablers	2,920	720	220	3,860
<b>Total</b>	<b>39,463</b>	<b>13,039</b>	<b>9,996</b>	<b>62,498</b>
Schemes in development for business case confirmation or re-prioritisation	15,000	11,000	11,000	37,000
<b>Capital Investment Limit</b>	<b>54,463</b>	<b>24,039</b>	<b>20,996</b>	<b>99,498</b>
<b>Funding Analysis</b>				
External & Grant Funding	28,608	11,839	9,296	49,743
Revenue Funding	138	-	-	138
Borrowing	18,666	8,700	8,700	36,066
Capital Receipts	7,051	3,500	3,000	13,551
PTA Receipts	-	-	-	-
<b>Total</b>	<b>54,463</b>	<b>24,039</b>	<b>20,996</b>	<b>99,498</b>

Capital Programme and Investment Resource 2019/22 (detail)

APPENDIX C2

Capital Investment by Priority	2019/20			2020/21			2021/22		
	Total £000's	External Funding £000's	Internal Funding £000's	Total £000's	External Funding £000's	Internal Funding £000's	Total £000's	External Funding £000's	Internal Funding £000's
<b>CAPITAL INVESTMENT IN PROGRESS</b>									
<b>Keeping People Safe And Well</b>									
Safer Roads Fund	190	190	-	1,866	1,866	-	-	-	-
Safe & Sound Grant	88	88	-	-	-	-	-	-	-
School Safety Zones	7	-	7	-	-	-	-	-	-
Telecare Investment	382	382	-	156	156	-	156	156	-
<b>Total</b>	<b>667</b>	<b>660</b>	<b>7</b>	<b>2,022</b>	<b>2,022</b>	<b>-</b>	<b>156</b>	<b>156</b>	<b>-</b>
<b>Enabling Communities To Flourish</b>									
Community Equipment	129	129	-	129	129	-	129	129	-
Street Lighting & LED	1,022	-	1,022	500	-	500	500	-	500
Barton Leisure & Wellbeing Investment	342	-	342	-	-	-	-	-	-
Cremator	16	-	16	-	-	-	-	-	-
Humberhead Levels Landscape Pt	226	86	140	-	-	-	-	-	-
Normanby Hall Country Park Investment	231	-	231	-	-	-	-	-	-
Skate Parks & Multi Use Games Areas	7	-	7	-	-	-	-	-	-
Scunthorpe Library Hub Investment	51	-	51	-	-	-	-	-	-
Enhanced & Prosperous Communities Fund	885	-	885	-	-	-	-	-	-
Disabled Facilities Grants	3,386	3,386	-	1,500	1,500	-	1,500	1,500	-
Home Assistance/RHHA Loan	220	220	-	100	100	-	100	100	-
<b>Total</b>	<b>6,515</b>	<b>3,821</b>	<b>2,694</b>	<b>2,229</b>	<b>1,729</b>	<b>500</b>	<b>2,229</b>	<b>1,729</b>	<b>500</b>

Capital Investment by Priority	2019/20			2020/21			2021/22		
	Total £000's	External Funding £000's	Internal Funding £000's	Total £000's	External Funding £000's	Internal Funding £000's	Total £000's	External Funding £000's	Internal Funding £000's
<b>Growing The Economy</b>									
Early Years Capital Fund	20	-	20	-	-	-	-	-	-
Lincolnshire Lakes Blue Offer	4,325	4,325	-	510	510	-	-	-	-
Lincolnshire Lakes Flooding Prevention	300	300	-	-	-	-	-	-	-
Normanby Enterprise Phase 7	963	750	213	-	-	-	-	-	-
Northern Junction Lincolnshire Lakes Roundabout	3,918	3,918	-	-	-	-	-	-	-
School Wellbeing Funding	120	-	120	-	-	-	-	-	-
Town Centre Regeneration - Car Parking	163	-	163	-	-	-	-	-	-
Formula Capital Devolved To Schools	1,271	1,271	-	377	377	-	377	377	-
Investment Property Schemes	4,300	-	4,300	-	-	-	-	-	-
Schools Investment Programme	4,746	4,458	288	1,549	1,549	-	1,382	1,382	-
Town Centre Regeneration	1,100	1,100	-	-	-	-	-	-	-
Local Transport Plan	7,985	7,985	-	5,632	5,632	-	5,632	5,632	-
Work well - Council Offices - Town Centre Regeneration	150	-	150	-	-	-	-	-	-
<b>Total</b>	<b>29,361</b>	<b>24,107</b>	<b>5,254</b>	<b>8,068</b>	<b>8,068</b>	<b>-</b>	<b>7,391</b>	<b>7,391</b>	<b>-</b>
<b>Enablers</b>									
Dragonby Energy efficiency	20	20	-	20	20	-	20	20	-
Capital Receipts Flexibility	1,500	-	1,500	500	-	500	-	-	-
Work well - A Digitally Efficient Council	1,400	-	1,400	200	-	200	200	-	200
<b>Total</b>	<b>2,920</b>	<b>20</b>	<b>2,900</b>	<b>720</b>	<b>20</b>	<b>700</b>	<b>220</b>	<b>20</b>	<b>200</b>
<b>Total Capital Investment in Progress</b>	<b>39,463</b>	<b>28,608</b>	<b>10,855</b>	<b>13,039</b>	<b>11,839</b>	<b>1,200</b>	<b>9,996</b>	<b>9,296</b>	<b>700</b>
Additional Capital Investment Allocation	15,000	-	15,000	11,000	-	11,000	11,000	-	11,000
<b>Total In Progress</b>	<b>54,463</b>	<b>28,608</b>	<b>25,855</b>	<b>24,039</b>	<b>11,839</b>	<b>12,200</b>	<b>20,996</b>	<b>9,296</b>	<b>11,700</b>