

Causeway Coast and Glens Borough Council

To: Corporate Policy and Resources Committee

2015 / 16 Capital Programme

16TH June 2015

For Decision

Report to Committee

| Linkage to Interim Corporate Plan | |
|-----------------------------------|---|
| Strategic Themes | Transition and Transformation Prosperity Health & Wellbeing Cohesive Community Estates Sustainability Fleet Management |
| Lead Officer | Richard Baker - Director of Leisure & Development Aiden McPeake – Director of Environmental Services |
| Cost: (If applicable) | Current Estimate c. £4.355m Capital |

The purpose of this report is to present the draft Capital Programme to Members for approval.

Background

A Capital Workshop was held for Members on the evening of 20th May 2015. A full copy of the material presented is attached. This report summarises the content of what was presented and puts forward the recommendations for decision.

It is of note that the Capital Programme does not supersede the 4 – step project approval process already approved by Council. While the Capital Programme is a necessary tool for financial and project delivery business planning, every project within it still requires the specific approval of Council at each point on the 4 –step process.

Capital Projects

Procurement of assets that have a useful life exceeding 1 financial year is considered Capital Expenditure. Examples include;

- Computer Equipment ~ 3 year life
- Plant, Machinery and Vehicles ~ 5 year life
- Buildings ~ 40 year life
- Drainage, Roads etc ~ 80 year life

Capital Projects are accounted for and can be paid for over the life of the asset – in contrast to operational and running costs which must be accounted and paid for annually. Annual revenue is used to service capital debt or build a capital fund.

Summary of Councils 4 – Step Approval Process

- Approval Gateway for **Stage (1)** work; to undertake proportional Scoping, Feasibility and OBC Work (£ usually circa 1% total capital cost estimate and less for very large projects)
- Approval Gateway for **Stage (2)** work; approve OBC, complete Procurement to Final Tender Report and produce Final Business Case (£ usually circa 2% - 3% of total capital cost estimate and less for very large projects)
- Approval Gateway for **Stage (3)** work; approve / appoint winning tenderer, sign contract and manage construction (£ up to 110% of total capital cost estimate); **INVESTMENT DECISION**
- Approval Gateway for **Stage (4)** work; approve handover of asset into service and manage operations

Sources of Capital

Capital can be Direct Capital or Annual Revenue Funded Capital. Direct Capital comprises of Grant Aid and any Capital Asset Realisation resulting from the disposal of redundant / excess property. Annual Revenue Funded Capital (ARFC) is also known as loan capital. For every £1m of Capital to be raised, circa £65k of Revenue per year for 25 years is needed to repay the loan.

The Revenue needed to pay for loans can come from 4 main sources;

- Revenue Payments on Loans that expire in-year
- Revenue Savings on Operations
- Revenue Income Increases
- Revenue Increase from District Rates

Total Capital available in-year = Direct Capital + the Annual Revenue Funded Capital

Grant Aid

Looking at each source of Capital in-turn and starting with Grant Aid; A Funding Unit is being set up within the new structure that has been approved by Council. The purpose of the unit is to coordinate and maximise external funding from Central Government and the EU. Evidence shows that Funding Units already set up in similar size Northern Ireland Councils to Causeway Coast and Glens are securing £10m+ of UK and EU funding annually.

Capital Asset Realisation

In relation to Capital Asset Realisation, central government policy (Department of Finance and Personnel) states that "*Councils ...are obliged to limit their land and property holdings to the minimum required for the performance of their present and clearly foreseen responsibilities.*" This means that there is a presumption in favour of disposal and that a business case is required to retain any unutilised property within public ownership.

One of the opportunities presented by Local Government Reform is the chance to rationalise and consolidate Councils estate and thereby to reduce operating costs and free-up the Capital Value of under used or unused property. Many towns and villages within the Borough have a Council Sports Facility, Community Centres and / or Town Hall, DENI Youth Centre, DCAL Library, DH Health Centre, one or more ELB Schools and one or more CCMS Schools. Often these facilities are underutilised and the opportunity to rationalise and consolidate not only provides cost benefits but can also deliver service improvements.

Central government set up a Capital Asset Realisation Team (CART) to drive this agenda throughout its estate and setting up a similar arrangement within Council could help to realise the benefits that can be delivered.

Revenue Payments on Loans that expire in-year

Moving on to look at Annual Revenue Funded Capital, the first area to examine is the current loan book. Analysis of the loan book shows that the Minimum Revenue Provision (MRP) required remains fairly static for the next three years and that it is 2018 before further significant loans can be drawn without increasing the current level of MRP. Accordingly, the revenue payments on loans that expire in-year do not become a viable method of raising capital until 2018 and beyond and in the meantime, other revenue sources to raise capital must be found.

In addition, analysis of the current data indicates an un-provisioned capital requirement of £1.8m from the legacy Councils – this represents capital that was spent or contractually committed before Causeway Coast and Glens Borough Council came into existence and that had not already been allowed for in the legacy Council District Rates. The result of this is the requirement to find £120k per year to service these loans and this represents a 0.3% increase to the District Rate.

Revenue Savings and Increased Income

Revenue Savings can be made by reducing staff, utility or external costs. For example, the 2015 / 16 LED Lighting Upgrade can save £30k per year on Councils Electricity Bill and there may be future potential to reduce costs by, for example, delivering some services in partnership with the private and third sectors.

Revenue Income can be increased by transforming how we do business. For example, the 2015 / 16 Solar Energy Scheme can generate £50k per year power and ROC income. There may also be future potential to, for example, extend caravan sites and increase annual income. These types of Revenue Savings and Increased Income can be used to fund capital – the 2015 / 16 examples referred to above provide a net £80k of additional annual revenue and this additional annual revenue can fund £1.23m of additional Capital in 2015 / 16.

Further work to save revenue and increase income is ongoing and is an integral and vital part of the merging and reform process being undertaken by Council.

Current Stage 2 projects recommended to go forward in 2015 / 16

| Stage 2 Projects | Notes |
|---|--|
| Essential Fleet | Operational Requirement |
| Essential Estates Life Cycle | Operational Requirement |
| Essential ICT | Operational Requirement |
| Enterprise Zone | Secures £20m Private Investment |
| Carrick Dhu | Retains £500k per year revenue income |
| Dungiven Sports Facilities | Dependent on DCAL Grant |
| Magilligan Community Centre | Audit has established need |
| Diversity Play Park | Dependent on Landfill Tax Credit Grant |
| Portstewart EI Scheme | Dependent on DSD Grant |
| Ballymoney Social Centre Improvement | No Business Case at this stage |
| Cloughmills Old Mill Building Scheme | Dependent on HLF Grant |
| 3G pitch @Riada Playing fields Ballymoney | No Business Case at this stage |

Current Priority Stage 1 projects recommended to go forward in 2015 / 16

| Stage 1 Priority Projects | Notes |
|--|--|
| Ballycastle Harbour Quay Wall Protection | Required to prevent further deterioration and cost |
| Cushendall Caravan Park Touring Pitches | Required to maintain revenue generation |
| West Bay Sea Defence | Required to prevent further deterioration and cost |
| Portrush Harbour Sea Defence (Rock Armour) | Required to prevent further deterioration and cost |
| Solar Panel Projects (CCG) | Generates £50k per year additional revenue income |
| LED lighting replacement | Saves £30k per year in electricity costs |

The tables above identify the Stage 2 and Priority Stage 1 projects recommended to comprise the 2015 / 16 Causeway Coast and Glens Borough Council Capital Programme and therefore to be brought forward individually to Council for specific approvals in due course. Some of the Stage 2 Projects listed were based on approvals from the legacy Councils and require business cases to proceed to stage 3 while others are dependent on confirmation of grant aid. Given the current financial constraints, the projects proposed have been strictly limited.

Financial Summary Position

| Summary Position 2015 / 16 Capital Programme | Totals |
|--|-------------------|
| Stage 2 Projects | £4,675,000 |
| Stage 1 Projects | £910,000 |
| Total | £5,585,000 |
| Revenue Savings (LED Lighting) | £30,000 |
| Additional Income (Solar PV) | £50,000 |
| Total | £80,000 |
| Which funds Capital of - | £1,230,000 |
| Remaining Capital Required | £4,355,000 |
| Revenue Cost (£65k per £1m over 25 yrs) | £283,075 |
| Addition to District Rate (£400k REVEX = 1%) | 0.7% |
| C/F From un-provisioned Stage 3 & 4 Projects | 0.3% |
| Total Addition to District Rate | 1.0% |

Recommendation

It is recommended that Council adopt the Stage 2 and Priority Stage 1 Projects listed in the tables above as being the **2015 / 16 Causeway Coast and Glens Borough Council Capital Programme** subject to Councils 4 – step project approval process that necessitates a need based business case and economic appraisal to be approved by Council for each project before it proceeds.

Officers are to scope the potential for a Council Capital Assets Realisation Team and report back to Council and are to work towards having the Members 2016 / 17 Capital Programme Workshop during November 2015.