



Report to: Cabinet

Subject: Capital Programme 2005/06

Date: 10 February 2005

Author: Head of Finance on behalf of Leader/Deputy Leader of the Council

1. PURPOSE OF REPORT

- 1.1 This report summarises the Council's capital programme for 2005/2006 and future years in the light of the Council's priorities and resources available.
- 1.2 Under the Council's constitution arrangements, the Cabinet makes its final budget proposals after consideration of the comments made by the Scrutiny Committees in respect of the draft budget. The draft capital programme was presented to the respective Scrutiny Committees on 24, 25 and 27 January 2005 and their comments are detailed in Appendix 1. The capital programme determined by Cabinet at this meeting will be referred to the Council Budget meeting on 2 March 2005 for final approval.
- 1.3 The detailed capital programme proposals are shown in Appendix 2 to this report.

2. BACKGROUND

- 2.1 The new prudential framework for Local Authority Capital Investment was introduced through the Local Government Finance Act 2003. This came into force on 1 January 2004.

2.2 This prudential framework sets the following key objectives:-

- That the capital investment plans of local authorities are affordable, prudent and sustainable. Affordability has regard to the implications of capital expenditure for Council Tax and Housing Rents, whilst prudence and sustainability have regard to the implications for external borrowing.
- That Treasury management decisions are taken in accordance with good professional practice.
- That local strategic planning asset management and proper option appraisal are supported.

2.3. The main change that the 2003 Act has brought about is the removal of credit approvals and the ability to enter into prudential borrowing to finance the authority's capital programme

2.4. The capital programme, therefore, must be financed from the following sources:-

- i) Major Repairs Allowance (MRA) for Housing Stock
- ii) Usable capital receipts
- iii) Capital grants and contributions
- iv) Direct revenue financing
- v) Borrowing

3. GOVERNMENT DETERMINATIONS FOR 2005/2006

3.1 Housing Major Repairs Allowance

In 2005/06 this Council will receive a Major Repairs Allowance (MRA) of £1,912,400. The MRA will be included within the Housing Revenue Account (HRA) subsidy payments made by Government. Since the resources are intended to fund Capital expenditure however, the Council is required to transfer this amount to a Major Repairs Reserve which is then available to finance the Council's Capital Programme. There is not a requirement to spend all of the MRA in the year in which it is given. It can be held in the Reserve for use in future years. In 2005/2006, it is estimated that the full MRA of £1,912,400 will be used to finance capital (HRA) expenditure. It is not anticipated that any MRA will be carried forward from the previous year for financing of additional schemes.

4. PRUDENTIAL BORROWING

- 4.1. On 9 February 2005 Council was requested to approve a report on the Prudential Indicators for Gedling Borough Council for the financial years 2005/2006 – 2007/2008.
- 4.2. These prudential indicators in conjunction with the calculations within the Medium Term Plan show that borrowing is prudent, affordable and sustainable in the current and medium term for the both the General Fund and the HRA.
- 4.3. It is, therefore, proposed that Prudential Borrowing of £1,000,000 per year for 2005/06, 2006/07 and 2008/08 is undertaken in the achievement of the Decent Homes Standard, based on current medium term projections.
- 4.4. The proposed General Fund Capital Programme will require that borrowing be undertaken to balance the financing of the programme in the absence of the generation of capital receipts. The level of affordable borrowing included is £1.5m per annum 2005/06 to 2007/08.

5. OTHER RESOURCES

5.1 Capital Receipts

Where the Council sells General Fund assets it is permitted to use this income to fund capital expenditure. Under normal circumstances a proportion (75% or 50%) of the proceeds from the sale of Housing Revenue Account assets has to be paid over to the Government through the Office of the Deputy Prime Minister (ODPM) for the pooling of receipts. However, as a result of being free of external debt at 31 March 2004, the Council is currently benefiting from transitional arrangements in which, over a 3 year period, a reducing proportion of the HRA capital receipts can be retained on the basis that they are invested in Housing. These additional receipts are expected to be in the region of £2.5m in total and have been identified as financing in the Housing Revenue Account and Housing General Fund Programmes over 2004/05 to 2006/07.

Other usable capital receipts that have been, or are expected to be generated in 2005/2006 in respect of General Fund Assets total £152,000. Housing Revenue Account usable receipts are expected to be £579,000 in 2005/2006. The receipts arise from various Housing Land Sales as well as Houses sold under Right to Buy legislation.

5.2. Capital Contributions

External Funds such as Implementing Electronic Government grant and contributions from other authorities continue to be important in the funding of capital expenditure and schemes partly financed in this way are included in the programme. Contributions totalling £461,000 are included for 2005/2006. Expenditure in the capital programme has been grossed up, and the contributions are shown in the table below as adding to the resources available to finance the programme.

5.3. Resources Available

An estimate of resources for the current year and the next three years is given below.

| | 2005/06 £000 | 2006/07 £000 | 2007/08 £000 |
|----------------------------------|-----------------|-----------------|-----------------|
| Use of Major Repairs Allowance | 1,912 | 1,945 | 1,979 |
| Use of Capital Receipts | 1,910 | 932 | 595 |
| Revenue Contribution – HRA | 650 | 150 | 150 |
| Capital Grants and Contributions | 461 | 219 | 219 |
| CASH RESOURCE AVAILABLE | 4,933 | 3,246 | 2,943 |
| BORROWING | 2,523 | 2,556 | 2,516 |
| TOTAL FINANCING AVAILABLE | 7,456 | 5,802 | 5,459 |

5.4 Programme Bids

For 2005/2006 schemes have been prioritised in accordance with the methodology approved by Cabinet on 2 September 2004, which ranks schemes in accordance with the level of contribution made towards the achievement of the Council's Key Aims and Key Improvement Plans. All schemes meeting the threshold score or above, as determined by Cabinet, have been included in the proposed programme detailed at Appendix 2 and financing of £7,456,000, as detailed above, is available to complete most of these schemes. However, a shortfall of resources is currently projected to enable completion of all desired schemes and it is proposed that those schemes identified separately at Appendix 2, Section B and summarised in the table below, will only be progressed if additional resources e.g. capital receipts, become available.

| <u>CAPITAL PROGRAMME</u> | 2005/06 | 2006/07 | 2007/08 |
|--|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Leader | 134 | 35 | 31 |
| Agenda 21, Crime and Community Development | 0 | 0 | 0 |
| E-Government, Members and Property Services | 450 | 298 | 98 |
| Development and Econ Regeneration | 20 | 0 | 0 |
| Direct Services | 1,241 | 1,087 | 914 |
| Leisure Services | 1,003 | 10 | 10 |
| Finance | 102 | 57 | 57 |
| Future Equipment Replacement | 0 | 175 | 175 |
| Future Service Development Bids | 0 | 400 | 400 |
| Total Other Services | 2,950 | 2,062 | 1,685 |
| Housing Investment Programme | 4,506 | 3,740 | 3773 |
| Total Financed Capital Programme | 7,456 | 5,802 | 5,458 |
| Additional Schemes Subject to Financing | 249 | 39 | 0 |
| GRAND TOTAL CAPITAL PROGRAMME | 7,705 | 5,841 | 5,458 |

6. **CAPITAL PROGRAMME 2004/2005**

The capital programme for 2004/2005 is reviewed on a quarterly basis by Cabinet.

7. **RECOMMENDATIONS**

Cabinet are asked to recommend to Council on 2 March 2005 that:-

- i) the capital determinations in respect of financing available for 2005/2006 be noted.
- ii) the likely resources available for 2006/07 and 2007/08 be noted.
- iii) the capital programme for 2005/06 at Appendix 2, Section A be approved.
- iv) the items at Appendix 2, Section B be included in the capital programme when the Cabinet identifies sufficient capital receipts to enable financing of these schemes.
- v) the Housing Investment Programme for 2005/2006 be approved for consideration by Council on 2 March 2005.

RESOURCES AND MANAGEMENT SCRUTINY 24 JANUARY 2005

**DRAFT BUDGET PROPOSALS TO BE SUBJECT TO SCRUTINY
COMMITTEE CONSULTATION**

The Head of Finance reported that there was a requirement in the Constitution of the Council that in each financial year, the Executive should present a draft Budget and Performance Plan to the Scrutiny Committees for comment.

This report ensured these requirements had been met for the 2005/06 budget process.

The Head of Finance submitted a report that detailed the likely General Fund base budget for 2005/06 based on provisional settlement figures, the likely position in respect of capital financing, and assumed changes to the base budget in respect of inflation, pay award etc.

There was potential for growth in the Revenue Budget, and new schemes for Capital Expenditure were identified.

The specific aims of the report were to identify Members expectations in respect of new revenue and capital schemes and to seek comment on the key tasks for the year 2005/06.

RESOLVED:

1. That under the General Fund Resource Development Bids 2005/06, under category B schemes, the Committee supports the proposals for a Youth Co-ordinator and Liaison Officers but requests further consultation on the details of the post prior to Personnel and Resources Committee approval.
2. That under Capital Resource Development Bids 2005/06 that the Committee would wish to see the replacement refurbishment of litter bins and dog bins treated as a priority.

(Councillors Lockett and Pulk left the meeting)

SERVICES SCRUTINY COMMITTEE 25 JANUARY 2005

DRAFT BUDGET PROPOSALS TO BE SUBJECT TO SCRUTINY COMMITTEE CONSULTATION

The Head of Finance reported that there was a requirement that in each financial year, the Executive shall present a draft Budget and Performance Plan to the Scrutiny Committees for comment.

This report ensured that these requirements had been met for the 2005/06 budget process.

The Head of Finance submitted a report that detailed the likely General Fund base budget for 2005/06 based on provisional settlement figures the likely position in respect of capital financing, and assumed changes to the base budget in respect of inflation, pay award etc.

There was potential for growth in the Revenue Budget, and new schemes for Capital Expenditure were identified.

The specific aims of the report were to identify Members expectations in respect of new revenue and capital schemes and to seek comment on the key tasks for the year 2005/06.

RESOLVED:

1. That in respect of Revenue proposals for the 2005/06 budget, to recommend that contaminated land PEC 1 be deferred.
2. That after hours school coaching for young people LR3 in category C be changed to category B in view of its links with LRI, the provision of a youth co-ordinator.
3. 3. That in respect of Capital, allotments LC37 should not be considered a priority and LC17, apportionment of gym equipment at the Redhill Leisure Centre be phased in over 2 years.

COMMUNITY AND QUALITY OF LIFE SCRUTINY 27 JANUARY 2005

DRAFT BUDGET PROPOSALS TO BE SUBJECT TO SCRUTINY COMMITTEE CONSULTATION

The Head of Finance reported that there was a requirement in the Constitution of the Council that in each financial year, the Executive shall present a draft Budget and Performance Plan to the Scrutiny Committees for comment.

This report ensured that these requirements had been met for the 2005/06 budget process.

The Head of Finance submitted a report that detailed the likely General Fund base budget for 2005/06 based on provisional settlement figures, the likely position in respect of capital financing, and assumed changes to the base budget in respect of inflation, pay award etc.

There was potential for growth in the Revenue Budget, and new schemes for Capital Expenditure were identified.

The specific aims of the report were to identify Members expectations in respect of new revenue and capital schemes and to seek comment on the key tasks for the year 2005/06.

RESOLVED:

1. 1. That in respect of the Revenue proposals, the £55,000 bid for a Youth Co-ordinator and Liaison Officers be directed towards Sports Development with the comment that provision of Youth Workers, is the responsibility of the Nottinghamshire County Council.
2. That with regard to capital, to support the re-surfacing of the Bestwood tennis court with the proviso that young people are encouraged to use this in conjunction with sports development.
 - i) The ongoing revenue implications of 2005/2006 capital programme (Appendix 5).