



Report to: Cabinet

Subject: Capital Programme 2008/09

Date: 21 February 2008

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1. PURPOSE OF REPORT

- 1.1 This report summarises the Council's capital programme for 2008/2009 and future years in the light of the Council's priorities and the resources available.
- 1.2 Under the Council's constitution, the Cabinet makes its final budget proposals after consideration of the comments made by the Policy Review Scrutiny Committee in respect of the draft budget. The draft capital programme was presented to this Committee on 29 January 2008 and the comments made are included in paragraph 6.5. The capital programme determined by Cabinet at this meeting will be referred to the Council Budget meeting on 5 March 2008 for final approval.
- 1.3 The detailed capital programme proposals are shown in Appendix 1 to this report.

2. BACKGROUND

- 2.1 The 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) Revenue contributions
 - v) Borrowing

3. GOVERNMENT DETERMINATIONS FOR 2008/2009

3.1 Housing Major Repairs Allowance

In 2008/09 this Council will receive a Major Repairs Allowance (MRA) of £2,098,200. 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 2008/2009, it is estimated that £1,848,200 of the MRA will be used to finance capital (HRA) expenditure, leaving £250,000 to be carried forward to 2009/10.

4. PRUDENTIAL BORROWING

- 4.1. On 27 February 2008, Council will be requested to approve a report on the Prudential Indicators for Gedling Borough Council for the financial years 2008/2009 – 2010/2011.
- 4.2. These proposed prudential indicators, in conjunction with the calculations within the Medium Term Plan, show that some borrowing is prudent, affordable and sustainable in both the General Fund and the HRA.
- 4.3. No further Prudential Borrowing in respect of the HRA is planned, in anticipation of the proposed Large Scale Voluntary Transfer, to be undertaken around November 2008.

- 4.4 No prudential borrowing is assumed in the General Fund capital programme for the next three years. The proposed General Fund capital programme is fully funded by anticipated capital receipts and external grants and contributions.

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. A proportion (75% or 50%) of the proceeds from the sale of Housing Revenue Account assets has to be paid over to the Government for the pooling of receipts with the remainder being available to fund capital expenditure.

Usable capital receipts that are expected to be generated in 2008/2009 are £6,157,000 General Fund and £446,000 Housing Revenue Account. The receipts arise from various land sales as well as houses sold under Right to Buy legislation. The General Fund figure includes an estimated £6m capital receipt from the sale of land.

5.2. Capital Grants and Contributions

External funds such as Disabled Facilities 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. Grants and contributions totalling £783,000 are included for 2008/2009. 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 Summary

An estimate of resources for financing the 2008/09 programme and the following two years is summarised below:

	2008/09 £000	2009/10 £000	2010/11 £000
Use of Major Repairs Allowance	1,848	2,050	2,205
Use of Capital Receipts	4,103	3,170	2,818
Revenue Contribution	400	300	250
Capital Grants and Contributions	783	479	439
Cash Resource	7,134	5,999	5,712

Borrowing	0	0	0
Total Financing	7,134	5,999	5,712

6. PROPOSED CAPITAL PROGRAMME 2008/09

6.1 The following table summarises the proposed Capital Programme for 2008/09. The full programme of schemes is presented in Appendix 1.

<u>CAPITAL PROGRAMME</u>	2008/09	2009/10	2010/11
	£000	£000	£000
Leader	16	0	0
Safe and Sustainable Neighbourhoods	20	0	0
Customer Services and Efficiency	308	300	0
Development and Economic Regeneration	69	0	0
Direct Services and Property	1,072	903	996
Leisure and Youth	2,680	505	5
Finance	57	57	57
Future Equipment Replacement	0	150	150
Future Service Development Bids	0	1,054	1,369
Total Other Services	4,222	2,969	2,577
Housing Investment Programme (HIP)	2,912	3,030	3,135
Total Capital Programme	7,134	5,999	5,712

6.2 The programme includes replacement equipment and vehicles which are required to ensure continuation of existing services provision, schemes deferred by Personnel and Resources Committee, Resource Developments Bids from 2007/08 which have continuing impact into 2008/09 and Resource Development Bids for 2008/09.

6.3 The indicative forward HIP assumes continuing maintenance of Housing Stock. However, in the event of an LSVT the HRA elements of the capital programme will not be required but this does not have an impact on overall capital programme financing as the HRA programme is based on specific resources of Government Subsidy and Housing Revenue Account Contributions which will not be available following an LSVT.

6.4 On 17 January 2008, Cabinet approved the list of 2008/09 Resource Development Bids, detailed in the table below, for referral to the Policy Review Scrutiny Committee. These represent those schemes scoring 25 points and above using the Council's approved methodology, and they are considered to be affordable given the financial settlement and the Medium Term Financial Strategy. Excluded from this list, in line

with political priorities, is the scheme for the introduction of car park charges which has now been postponed. The approved methodology ranks schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans. These schemes have now been included in the programme summarised above and at Appendix 1. For completeness the full set of Resource Development Bids is shown at Appendix 2.

Capital Resource Development Bids 2008/09 (25 points and above)

DESCRIPTION	Ref	2008/09 Net Capital Bid	2009/10 Net Capital Bid	2010/11 Net Capital Bid	TOTAL SCORE
<u>SCHEMES 25 POINTS AND ABOVE</u>					
<u>High Quality Local Environment</u>					
Cemeteries Land Purchases	LC26	10,000	40,000	0	58.00
Trade Waste Recycling for Glass	DC9	80,000	0	0	28.00
Trade Recycling Bins	DC10	35,000	10,000	5,000	26.00
		125,000	50,000	5,000	
<u>Safer Community</u>					
CCTV Development	P&EC1	20,000	0	0	27.00
		20,000	0	0	
<u>Children and Young People</u>					
RLC - All Weather Pitch Replacement	LC13	5,000	105,000	0	26.00
		5,000	105,000	0	
<u>Service Delivery</u>					
Energy Initiatives	DC16	25,000	0	0	27.00
Asset Management Fund	CC14	150,000	200,000	200,000	25.00
		175,000	200,000	200,000	
<u>Business Case</u>					
ALC - Plant Room Essential Works	LC2	31,000	0	0	44.00
		31,000	0	0	
Total Schemes 25 Points and Above		356,000	355,000	205,000	

- 6.5 The Policy Review Scrutiny Committee made no specific resolutions in relation to the Capital Resource Development Bids approved by Cabinet on 17 January 2008.

7. CAPITAL PROGRAMME 2007/2008

- 7.1 The capital programme for 2007/2008 is reviewed on a quarterly basis by Cabinet. The Quarterly Budget and Performance Plan Digest for December 2007/08 is included in an item elsewhere on this agenda and any schemes recommended for slippage into 2008/09 and approved by Personnel and Resources Committee will be incorporated into the 2008/09 capital programme.

8. RECOMMENDATIONS

Cabinet is asked to recommend to Council on 5 March 2008 that:

- i) the capital financing available for 2008/2009 be noted.
- ii) the likely resources available for 2009/10 and 2010/11 be noted.
- iii) the capital programme for 2008/09 at Appendix 1 be approved.
- iv) the Housing Investment Programme for 2008/09 at Appendix 1 be approved