



Report to: Cabinet

Subject: Capital Programme 2011/12

Date: 17 February 2011

Author: Senior Management Team on behalf of the Leader

1. PURPOSE OF REPORT

- 1.1 This report summarises the Council's capital programme for 2011/12 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 the 25th January 2011. The Committee resolved to note the report and, in respect of capital budgets, raised the reduction in Parish Aid as an issue for Cabinet reconsideration.
- 1.3 The capital programme determined by Cabinet at this meeting will be referred to the Council Budget meeting on the 2nd March 2011 for final approval. 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.
- 2.2 This prudential framework sets out the following key objectives:
 - The capital investments plans of local authorities are affordable, prudent and sustainable. Affordability has regard to the implications of capital expenditure for Council Tax, whilst prudence and sustainability have regard to the implications for external borrowing.

- Treasury management decisions are taken in accordance with good professional practice.
- Local strategic planning, asset management and proper option appraisal are supported.

3. **PROPOSED CAPITAL PROGRAMME 2011/12**

3.1 The following table summarises the proposed Capital Programme for 2011/12. The full programme of schemes is presented in Appendix 1.

CAPITAL PROGRAMME	2011/12	2012/13	2013/14
	£000	£000	£000
Leader	0	0	0
Safe and Sustainable Neighbourhoods	567	567	567
Customer and Members Services	0	0	0
Development and Enterprise	0	0	0
Direct Services	710	785	698
Leisure and Wellbeing	1,210	5,830	3,470
Strategic Planning	0	0	0
Finance	190	150	150
Future Equipment Replacement	0	100	100
Future Service Development Bids	0	100	100
Total Capital Programme	2,677	7,532	5,085

3.2 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 Development items from previous years which have a continuing impact into 2011/12 and Resource Developments for 2011/12.

3.3 **Capital Resource Developments 2011/12**

The proposed capital programme incorporates plans for a replacement leisure facility to facilitate the wider development of Arnold Town Centre as detailed in the table below. An initial feasibility study has been undertaken and the business case for a replacement leisure facility has been assessed as affordable, being mainly funded from grant, sale of assets, existing running costs and savings in the longer term investment that would be required in existing facilities if they continued unchanged. The funding of

the scheme consists of Growth Point Grant £950,000 secured specifically for the redevelopment of Arnold Town Centre; Capital Receipts of £1.2 million which are expected to be invested from the sale of Council owned sites; and the remainder will be financed by prudential borrowing which has been assessed as affordable within the business case. A further report containing detailed proposals will be submitted to Members in due course.

Capital Resource Developments 2011/12

Description	2011/12 Capital Budget	2012/13 Capital Budget	2013/14 Capital Budget	Total
	£	£	£	£
Arnold Town Master Plan - Replacement Leisure Facility	1,125,000	5,480,000	3,470,000	10,075,000

4. CAPITAL RESOURCES

- 4.1 Sources of finance for the capital programme are under increasing pressure with the withdrawal of Government Grants and fewer general capital receipts being available. As a result there is now an increasing reliance on prudential borrowing to fund capital projects which has to be financed by revenue contributions to repay the principal and interest.

As the revenue budget is under significant pressure as a result of the reduced Revenue Support Grant Settlement the level of affordable borrowing is now restricted. Therefore, reductions have been made to some of the ongoing budget items within the capital programme including:

- Asset Management Fund reduced from £200,000 to £150,000 pa;
- Future Development Bids and Equipment Replacements, both reduced from £150,000 to £100,000 pa;
- Parish Capital Aid deletion of annual budget £57,100.

Where specific grants have been withdrawn, namely the Regional Housing Board monies of £505,000 for Private Sector Improvement Grants, the corresponding capital budget has been deleted.

4.2 Capital Receipts

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure. Receipts will arise from sale of land or buildings and Preserved Right to Buy (RTB) receipts that the Council has negotiated to retain, for a period of 10 years, as part of the LSVT housing

stock. Preserved RTB receipts are not subject to pooling requirements and are fully usable to finance capital expenditure. Estimated usage of capital receipts is detailed in the table at paragraph 4.5 below.

4.3 **Capital Grants and Contributions**

External funds such as the 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 £1,277,000 are included for 2011/12.

This includes a grant from Disabled Facilities Grant of £327,000 and a Growth Point grant of £950,000 in respect of the Redevelopment of Arnold Town Centre scheme. The Disabled Facilities Grants is expected to continue at a similar level in 2012/13.

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.

4.4 **Prudential Borrowing**

Prudential borrowing of £1,008,900 is required to finance the General Fund capital programme in 2011/12, with a further £7,071,000 and £3,402,000 being required in 2012/13 and 2013/14 respectively. This level of borrowing to fund the basic programme has become necessary due to lower capital receipts being available and the borrowing required for the proposed Leisure Centre Replacement scheme.

On 13 January 2011 Cabinet received a report on the Prudential Indicators for Gedling Borough Council for the financial years 2011/12 – 2013/14 and referred it on to Council on 23 February 2011 for approval. These Prudential Indicators, in conjunction with the calculations within the Medium Term Plan, show that this level of borrowing is affordable and sustainable.

4.5 Resources Summary

An estimate of resources for financing the 2011/12 programme and the following two years is summarised below:

	2011/12	2012/13	2013/14
	£000	£000	£000
Use of Capital Receipts	391	134	1,356
Capital Grants and Contributions	1,277	327	327
Cash Resource	1,668	461	1,683
Prudential Borrowing	1,009	7,071	3,402
Total Financing	2,677	7,532	5,085

5. Public Realms Works

5.1 Proposals for Public Realms Works for 2011/12 have now been agreed in principle with Gedling Homes. The estimated funds to be available in 2011/12 are £600,000 (based on the 2010/11 amount of £579,000 + April RPI as provided for in the Gedling Homes transfer agreement). As previously, Public Realms Works will be funded by Gedling Homes for the benefit of the community and the capital costs do not feature directly in the Council's budgets.

The proposed headline funding allocation is set out below.

Scheme	Value
Estate based improvements	£450,000
Shop front scheme	£25,000
Arnold town centre improvements	£50,000
Employment/Skills Development programme	£50,000
Total	£575,000
Contingency	£25,000

Estate-based improvements - The majority of funding for 2011/12 is proposed to be spent on a series of estate-based improvements. These have been identified through surveys carried out by officers at Gedling Borough Council and Gedling Homes concentrating on areas such as the condition of footpaths, parking areas, grassed areas and public open space across the borough, with the twin aims of improving the appearance of the borough whilst reducing future liability.

As a result, a detailed potential programme of works has been identified. The type of work identified includes resurfacing works to car parks and footpaths, improvements to drainage systems, and public open space. A list of possible locations for these works is attached at **Appendix 2**. Priority has been given to works on land owned by the Borough Council or Gedling Homes.

The programme has been part costed at present to enable a figure to be included in this report. Available funding is a gross figure and works are likely to be subject to VAT due to the nature of the PRW funding scheme. Firm quotations will be sought once the programme has been agreed, at which point it will become clear which schemes can be progressed. The contingency built in to the programme should allow for some flexibility with regard to final costs. It is suggested that decisions on the precise venues for the works to be carried out is delegated to the Head of Strategy and Performance, in consultation with the Strategic Planning Portfolio Holder. Any schemes not progressed in 2011/12 will be reconsidered for inclusion in future years' programmes.

Shop front scheme – This is a grant scheme to allow for a contribution of up to 50% (up to a maximum of £2,000 for any one application) to be made towards the cost of improvements to the external appearance (frontage only) of business premises. The programme would be administered by the Borough Council's Economic Development Officer.

Arnold Town Centre Improvements – The intention of this funding is to contribute towards possible regeneration work in Arnold Town Centre, precise details of which are yet to be agreed.

Employment/Skills Development scheme – This funding will allow for the introduction of a new local employment/skills development programme to replace the Future Jobs Fund programme successfully carried out during 2010/11. Precise details are still to be finalised, and will need to fit with emerging government work experience and skills development programmes. It is however expected that the scheme will provide work experience and skills development for local unemployed people, delivering practical environmental improvements (such as graffiti cleaning, fencing repairs, signage improvements) in a similar way to the Future Jobs Fund programme, but on Gedling Homes as well as Gedling Borough Council owned property.

6. CAPITAL PROGRAMME 2010/11

- 5.1 The Capital Programme for 2010/11 is reviewed on a quarterly basis by Cabinet. The Quarterly Budget and Performance Plan Digest for December 2010/11 was presented to Cabinet on 3 February and any schemes recommended for slippage into 2011/12, and subsequently approved Personnel and Resources Committee, will be incorporated into the 2011/12 capital programme.

7. RECOMMENDATIONS

7.1 Cabinet is asked to recommend to Council that:

- i) The capital financing available for 2011/12 be noted;
- ii) The likely resources available for 2012/13 and 2013/14 be noted;
- iii) The Capital Programme for 2011/12 at Appendix 1 be approved.

6.2 Cabinet is asked to formally agree the list of Public Realms Works schemes for 2011/12 listed above and detailed at Appendix 2, and to authorise the Head of Strategy and Performance to determine the final schemes for delivery, up to a maximum budget of £579,000 plus April RPI, in consultation with the Portfolio Holder for Strategic Planning.

DRAFT CAPITAL PROGRAMME 2011/12 - 2013/14

SCHEME DESCRIPTION	Ref	CAPITAL BUDGET REQUIREMENT		
		2011/12	2012/13	2013/14
		£	£	£
<u>SAFE & SUSTAINABLE NEIGHBOURHOODS</u>				
Private Sector Improvement Grants	Ongoing	567,000	567,000	567,000
Total Housing General Fund		567,000	567,000	567,000
<u>DIRECT SERVICES</u>				
Safety Surface Renewal	Ongoing	26,000	26,000	26,000
Vehicle Replacement		684,000	759,000	672,000
Total Direct Services		710,000	785,000	698,000
<u>LEISURE AND WELLBEING</u>				
Cemetery Land Purchase		0	350,000	0
Replace Spinning Bikes		48,000	0	0
Replace Gym Equipment		37,400	0	0
Replacement Leisure Centre		1,125,000	5,480,000	3,470,000
Total Leisure Services		1,210,400	5,830,000	3,470,000
<u>FINANCE</u>				
Asset Management Fund	Ongoing	150,000	150,000	150,000
EDRMS System	Slippage 10/11	39,500	0	0
Total Corporate Services		189,500	150,000	150,000
Future Equipment Replacement		0	100,000	100,000
Future Service Development Bids		0	100,000	100,000
TOTAL CAPITAL PROGRAMME		2,676,900	7,532,000	5,085,000

Proposed areas for Public Realms Works Estate Based Improvements

Car park improvements

St Marys car park, Arnold
Birchfield Road, Arnold
Huckerbys Field, Carlton
Cross Street, Carlton
Arthur Street, Netherfield
Manvers Street, Netherfield
Plum Tree gardens, Calverton

Footpath Improvements

Cornwall Close area in front of shops, Arnold
Area behind Mansfield Road, Arnold
Vale Road, Netherfield
Lockerbie Street, Netherfield
Gunthorpe Road, Gedling
Kneeton Close, Gedling
Stanhope Crescent, Gedling
Foundry Terrace, Newstead
Chatsworth Terrace, Newstead
The Spinney, Bestwood

Drainage Improvements

St Marys playing field, Arnold
Tilford Road, Newstead

Public Open Space

Goodwood Avenue, Surface improvements and planting
Mayors Garden, Arnold
Warren Hill, Surface improvements and planting
Children's play area and garden for the blind, Carlton
Footpath by the mineral railway, Netherfield
Phoenix estate – various
Chatsworth Garden, community garden, Newstead