



Report to: Cabinet

Subject: Capital Programme 2012/13

Date: 16 February 2012

Author: Senior Leadership Team on behalf of the Leader

1. PURPOSE OF REPORT

- 1.1 This report summarises the Council's capital programme for 2012/13 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 24 January 2012. The Committee resolved to note the report.
- 1.3 The capital programme determined by Cabinet at this meeting will be referred to the Council Budget meeting on the 5 March 2012 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 2012/13**

3.1 The following table summarises the proposed Capital Programme for 2012/13. The full programme of schemes is presented in Appendix 1.

CAPITAL PROGRAMME	2012/13	2013/14	2014/15
	£000	£000	£000
Community & Employee Relations	33	0	0
Health & Wellbeing	593	593	593
Communication & Public Protection	30	0	0
Economic & Strategic Development	650	0	0
Environment & Sustainability	1,352	818	865
Leisure & Culture	0	0	0
Finance and Performance	1,300	150	150
Future Equipment Replacement	0	100	100
Future Service Development Bids	0	100	100
Total Capital Programme	3,958	1,761	1,808

3.2 The proposed capital programme includes efficiency/spend to save schemes, the Local Authority Mortgage Scheme (see below), replacement equipment/vehicles and ongoing budgets e.g. Private Sector Improvement Grants and Asset Management Fund which is used to maintain the Council's assets to a safe and usable standard. 2011/12 schemes approved for deferral by Cabinet to 2012/13 are also included in the programme.

- 3.3 Efficiency/Spend to Save Schemes included in the proposed budget are detailed in the table below:

DESCRIPTION	2012/13 Net Capital Bid	Ongoing Annual Revenue Saving
	£	£
<u>Environment and Sustainability</u>		
Replace Fuel Tanks	35,000	(10,500)
Electric Vehicle (replace petrol)	42,000	(5,500)
Office Accommodation Public Sector Joint Working	200,000	(25,000)
<u>Community and Employee Relations</u>		
Cash Office Self Service Kiosk	32,900	(29,500)
Total	309,900	(70,500)

- 3.4 The capital programme includes a proposed budget of £1,000,000 for the Local Authority Mortgage Scheme (LAMS), the policy for which was approved by Cabinet on 12 January 2012 and referred to Council for approval. The scheme provides a deposit guarantee for first time buyers who cannot raise the full deposit of 20-25% required by lenders in the current financial market. The scheme requires a sum of money to be placed with the lender, in this case £1,000,000, which will be financed by borrowing. During the 5 year term of the scheme interest will be earned on the amount deposited and at the end of term the money will be returned to repay the borrowing.

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 restricted.

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 usual housing pooling requirements, requiring a proportion to be paid to Central Government, 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 totalling £953,000 are included for 2012/13.

This includes Disabled Facilities Grant of £353,000 and Growth Point grant of £600,000 in respect of the Redevelopment of Arnold Town Centre scheme a scheme which has slipped from 2011/12 as approved by Cabinet. The Disabled Facilities Grant is expected to continue at a similar level in 2013/14 and 2014/15.

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 £2,873,400 is required to finance the General Fund capital programme in 2012/13 with a further £1,254,200 and £1,299,200 being required in 2013/14 and 2014/15 respectively. This level of borrowing to fund the basic programme has become necessary due to lower capital receipts being available.

The Council's Prudential Indicators for the financial years 2012/13 – 2014/15 are contained within the Treasury Management Strategy Statement, an item elsewhere on this agenda, which will be referred to Council 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 2012/13 programme and the following two years is summarised below:

	2012/13	2013/14	2014/15
	£000	£000	£000
Use of Capital Receipts	132	154	156
Capital Grants and Contributions	953	353	353
Total Cash Resource	1,668	461	1,683
Prudential Borrowing	2,873	1,254	1,299
Total Financing	3,958	1,761	1,808

5. Public Realm Works

5.1 Proposals for Public Realm Works for 2012/13 have now been agreed in principle with Gedling Homes. The estimated funds to be available in 2012/13 are £630,000 (based on the 2011/12 amount of £609,000 + April RPI as provided for in the Gedling Homes transfer agreement). As previously, Public Realm 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	£300,000
Leisure Schemes	£170,000
Shop front scheme	£50,000
Arnold town centre improvements	£50,000
Employment/Skills Development programme	£50,000
Total	£620,000
Contingency	£10,000

Estate-based improvements - The majority of funding for 2012/13 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.

This year's programme will focus particularly on works in Newstead and Netherfield.

It is suggested that decisions on the precise venues for the works to be carried out is delegated to Paula Darlington, Corporate Director, in consultation with the Portfolio Holder for Environment & Sustainability.

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 appearance of business premises. The programme would be administered by the Borough Council's Economic Development Officer in partnership with Gedling Homes.

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 an apprenticeship-type scheme to be run in conjunction with Gedling Homes with the overall objective of providing both work experience and formal qualifications for local young people.

6. **RECOMMENDATIONS**

6.1 Cabinet is asked to recommend to Council that:

- i) The capital financing available for 2012/13 be noted;
- ii) The likely resources available for 2013/14 and 2014/15 be noted;
- iii) The Capital Programme for 2012/13 at Appendix 1 be approved.

6.2 Cabinet is asked to note the proposed funding allocation for Public Realm Works schemes for 2012/13 and to authorise Paula Darlington, Corporate Director, to determine the final schemes for delivery up to a maximum budget of £609,000 plus April RPI, in consultation with the Portfolio Holder for Environment and Sustainability.

DRAFT CAPITAL PROGRAMME 2012/13 - 2014/15

SCHEME DESCRIPTION	Ref	CAPITAL BUDGET REQUIREMENT		
		2012/13	2013/14	2014/15
		£	£	£
<u>COMMUNITY AND EMPLOYEE RELATIONS</u>				
Self Service Kiosk	Efficiency	32,900	0	0
Total Community and Employee Relations		32,900	0	0
<u>HEALTH AND WELLBEING</u>				
Disabled Facilities Grant		593,000	593,000	593,000
Total Health and Wellbeing		593,000	593,000	593,000
<u>COMMUNICATION AND PUBLIC PROTECTION</u>				
Electronic Document Records Mgt System	Slipped 11/12	30,000	0	0
Total Communication and Public Protection		30,000	0	0
<u>ECONOMIC AND STRATEGIC DEVELOPMENT</u>				
Relocation of Shopmobility	Slipped 11/12	50,000		
Arnold Town Centre Development	Slipped 11/12	600,000		
Total Economic and Strategic Development		650,000	0	0
<u>ENVIRONMENT AND SUSTAINABILITY</u>				
Safety Surface Renewal	Ongoing	26,000	26,000	26,000
Cemetery Land Purchase		360,000	0	0
Reinstate King George V	Slipped 11/12	34,300		
Salop Street Youth Facility	Slipped 11/12	65,000		
Replace Fuel Tanks	Efficiency	35,000		
Office Accommodation Public Sector Joint Working	Efficiency	200,000		
Vehicle Replacement				
Replace Ford Transit FP55CYL		32,000		
Replace Seddon Atkinson Rigid FJ55KAO		170,000		
Replace Seddon Atkinson Rigid FJ55KAK		160,000		
Replace Dennis Kerbsider VX05FVH		140,000		
Replace VK58JFY Kerbsider Body		35,000		
Replace Vauxhall Astra Van X221YAL	Efficiency	42,000		
Replace Exhaust Fans in Workshop		10,000		
Replace Rover Freelander FD04FFB		17,000		
Applied Sweeper 1	Slipped 11/12	13,000		
Applied Sweeper 2	Slipped 11/12	13,000		
Replacement Vehicles			792,000	839,000
Total Environment and Sustainability		1,352,300	818,000	865,000
<u>LEISURE AND CULTURE</u>				
Total Leisure and Culture		0	0	0
<u>FINANCE AND PERFORMANCE</u>				
Asset Management Fund	Inc slip 11/12	300,000	150,000	150,000
Local Authority Mortgage Scheme		1,000,000	0	0
Total Finance and Performance		1,300,000	150,000	150,000
Future Equipment Replacement		0	100,000	100,000
Future Service Development Bids		0	100,000	100,000
TOTAL CAPITAL PROGRAMME		3,958,200	1,761,000	1,808,000

