

Report to Cabinet

Subject: Capital Programme 2013/14

Date: 14 February 2013

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

Borough-wide.

Purpose

This report summarises the proposed capital programme for 2013/14 and future years in light of the Council's priorities and the resources available.

The capital programme determined by Cabinet at this meeting will be referred to the Council Budget meeting on the 4 March 2013 for final approval. The detailed capital programme proposals are shown in Appendix 1 to this report.

Key Decision

This is a Key Decision.

Background

- 1.1 The prudential framework for Local Authority Capital Investment was introduced through the Local Government Finance Act 2003.
- 1.2 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.

Proposal

2.1 Draft Capital Programme

The following table summarises the proposed Capital Programme for 2013/14. The full programme of schemes is presented in Appendix 1.

Portfolio	2013/14 £	2014/15 £	2015/16 £
Community Development	0	0	0
Health & Housing	807,700	578,000	578,000
Public Protection and Communication	32,900	0	0
Environment	1,820,000	865,000	809,000
Leisure & Development	700,100	80,000	0
Finance & Performance	1,016,000	150,000	150,000
Future Equipment Replacement	20,000	70,000	150,000
Future Service Development Bids	0	100,000	100,000
Total Capital Programme	4,396,700	1,843,000	1,787,000

2.2 The proposed capital programme includes:

- Efficiency/Invest to Save Schemes (see para 2.3 below);
- Extension of the Local Authority Mortgage Scheme (see para 2.4 below);
- Replacement equipment/vehicles to ensure continuation of exiting service provision;
- Approved ongoing budgets i.e. continuation of Arnold Leisure Centre Refurbishment which commenced in 2012/13, Disabled Facilities Grants, Play Area Surface Renewal and the Asset Management Fund which is used to maintain the Council's assets to a safe and usable standard;
- Schemes funded by specific grants i.e. King George V Landscaping funded by S106 contributions;
- Provisions for future equipment replacement and development bids in 2014/15 and 2015/16;
- 2012/13 schemes approved for slippage to 2013/14 (including slippage considered by Cabinet at its meeting on 7 February 2013).

2.3 Efficiency/Invest to Save Schemes

The table below includes the proposed schemes which pay for themselves via income generation or revenue savings over the asset life:

DESCRIPTION	2013/14 Capital Bid	2013/14 Revenue Saving	Note
	£	£	
<u>Leisure and Development</u>			
Health Suite Carlton Forum	82,600	(6,100)	Rising to £20,600pa saving by 2015/16
<u>Finance and Performance</u>			
Replacement Polling Booths	16,000	(1,000)	
Total	98,600	(7,100)	

2.4 Local Authority Mortgage Scheme

The proposed capital programme includes a budget of £1,000,000 for the extension of the Local Authority Mortgage Scheme (LAMS), the policy for which was approved by Council on 22 February 2012.

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.

The budget for first year of the scheme in 2012/13 was approved at £1,000,000 and the take-up of the scheme has been excellent with 29 guarantees delivered by 31 December 2012, equating to a commitment of £543,000. If the rate of completions continues the first tranche of monies will be fully committed early in 2013/14 and given the significant and continuing demand for the scheme, commitment to its extension with the 2013/14 budget proposal will ensure continued support to the community.

2.5 Capital Resources

2.5.1 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.

2.5.2 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 2.5.5 below.

2.5.3 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 secured for financing the 2013/14 programme total £1,150,700 and include:

Disabled Facilities Grants	£353,000	
Lottery Grant	£200,000	Arnold LC Refurbishment
Revenue Reserve Contribution	£200,000	Arnold LC Refurbishment
Performance Reward Grant	£100,000	Arnold Town Centre
S106 Contribution	£229,700	Affordable Housing
S106 Contribution	£68,000	King George V Landscaping

Disabled Facilities Grants are expected to continue at a similar level in 2014/15 and 2015/16

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.

2.5.4 Prudential Borrowing

Prudential borrowing of £3,090,500 is required to finance the General Fund Capital Programme in 2013/14 with a further £1,334,200 and £1,276,200 being required in 2014/15 and 2015/16 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 2013/14 – 2015/16 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 Financial Plan, show that this level of borrowing is affordable and sustainable.

2.5.5 Capital Resources Summary

An estimate of resources for financing the 2013/14 programme and the following two years is summarised below:

	2013/14	2014/15	2015/16
	£	£	£
Use of Capital Receipts	156,000	155,800	157,800
Capital Grants and Contributions	1,150,700	353,000	353,000
Total Cash Resource	1,306,700	508,800	510,800
Prudential Borrowing	3,090,000	1,334,200	1,276,200
Total Financing	4,396,700	1,843,000	1,787,000

2.6 Public Realm Works

There are capital resources available for Public Realm Works, £550,000 pa plus inflation, for five years, which were negotiated as part of the Large Scale Voluntary Transfer of housing stock in 2008.

Proposals for the final year of the public realm works focus on supporting the delivery of the Gedling Country Park on the former colliery site. The estimated final years funds are £630,300 + R.P.I as at the 1st April 2013, 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.

Alternative Options

- 3 As the resources for financing the capital programme are limited there is no capacity to implement new service developments which are not funded by specific grants and/or contributions, therefore no alternative options are available.

Financial Implications

- 4 As detailed in the report.

Appendices

- 5 Appendix 1 – Draft Capital Programme 2013/14 – 2015/16
Appendix 2 – Indicative Vehicle Replacement Programme 2013/14

Background Papers

- Treasury Management Strategy

Recommendations

THAT:

- (a) The capital financing available for 2013/14 be noted;
- (b) The likely resources available for 2014/15 and 2015/16 be noted;
- (c) The Capital Programme for 2013/14 detailed at Appendix 1 be approved for referral to Council.

Reasons for Recommendations

- 7 To obtain approval of the draft Capital Programme which supports delivery of the 2013/14 Council Plan.

DRAFT CAPITAL PROGRAMME 2013/14 - 2015/16

SCHEME DESCRIPTION	Note	CAPITAL BUDGET REQUIREMENT		
		2013/14	2014/15	2015/16
		£	£	£
<u>HEALTH AND HOUSING</u>				
Affordable Housing	Slip from 12/13	229,700		
Disabled Facilities Grant	Ongoing	578,000	578,000	578,000
Total Health and Housing		807,700	578,000	578,000
<u>PUBLIC PROTECTION AND COMMUNICATION</u>				
Cash Office Self Service Kiosk	Slip from 12/13	32,900		
Total Public Protection and Communication		32,900	0	0
<u>ENVIRONMENT</u>				
Safety Surface Renewal	Ongoing	26,000	26,000	26,000
Cemetery Land Purchase	Slip from 12/13	360,000		
Salop Street	Slip from 12/13	65,000		
Office Accommodation Joint Working	Slip from 12/13	450,000		
Shopmobility	Slip from 12/13	50,000		
Arnold Town Centre Redevelopment	Slip from 12/13	100,000		
King George V Landscaping	S106 Funded	68,000		
Vehicle Replacement Programme (Indicative Programme attached at Appendix 2)		701,000	839,000	783,000
Total Environment		1,820,000	865,000	809,000
<u>LEISURE AND DEVELOPMENT</u>				
Gym Equipment - Calverton		33,000		
Leisure Flex System Replacement			80,000	
Arnold Leisure Centre Refurbishment		584,500		
Carlton Forum Health Suite (Invest to Save)		82,600		
Total Leisure and Development		700,100	80,000	0
<u>FINANCE AND PERFORMANCE</u>				
Asset Management Fund		0	150,000	150,000
Polling Booths		16,000		
Local Authority Mortgage Scheme		1,000,000		
Total Finance and Performance		1,016,000	150,000	150,000
Future Equipment Replacement		20,000	70,000	150,000
Future Development Bids			100,000	100,000
TOTAL CAPITAL PROGRAMME		4,396,700	1,843,000	1,787,000

Indicative Vehicle Replacement Programme 2013/14

Vehicle	£
Replace Hayter Triple Mower FJ07 TWM	28,000
Replace Bobcat Mower FX57 FTC	16,000
Replace Roller NVO731P	15,000
Replace Hayter 5 Gang Mower FJ08 HJN	28,000
Replace Mercedes Econic FN07BVF	170,000
Replace Mercedes Econic FN07BVB	165,000
Replace DAF 45 DK08KKU	110,000
Replace Scmidt Sweeper AJ58 RPO	68,000
Replace Vauxhall Astra Light Van	42,000
Replace Applied Sweeper	13,000
Replace Ford Transit FM54 XZL	15,000
Replace Exhaust Fans Large Workshop	20,000
Tractor Replacement	11,000
Total	701,000