

Report to Cabinet

Subject: Capital Programme 2017/18 to 2019/20

Date: 16 February 2017

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

Borough wide.

Purpose

This report summarises:

- a) The proposed Capital Programme for 2017/18 to 2019/20 in light of the Council's priorities and the resources available; and
- b) The proposed Capital Investment Strategy for 2017/18 to 2019/20.

The Capital Programme and Capital Investment Strategy determined by Cabinet at this meeting will be referred to the Council Budget meeting on the 1 March 2017 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.
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- 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 2017/18 to 2019/20. The full programme of schemes is presented in Appendix 1.

Portfolio	2017/18 £	2018/19 £	2019/20 £
Housing, Health and Wellbeing	1,156,000	120,000	0
Public Protection	1,070,000	820,000	820,000
Environment	2,016,900	998,000	528,000
Growth and Regeneration	575,000	875,000	0
Resources and Reputation	150,000	150,000	150,000
Future Equipment Replacement	0	100,000	100,000
Future Service Development Bids	0	100,000	100,000
Total Capital Programme	4,967,900	3,163,000	1,698,000

2.2 The proposed capital programme is derived from the following:

a) Schemes already approved as part of the 2016/17 budget setting process:

- 2017/18 Carlton Cemetery Expansion Car Park **£296,500**.

b) Adjustments to schemes already approved

- The Gedling Country Park Visitor Centre has an additional budget requirement of **£196,000** as reported to Cabinet on 2 February as part of the quarterly performance monitoring report.

The additional budget requirement to fund the additional works and enable completion of the scheme is £196,000 which is now proposed as an addition to the 2017/18 programme.

c) **Schemes re-profiled from 2016/17**

Schemes totalling **£1,425,200**, approved for deferral by Cabinet on 2 February 2017:

	2017/18	2018/19
	£	£
Affordable Housing Scheme – funded by S106	150,000	120,000
Arnold Leisure Centre Flat Roof Replacement	123,400	
Disabled Facilities Grants/Better Care Fund	200,000	
CCTV Monitor Equipment	50,000	
Gedling Country Park Visitor Centre	380,000	
Carlton Cemetery Expansion	210,000	
Asset Management Fund (for suspended ceiling at Arnold Leisure Centre)	102,400	
Land Sale Fees	89,400	
Total	1,305,200	120,000

d) **Ongoing Capital Programme Items (previously approved as ongoing)**

- Disabled Facilities Grants **£820,000** per annum (subject to confirmation of grant funding via Better Care Fund). This is an increase of £131,000 from the previous approved programme which is fully grant funded.
- Asset Management Fund **£150,000** per annum - used to maintain the Council's assets to a safe and usable standard.
- Provisions for future development bids **£100,000** in 2018/19 and 2019/20.

e) **Replacement Equipment/Vehicles**

Replacement assets to ensure continuation of existing service:

	2017/18	2018/19	2019/20
	£	£	£
Leisure Fitness Equipment	238,000	0	0
Arnold Leisure Centre Suspended Ceiling	82,200		
King George V Climbing Frame	35,000		
Vehicles	763,000	998,000	528,000
Future Equipment Replacement	0	100,000	100,000
Total	1,118,200	1,098,000	628,000

f) **New resource development bids which meet the Council priorities**

The table below show schemes totalling **£1,910,000** which score 15 points and above using the Council's approved methodology as detailed in the Capital Investment Strategy (see paragraph 2.4 below). The approved methodology ranks schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans. They are assessed as affordable in line with the Council's Prudential Code Indicators contained within the Treasury Management Strategy and within the overall context of the Medium Term Financial Strategy.

Description	Capital Budget 2017/18	Capital Budget 2018/19	Revenue Ongoing (For Info)	Score
	£	£	£	
Strategic Intervention Fund	475,000	475,000	20,000	38
Carlton Square Re-development	100,000	400,000	-	35
All Weather Pitch – Carlton le Willows School	300,000	0	-	25
Invest to Save Items:				
Calverton Leisure Centre – Soft Play Area	140,000	0	(31,300)	23
Carlton Forum/Redhill LC – Interactive Cycling Simulator	20,000	0	(5,400)	16
Total Capital Development Bids	1,035,000	875,000	(16,700)	

g) **Invest to Save Items from the Budget Reduction Programme**

Additional vehicle and equipment to support delivery of new Grounds Maintenance Contract which will generate savings of £35,000 per annum (as detailed in the Gedling Plan report elsewhere on this agenda) **£47,000**.

2.3 **Capital Resources**

2.3.1 **Capital Receipts**

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure.

The estimated annual capital receipt generation for 2017/18 to 2019/20 is detailed in the table below and it is proposed that these are fully utilised to finance the capital programme as detailed in paragraph 2.3.5:

	2017/18	2018/19	2019/20
	£	£	£
Land Sales	1,059,000	660,000	660,000
Right to Buy & Improvement Grant Repayments	150,000	150,000	50,000
Total Capital Receipt Estimate	1,209,000	810,000	710,000

Land Sales

A major review of the revenue budget was undertaken during 2014/15 with the objective of addressing the revenue grant reductions and delivering a sustainable Medium Term Financial Plan (MTFP). As part of that review, one strategy identified to reduce the pressure on the revenue budget was the sale of surplus non-operational land holdings to generate capital receipts. The capital receipts will be used to finance the capital programme and therefore avoid previously planned borrowing which in turn reduces pressure on the revenue budget by reducing principal and interest payments.

The initial estimate of capital receipts arising from this process was £3,650,000 in the period between 2015/16 to 2017/18 and included the sale of small areas of land and a major development site, Teal Close. To date £200,000 has been generated from the sale of small areas of land which have been used to finance previous capital programme items and a further £3,150,000 is still to be realised, leaving a shortfall from the original estimate of £300,000. The shortfall will be met partly by a £100,000 contribution from the Budget Reduction Risk Reserve which was set aside in recognition of the delivery risks contained in the budget reduction programme (see 2.3.2 below), and the remaining £200,000 will be met by borrowing.

The remaining capital receipt programme of £3,150,000 is expected to be generated between 2017/18 and 2022/23 with estimated receipts for the period of the current programme 2017/18 to 2019/20 included in the table above.

If, for whatever reason, these capital receipts do not materialise, then prudential borrowing will be used as replacement funding. This is still affordable within the timeframe of the MTFP.

Right to Buy Receipts and Improvement Grant Repayments

The Council also generates capital receipts from improvement grant repayments and preserved Right To Buy (RTB) receipts. Preserved RTB receipts are those that the Council has negotiated to retain, for a period of 10 years, as part of the LSVT of housing stock. These receipts are due to finish in 2018/19 when the 10 year period has ended. 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.

2.3.2 Direct Revenue Financing

The usage of earmarked revenue reserves as contributions to specific capital schemes totalling **£441,400** are proposed as follows:

- a) £50,000 contribution from the earmarked revenue reserve for CCTV monitoring for the upgrade of the monitor room. This scheme is approved for deferral from the 2016/17 capital programme;
- b) £100,000 contribution from the Economic Development Fund and £98,700 from the Business Rate Pool Reserve for the proposed development bid - Strategic Intervention Fund;
- c) £82,200 to part fund the replacement ceiling at Arnold Leisure Centre as approved by Cabinet on 2 February 2017;
- d) £10,500 contribution from the Asset Management Revenue Reserve to fund the project management costs of the Arnold Leisure Centre Flat Roof Replacement.
- e) £100,000 contribution from the Budget Reduction Risk Reserve to cover a shortfall in an expected capital receipt projected as part of the 2014/15 budget reduction process, as detail in 2.3.1 above.

2.3.3 Capital Grants and Contributions

External funds such as the Disabled Facilities Grant (DFG) and contributions from developers continue to be important in the funding of capital expenditure and schemes financed in this way are included in the programme.

Grants and contributions estimated for financing the 2017/18 to 2019/20 programme include:

	2017/18 £	2018/19 £	2019/20 £
Disabled Facilities/Better Care Fund Grant (assumed ongoing 2017/18-2019/20)	820,000	820,000	820,000
Disabled Facilities/Better Care Fund Grant b/f from 2016/17 to fund slippage	200,000	0	0
S106 Contribution for Affordable Housing Project	150,000	120,000	0
Total Grants and Contributions	1,170,000	940,000	820,000

Disabled Facilities/Better Care Fund grant funding is now paid by the Department for Communities and Local Government to Nottinghamshire County Council for distribution. In 2016/17 the grant determination specified £820,000 for spend in Gedling on DFG and wider strategic Better Care Fund priorities. The actual allocations to each District Council are agreed by the Nottinghamshire Health and Wellbeing Board and for 2016/17 the full amount of £820,000 has been allocated for projects in Gedling. There have not yet been any grant announcements for 2017/18 so the current grant amount of £820,000 is assumed for the future programme. Any variation will be reported to Cabinet via the usual quarterly budget monitoring process.

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.

2.3.4 Prudential Borrowing

Due to the delay in generating capital receipts, as detailed in paragraph 2.3.1 above, there are requirements to use Prudential borrowing to finance the capital programme in 2017/18 to 2019/20. In addition, proposed development bids are higher than previously anticipated which has added £1.7m to the borrowing requirement. This is partly offset by a reduced borrowing requirement for the Disabled Facilities grants budget previously estimated at £225,000 per annum but is now 100% funded by government grant. The proposed borrowing amounts are detailed in paragraph 2.3.5 below.

The Council's Prudential Indicators for the financial years 2017/18 to 2019/20 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, subject to securing the commitment to delivering a budget reduction programme of £3.5m in the medium term i.e. £1.6m net from planned budget reductions plus £1.9m the new proposed efficiency target.

2.3.5 Capital Resources Summary

An estimate of resources for financing the 2017/18 to 2019/20 programme is summarised below:

Capital Resources	2017/18	2018/19	2019/20
	£	£	£
Use of Capital Receipts	1,209,000	810,000	710,000
Direct Revenue Financing	441,400	0	0
Capital Grants and Contributions	1,170,000	940,000	820,000
Total Cash Resource	2,820,400	1,750,000	1,530,000
Prudential Borrowing	2,147,500	1,413,000	168,000
Total Financing	4,967,900	3,163,000	1,698,000

2.4 Capital Investment Strategy

2.4.1 The Capital Investment Strategy outlines the principles and framework that shape the Council's capital investment decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council's priorities and objectives as set out in the Gedling Plan.

2.4.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending; and sets out how the resources and capital programme will be managed.

2.4.3 A copy of the proposed Capital Investment Strategy for 2017/18 to 2019/20 is attached at Appendix 2.

Alternative Options

3 As the resources for financing the capital programme are limited there is no capacity to implement further service developments which are not funded by specific grants and/or contributions, therefore no alternative options are available. However, depending upon the timing and value of expected capital receipts, borrowing may be utilised as a substitute for capital receipts to fund the programme in any one year, and vice versa.

Financial Implications

4 As detailed in the report.

Appendices

- 5 Appendix 1 - Draft Capital Programme 2017/18 – 2019/20
 Appendix 2 - Capital Investment Strategy 2017/18 – 2019/20

Background Papers

- Treasury Strategy 2017/18
- Gedling Plan 2016-19

Recommendations

- 6 **THAT:**
- (a) The estimated capital financing available for 2017/18 to 2019/20 be noted;
 - (b) The Capital Programme for 2017/18 to 2019/20 detailed at Appendix 1 is approved and referred to Council for approval on 1 March 2017;
 - (c) The Capital Investment Strategy 2017/18 to 2019/20 detailed at Appendix 2 is approved and referred to Council for approval on 1 March 2017.

Reasons for Recommendations

- 7 To obtain approval of the draft Capital Programme and Capital Investment Strategy, which support the delivery of the 2016-19 Gedling Plan.

DRAFT CAPITAL PROGRAMME 2017/18 - 2019/20

SCHEME DESCRIPTION	Ref	CAPITAL BUDGET REQUIREMENT		
		2017/18	2018/19	2019/20
		£	£	£
<u>HOUSING, HEALTH & WELLBEING</u>				
Affordable Housing Scheme	S106 Slip	150,000	120,000	
All Weather Pitch Carlton Le Willows	Dev Bid	300,000		
Carlton/Redhill Cycling Simulator	Dev Bid	20,000		
Calverton Soft Play	Dev Bid	140,000		
Carlton Forum Gym Equipment Replacement	Equip Repl	190,000		
Carlton Forum/Redhill Spin Bike Replacement	Equip Repl	48,000		
Arnold LC Roof Replacement	Slippage	123,400		
Arnold LC Suspended Ceiling	Slippage/Repl	184,600		
Total Housing, Health & Wellbeing		1,156,000	120,000	0
<u>PUBLIC PROTECTION</u>				
Disabled Facilities/Better Care Fund	Ongoing/Slippage	1,020,000	820,000	820,000
CCTV Monitor Room Upgrade	Slippage	50,000		
Total Public Protection		1,070,000	820,000	820,000
<u>ENVIRONMENT</u>				
Carlton Cemetery - Expansion/Car Park	Dev Bid 16/17 + Slip	506,500		
Gedling Country Park Visitor Centre	Dev Bid/Slip	576,000		
King George V Climbing Frame	Equip Repl	35,000		
Land Sale Fees	Slip	89,400		
Bestwood Country Park Vehicle/Equipment	Budget Red Prop	47,000		
Vehicle Replacement	Equip Repl	763,000	998,000	528,000
Total Environment		2,016,900	998,000	528,000
<u>GROWTH AND REGENERATION</u>				
Strategic Intervention Fund	Dev Bid	475,000	475,000	
Carlton Square Development	Dev Bid	100,000	400,000	
Total Growth and Regeneration		575,000	875,000	0
<u>RESOURCES AND REPUTATION</u>				
Asset Management Fund	Ongoing	150,000	150,000	150,000
Total Resources and Reputation		150,000	150,000	150,000
Future Equipment Replacement			100,000	100,000
Future Development Bids			100,000	100,000
TOTAL CAPITAL PROGRAMME		4,967,900	3,163,000	1,698,000