

## **Report to Cabinet**

**Subject:** Capital Programme 2014/15

**Date:** 20 February 2014

**Author:** Senior Leadership Team on behalf of the Leader

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### **Wards Affected**

Borough-wide.

### **Purpose**

This report summarises the proposed capital programme for 2014/15 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 3 March 2014 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 2014/15. The full programme of schemes is presented in Appendix 1.

<b>Portfolio</b>	<b>2014/15 £</b>	<b>2015/16 £</b>	<b>2016/17 £</b>
Community Development	0	0	0
Health & Housing	686,000	596,000	596,000
Public Protection and Communication	0	0	0
Environment	1,575,500	1,134,000	790,000
Leisure & Development	490,600	0	0
Finance & Performance	150,000	150,000	150,000
Future Equipment Replacement	0	150,000	150,000
Future Service Development Bids	0	100,000	100,000
<b>Total Capital Programme</b>	<b>2,902,100</b>	<b>2,130,000</b>	<b>1,786,000</b>

### 2.2 The proposed capital programme includes:

- Replacement equipment/vehicles to ensure continuation of existing service provision;
- Approved ongoing budgets i.e. Disabled Facilities Grants 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 e.g. Gedling Country Park funded by S106 contributions;
- Provisions for future equipment replacement and development bids in 2015/16 and 2016/17;
- 2013/14 schemes approved for slippage to 2014/15 (including slippage considered by Cabinet at its meeting on 13 February 2014);
- Schemes approved in 2013/14 with spend profiled for completion in 2014/15 i.e. Public Offices Alterations for DWP occupation and Arnold Leisure Centre Refurbishment.

## 2.3 Capital Resources

- 2.3.1 Sources of finance for the capital programme have been under increasing pressure in recent years with the withdrawal of Government Grants and fewer general capital receipts being available. In the recent history of the capital programme there has been 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 remains under significant pressure as a result of the reduced Government Grant Settlement the level of borrowing is restricted to that which is assessed as affordable.

### 2.3.2 Capital Receipts

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

A major review of the revenue budget has recently been undertaken, as detailed in the Gedling Plan 2014/15 report (an item elsewhere on this agenda), with the objective of addressing the revenue grant reductions and delivering a sustainable medium term financial plan. As part of that review, one strategy that has been identified to reduce the pressure on the revenue budget is 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 planned borrowing which in turn reduces pressure on the revenue budget by reducing principal and interest payments.

Estimated Capital receipts to be generated over the next 3 years from the sale of surplus non-operational land holdings totals £4.8m.

In addition to the sale of land and buildings the Council also generates capital receipts from improvement grant repayments, mortgage repayments and preserved Right To Buy (RTB) receipt, which together are estimated to generate £154,000 per annum over the next 3 years. 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. 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 2.3.5 below.

### 2.3.3 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 2014/15 programme total £1,211,000 and include:

Disabled Facilities Grant	£371,000
Sport England Grant – Arnold Leisure Centre Refurbishment	£200,000
Performance Reward Grant – Shopmobility	£100,000
S106 Developer Contribution – Gedling Country Park and Affordable Housing	£540,000

With effect from 2015 Disabled Facilities grant funding will be paid to top tier authorities. Early indications from Nottinghamshire County Council suggest that they plan to passport future grant allocations from 2015/16 to District Councils to continue its administration. This is assumed in the forward programme.

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 proposed strategy of generating capital receipts, as detailed in paragraph 2.3.2 above, there are no requirements to use Prudential borrowing to finance the capital programme 2014/15-2016/17.

#### 2.3.5 Capital Resources Summary

An estimate of resources for financing the 2014/15 programme and the following two years is summarised below:

	2014/15	2015/16	2016/17
	£	£	£
Use of Capital Receipts	1,691,100	1,759,000	1,415,000
Capital Grants and Contributions	1,211,000	371,000	371,000
<b>Total Cash Resource</b>	<b>2,902,100</b>	<b>2,130,000</b>	<b>1,786,000</b>
Prudential Borrowing	0	0	0
<b>Total Financing</b>	<b>2,902,100</b>	<b>2,130,000</b>	<b>1,786,000</b>

### **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 2014/15 – 2016/17

### **Background Papers**

- Treasury Management Strategy

### **Recommendations**

#### **THAT:**

- (a) The capital financing available for 2014/15 be noted;
- (b) The likely resources available for 2015/16 and 2016/17 be noted;
- (c) The Capital Programme for 2014/15 detailed at Appendix 1 be agreed for referral to Council for approval.

### **Reasons for Recommendations**

- 7 To obtain approval of the draft Capital Programme which supports delivery of the 2014/15 Council Plan.