

Report to Cabinet

Subject: Capital Programme 2015/16

Date: 19 February 2015

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

Borough wide.

Purpose

This report summarises the proposed capital programme for 2015/16 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 2015 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 2015/16. The full programme of schemes is presented in Appendix 1.

Portfolio	2015/16 £	2016/17 £	2017/18 £
Community Development	0	0	0
Health & Housing	689,000	689,000	689,000
Public Protection and Communication	73,900	0	0
Environment	1,889,400	962,000	463,000
Leisure & Development	219,300	0	0
Finance & Performance	355,800	150,000	150,000
Future Equipment Replacement	0	150,000	150,000
Future Service Development Bids	0	100,000	100,000
Total Capital Programme	3,227,400	2,051,000	1,552,000

2.2.1 The proposed capital programme includes:

- a) Resource developments bids which meet the Council priorities i.e.

£350,000 for a Depot Office and Welfare Facility to meet health and safety and staff working condition requirements

And

£15,000 for CCTV in Newstead consistent with public protection priorities;

- b) New schemes funded by specific resources i.e.

£200,000 Gedling Country Park projects - funded by a capital receipt which is restricted by legal agreement for investment in the park.

And

£109,400 contribution to the Calverton Parish Council Pavilion Project funded by S106 contributions which can only be used in Calverton.

This is a contribution towards a major Parish Council project investing £1.064m to construct a new Community and Sports Centre within the William Lee Recreation Ground;

- c) Replacement equipment/vehicles to ensure continuation of existing service provision;
- d) 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;
- e) Provisions for future equipment replacement and development bids in 2016/17 and 2017/18;
- f) 2014/15 schemes totalling £667,500, approved for slippage to 2015/16 by Cabinet at its meeting on 12 February 2015.

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.

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. 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.

Estimated capital receipts to be generated between 2014/15 and 2017/18 from the sale of surplus non-operational land holdings totals £3.4m. This is £1.2m lower than originally estimated in the 2014/15 budget review due to reduced market valuations. The anticipated timetable for securing the capital receipts has also faced some delays and a revised forecast is now reflected in the capital financing budget.

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) receipts, which together are estimated to generate £153,000 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.

In addition a capital receipt of £200,000 has been secured which is restricted by legal agreement for investment in the Gedling Country Park as detailed in 2.2.1

above.

Estimated usage of capital receipts is detailed in the table at paragraph 2.3.5 below.

2.3.2 Direct Revenue Financing

As a result of the reduced capital receipts generation forecast detailed in paragraph 2.3.1 above, it is proposed that part of the funding gap be bridged by the use of a £500,000 contribution from the revenue budget. The £500,000 contribution is assessed as affordable following the early delivery of some of the planned 2014/15 revenue budget reduction proposals creating an underspend in 2013/14, and its usage enables the overall delivery of the planned capital and revenue budget reduction programme to remain within targets set. This contribution is contained within the Gedling Plan 2015/16 revenue budget estimates, an item elsewhere on this agenda, and is subject to approval of that report.

In addition, a £50,000 contribution from the earmarked revenue reserve for CCTV monitoring for the upgrade of the equipment will be completed. This scheme is approved for deferral from the 2014/15 capital programme.

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 besides schemes partly financed in this way are included in the programme.

Grants and contributions estimated for financing the 2015/16 programme total £862,400 and include:

	£
Disabled Facilities Grant	464,000
Performance Reward Grant – Shopmobility	100,000
S106 Developer Contributions – Gedling Country Park (£150k) and Calverton Parish Council Pavilion (£109.4k)	259,400
Rushcliffe Borough Council – HR/Payroll System contribution	39,000
Total Grants and Contributions 2015/16	862,400

With effect from 2015 Disabled Facilities grant funding will be paid to top tier authorities. 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 2.3.1 above, there are no requirements to use Prudential borrowing to finance the capital programme in 2015/16. However, it is now projected that small amounts of prudential borrowing will be required to fund the forward capital programmes for 2016/17 and 2017/18 with amounts of £269,000 and £307,000 respectively. However, this requirement will be subject to review as part of the annual budget process for each respective year.

This level of borrowing to fund the programme has become necessary due to higher than estimated development bids and equipment replacement items in 2015/16 and a lower estimate for capital receipts.

The Council's Prudential Indicators for the financial years 2015/16 – 2017/18 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.

2.3.5 Capital Resources Summary

An estimate of resources for financing the 2015/16 programme and the following two years is summarised below:

	2015/16	2016/17	2017/18
	£	£	£
Use of Capital Receipts	1,815,000	1,318,000	781,000
Direct Revenue Financing	550,000	0	0
Capital Grants and Contributions	862,400	464,000	464,000
Total Cash Resource	3,227,400	1,782,000	1,245,000
Prudential Borrowing	0	269,000	307,000
Total Financing	3,227,400	2,051,000	1,552,000

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 2015/16 – 2017/18

Background Papers

- Treasury Management Strategy
- Gedling Plan 2015/16

Recommendations

THAT:

- (a) The capital financing available for 2015/16 be noted;
- (b) The likely resources available for 2016/17 and 2017/18 be noted;
- (c) The Capital Programme for 2015/16 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 2015/16 Gedling Plan.