

## **Report to Cabinet**

**Subject:** Capital Programme 2016/17-2018/19

**Date:** 18 February 2016

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

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### **Wards Affected**

Borough wide.

### **Purpose**

This report summarises the proposed capital programme for 2016/17 to 2018/19 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 7 March 2016 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 2016/17 to 2018/19. The full programme of schemes is presented in Appendix 1.

<b>Portfolio</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>
Housing, Health and Wellbeing	1,436,600	689,000	689,000
Public Protection	50,000	0	0
Environment	2,716,000	1,052,500	978,000
Resources and Reputation	164,300	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>4,366,900</b>	<b>2,141,500</b>	<b>2,067,000</b>

### 2.2 The proposed capital programme includes:

#### a) Resource developments bids which meet the Council priorities:

- £900,000 for a Gedling Country Park Visitor Centre (ongoing revenue expenditure of £50,000 p.a. for running costs plus estimated borrowing costs of £32,000 p.a. based on prudential borrowing of £400,000. All figures are estimates and an option appraisal/feasibility study will be completed to determine final scope and cost of the scheme);
- £506,500 for Carlton Cemetery Expansion and Car Park;
- £75,000 contribution to the All Weather Pitch Replacement at Redhill Leisure Centre. Scheme to be completed in partnership with the Redhill Academy Trust and the Football Foundation with a total maximum scheme cost of £585,000 (net ongoing revenue income of £12,000);
- £22,000 for Civic Centre Public Toilets (ongoing revenue expenditure of £4,900).

#### b) New Demand Pressures:

£155,000 for a Refuse Freighter to introduce a new collection round due to housing growth.

- c) New schemes funded by specific resources:

£270,000 for Affordable Housing Schemes funded by S106 contributions.

- d) Replacement equipment/vehicles to ensure continuation of existing service provision.
- e) 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.
- f) Provisions for future equipment replacement and development bids in 2017/18 and 2018/19.
- g) 2015/16 schemes totalling £1,010,900, approved for slippage to 2016/17 by Cabinet at its meeting on 11 February 2016.

## 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.

Initial capital receipts estimates for 2015/16 and 2017/18 from the sale of surplus non-operational land holdings totalled £3.2m. This included an assumption that the sale of a major development site, Teal Close, would generate a capital receipt in 2015/16. The sale of the site is still being negotiated but it is now probable that the capital receipt will be received in instalments between 2016/17 to 2021/22. This will still deliver the required borrowing reductions but over a longer period. A revised forecast for capital receipts 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 £151,000 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.

### 2.3.2 Direct Revenue Financing

A £500,000 contribution from the revenue budget is proposed for the financing of the visitor centre at Gedling Country Park. During the 2015/16 budget process it was agreed that £1m be earmarked from the General Fund Balance to make provision for future investment in the Council's leisure centres. It is now proposed that £500,000 of the £1m to be earmarked for leisure centres be allocated to financing of the Gedling Country Park visitor centre. This contribution is contained within the Gedling Plan 2016/17 Revenue Budget, 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 monitor room will be completed. This scheme is approved for deferral from the 2015/16 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 2016/17 programme total £834,000 and include:

	£
Disabled Facilities Grant (assumed ongoing 2017/18-2018/19)	464,000
Performance Reward Grant – Shopmobility	100,000
S106 Developer Contributions – Affordable Housing	270,000
<b>Total Grants and Contributions 2016/17</b>	<b>834,000</b>

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 2016/17 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 delay in generating capital receipts, as detailed in paragraph 2.3.1 above, there are now requirements to use Prudential borrowing to finance the capital programme in 2016/17 to 2018/19. In addition, development bids are higher than previously anticipated which has also added to the borrowing requirement. The proposed borrowing amounts are detailed in paragraph 2.3.5 below.

The Council's Prudential Indicators for the financial years 2016/17 – 2018/19 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 an efficiency programme of £1.15m in the medium term.

### 2.3.5 Capital Resources Summary

An estimate of resources for financing the 2016/17 to 2018/19 programme is summarised below:

	2016/17	2017/18	2018/19
	£	£	£
Use of Capital Receipts	1,021,500	1,061,000	811,000
Direct Revenue Financing	550,000	0	0
Capital Grants and Contributions	834,000	464,000	464,000
<b>Total Cash Resource</b>	<b>2,405,500</b>	<b>1,525,000</b>	<b>1,275,000</b>
Prudential Borrowing	1,961,400	616,500	792,000
<b>Total Financing</b>	<b>4,366,900</b>	<b>2,141,500</b>	<b>2,067,000</b>

### 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.

### Financial Implications

- 4 As detailed in the report.

## **Appendices**

5 Appendix 1 – Draft Capital Programme 2016/17 – 2018/19

## **Background Papers**

- Treasury Strategy 2016/17
- Gedling Plan 2016/17 to 2018/19

## **Recommendations**

### **THAT:**

- (a) The estimated capital financing available for 2016/17 to 2018/19 be noted;
- (b) The Capital Programme for 2016/17 to 2018/19 detailed at Appendix 1 is agreed for referral to Council for approval.

## **Reasons for Recommendations**

7 To obtain approval of the draft Capital Programme which supports delivery of the 2016/17 to 2018/19 Gedling Plan.

**DRAFT CAPITAL PROGRAMME 2016/17 - 2018/19**

SCHEME DESCRIPTION	Ref	CAPITAL BUDGET REQUIREMENT		
		2016/17	2017/18	2018/19
		£	£	£
<b><u>HOUSING, HEALTH &amp; WELLBEING</u></b>				
Disabled Facilities Grant	Ongoing	689,000	689,000	689,000
Affordable Housing Scheme	S106	270,000		
Arnold LC Flat Roof Replacement	Asst Mgt	120,000		
Redhill LC - Lighting/Pitch	Dev Bid	75,000		
Carlton Forum Health Suite	Slip Qtr 3 15/16	82,600		
Arnold LC Boiler Replacement	Slip Qtr 3 15/16	200,000		
<b>Total Health and Housing</b>		<b>1,436,600</b>	<b>689,000</b>	<b>689,000</b>
<b><u>PUBLIC PROTECTION</u></b>				
CCTV Monitor Room Upgrade	Slip Qtr 3 15/16	<b>50,000</b>	<b>0</b>	<b>0</b>
<b><u>ENVIRONMENT</u></b>				
Carlton Cemetery - Expansion/Car Park	Dev Bid	210,000	296,500	
Gedling Country Park Visitor Centre	Dev Bid	900,000	0	
Relocation of Shopmobility	Slip 15/16	150,000		
Depot Office/Welfare Facility	Slip Qtr 3 15/16	200,000		
<b><u>Vehicle Replacement</u></b>				
Replace Lewis Badge Loading Shovel FJ58KYN		35,000		
Replace Ford Transit/Tipper FN58UER		32,000		
Replace John Deere Tractor FJ58YBZ		40,000		
Replace Freighter Dennis Elite 32kg VO09MTE		175,000		
Replace Freighter Dennis Elite 32kg VO09MTF		175,000		
Replace Freighter Elite Narrow 24kg VX09WKD		165,000		
Replace 7.5t Iveco Dog Bin FJ09HNC		38,000		
Replace Swingo Sweeper AE11EZX	Slip 15/16	70,000		
Replace Ford Transit FN58UEO		19,000		
Replace Ford Connect FN58UEZ		16,000		
Replace Exhaust Fans	Slip 15/16	0	20,000	
Replace Hayter Triple Mower	Slip Qtr 3 15/16	28,000		
Replace Gravedigger	Slip Qtr 3 15/16	30,000		
Replace Light Van	Slip Qtr 3 15/16	42,000		
Replace Ford Transit Tippers	Slip Qtr 3 15/16	60,000		
Replace Transit Box Van	Slip Qtr 3 15/16	26,000		
Replace Kerbside Freighter	Slip Qtr 3 15/16	150,000		
New freighter	New Round	155,000		
Replacement Vehicles			736,000	978,000
<b>Total Environment</b>		<b>2,716,000</b>	<b>1,052,500</b>	<b>978,000</b>
<b><u>RESOURCES AND REPUTATION</u></b>				
Asset Management Fund	Slip + New Prog	142,300	150,000	150,000
Civic Centre Public Toilets	Dev Bid	22,000		
<b>Total Finance and Performance</b>		<b>164,300</b>	<b>150,000</b>	<b>150,000</b>
<b>Future Equipment Replacement</b>			<b>150,000</b>	<b>150,000</b>
<b>Future Development Bids</b>			<b>100,000</b>	<b>100,000</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>4,366,900</b>	<b>2,141,500</b>	<b>2,067,000</b>

