

Report to: EXECUTIVE

Date: 13th February 2012

Report of: DIRECTOR OF CORPORATE RESOURCES **Report No:**

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Report Title: CAPITAL PROGRAMME 2012/13 TO 2014/15

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Non Confidential:**

This report does not contain information which warrants its consideration in the absence of the press or members of the public

Purpose:

To propose a Capital Programme, a Minimum Revenue Provision (MRP) policy and Capital Prudential Indicators for the next four years.

Decision:

The Executive is asked to recommend to the Council for Approval:

- The Capital Programme for 2012/13 to 2014/15 as set out in Appendix One to this report.
- The MRP policy as set out in Section 5 of the report
- The Capital Prudential Indicators as set out in Section 6

Background Doc(s):

1. BACKGROUND

- 1.1 The Executive received a report setting out the capital proposals and resources for 2012/13 at its meeting on 9th January 2012. The report compared the likely capital resources available with bids advanced through the Corporate Business Planning Process. Relevant Executive Members were asked to consider detailed programme proposals. The Director of Corporate Resources was asked to produce a Capital Programme based upon the previous decisions.
- 1.2 This report details the capital programme which meets the above requirements and is consistent with the proposed revenue budget.

2. 2012/13 CAPITAL PROGRAMME

- 2.1 Appendix 1 identifies capital expenditure proposals amounting to

	£000s
2012/13	67,456
2013/14	18,711
2014/15	14,099

The resources available to meet the programme are: -

	2012/13 £000	2013/14 £000	2014/15 £000
Corporate Supported Prudential Borrowing	8,703	2,236	2,236
Service Supported Prudential Borrowing	2,585	1,440	1,180
Government Grants (largely Children's)	43,148	10,656	6,580
Third Party Contributions	626	1,000	1,000
Capital Receipts	4,536	1,900	1,625
Revenue (largely Children's)	7,858	1,479	1,478
Total	67,456	18,711	14,099

3. OBSERVATIONS

- 3.1 Additional expenditure may be possible in the course of the year if sponsoring services identify additional sources of finance or obtain 100% grant support.
- 3.2 A report reviewing the current year's projected capital expenditure and resources is to be considered at the meeting of the Executive Member for Health & Corporate Resources on 21st February 2012. It is likely some commitments from 2011/12 will be carried forward to be met in 2012/13. Matching resources will be carried forward but additional expenditure commitments for schemes with potentially limited VAT recovery will require individual appraisal.

4. VAT

- 4.1 As part of the appraisal of the capital programme the proposals have been assessed for their anticipated impact on the Council's VAT recovery position.

Full VAT recovery is only permitted where less than 5% of VAT recovered relates to activities which are exempt from VAT (largely land transactions, paid for Education, Markets and Cremation). Where the 5% limit is exceeded no VAT recovery on VAT

Exempt Activity is permitted unless the 7 year average is below 5%.

- 4.2 If the proposed programme is approved the exempt input tax proportion is estimated as follows:

	%
2012/13	8.64
2013/14	3.64
2014/15	3.77

The detailed calculations are set out in Appendix 2. The 7 year average is 4.54% and is therefore within the HMRC limit.

Full VAT recovery is projected in each of the years however there is little margin to accommodate scheme slippage. Following the transfer of the Housing function and the reduction in resources generally there is a greater degree of uncertainty about the total value of VAT to be recovered and thus the value of VAT exempt schemes which can be accommodated. It is also possible that VAT regulations will change.

In land and property development schemes it is possible to take schemes out of the Exempt VAT calculation by "Opting to tax" i.e. charging VAT voluntarily. There is no option to tax on Cremation or Educational activities and there are instances where options to tax are rendered invalid for example where the future use of the property is for residential or educational purposes. Opting to tax may make sites less attractive to some purchasers.

Given the fine margin in 2012/13 it will be important input tax totals and expenditure projections are closely monitored. Where additional expenditure is identified, it may be necessary to opt to tax on that or another scheme.

5. MINIMUM REVENUE PROVISION

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31st March 2008. They require the basis on which the Minimum Revenue Provision (MRP) is calculated for future years to be approved by Council. This is the amount Councils are required to set aside for debt repayment each year.

The budget has been prepared on the basis of a MRP calculation at 4% of opening debt for non HRA services as required under previous practice. A further debt repayment provision is made for advances taken under the Equal Pay Capitalisation Directive to repay those amounts in equal instalments over 20 years. For non-Housing schemes financed from unsupported borrowing from 1st April 2008 MRP will be made for repayment equal to the estimated depreciation charge on those assets calculated on an equal instalment basis calculated in accordance with normal accounting practice. For Finance Leases and the PFI scheme the capital element of the lease or unitary payment will be taken to be the MRP.

6. CAPITAL PRUDENTIAL INDICATORS

Prudential Indicators seek to provide measures of affordability and prudence reflecting Capital Expenditure, Debt and Treasury Management. Debt and Treasury Management indicators are addressed by another report on the agenda.

Affordability indicators seek to measure the impact of budget decisions as regards capital financing on Council Tax.

Borrowing requirements for capital purposes are shown as a trend; these reflect capital expenditure and financing plans. The financing costs are reflected in the Medium Term Financial Strategy.

Capital expenditure profiles reflect current business plans. They are the aggregate expenditure figures from all sources of finance (borrowing, grants, capital receipts and revenue). The capital financing requirement demonstrates the impact of borrowing to meet capital expenditure plan net of provisions for debt repayment.

	Actual	Revised			
Affordability	2010/11	2011/12	2012/13	2013/14	2014/15
Ratio of financing costs stream General Fund (%)	4.78	4.20	4.15	4.35	4.58
Impact of capital investment decisions on Council Tax (£)			11.52	3.75	3.49
Capital Expenditure and Capital Financing					
General Fund (£000)	77,587	89,937	67,456	18,711	14,099
Capital Financing Requirement (£000)	242,056	251,957	253,245	246,921	240,337

7 CONCLUSION

- 7.1 Appendix 1 to this report sets out a proposed Capital Programme including identified slippage, which can be funded from anticipated resources.

8. RECOMMENDATION

- 8.1 The Executive is asked to recommend to the Council for Approval:
- The Capital Programme for 2012/13 to 2014/15 as set out in Appendix 1 to this report.
 - The Minimum Revenue Payment policy as set out in section 5 above
 - The Capital Prudential Indicators as set out in Section 6 above

APPENDIX 1

Capital Programme 2012/13 to 2014/15			
Service/Scheme	2012/13	2013/14	2014/15
	£000s	£000s	£000s
Children's			
Building Maintenance Plan	2,090	2,090	2,090
School Capital Support Fund	200	200	200
Schools Access Initiative	200	200	200
Kitchens Programme	100	100	100
Devolved Formula Capital	674	674	674
Primary Capital Programme	7,447		
Primary Expansion Programme	12,053	3,985	
ESSA Academy			69
St Catherine's Academy	5,701		94
Kearsley Academy	11,119		
Children's Social Care	30	30	30
Children's Total	39,614	7,279	3,457
Adults			
Telecare Equipment	50		
Disabled Facilities Top Up Grant	100	100	100
Mental Health	94		
PC refresh and Mobile Working	265	184	
Transforming Adult Social Care	75	76	
Supported Housing Developments	410	150	150
Adult Services Major Repairs	133		
Lift Refurbishments	153		
Museum Collection Storage	400		
Further PC refresh and Mobile Working	493		
Wilfred Geere	175		
ICT Training System	40		
Social Care Assessments	100		
Customers ICT	50	50	
Electronic Home Care Equipment	96		
Libraries/Neighbourhood Collection Points	100		
Adults Total	2,734	560	250
Environmental Services			
H10 Highways Capital Programme (Grant)	3,659	3,486	3,281
Queens Park (Grant)	1,062		
Street Lighting/Carbon Reduction	333		
Street Lighting Energy Control Project (Self Financing)	1,200	900	900

Capital Programme 2012/13 to 2014/15			
Service/Scheme	2012/13	2013/14	2014/15
	£000s	£000s	£000s
Street Lighting/Carbon Reduction (Prudential)	250	250	250
Flood Defence	75	75	75
Highways Investment	1,015		
Concrete lighting columns over 40 years old renewals	350	350	350
Improvement of Street Lighting (capacitors)	45	45	45
Illuminated Bollards & Signs	45	45	45
Energy/Carbon Reduction			
Public Rights of Way Improvement Plan	15	15	15
Highway Drainage imps to prevent ironwork theft	45	45	45
Safer Barrier Replacement	40	40	40
Surface Water Run-off Highways Improvements	140	140	140
Neighbourhood Services Asset & Infrastructure Programme	60	60	60
Queens Park	100	100	100
Access To Nature	15	15	15
Increased Recycling Participation	208	208	208
Ashburner St. Market Essential Roof Refurbishment	100		
Heaton Cemetery Extension	274		
Ravenden Clough Culvert	308		
Transport Bunkered Fuel Mayor Street	50		
Overdale Crematorium Emissions Abatement	600		
Replacement of Waste & Recycling bins	135	135	135
ICT	40	40	40
Property	41	41	41
Environmental Service Total	10,205	5,990	5,785
<u>Development and Regeneration</u>			
Commission Street	2,500		
Business Expansion Grants	40	30	30
Bolton Innovation Zone	100	50	50
Development Enabling Fund	100	65	65
Little Bolton Town Hall	19		
Public Art (Sec 106)	66		
Town Centre Improvement Fund	50	50	50
Bolton Market	4,500		
Departmental ICT	12	12	12
Development and Regeneration Total	7,387	207	207
<u>Housing</u>	Page 6 of 9		

Capital Programme 2012/13 to 2014/15			
Service/Scheme	2012/13	2013/14	2014/15
	£000s	£000s	£000s
Disabled Facilities Grants	1,100	1,100	1,100
Private Sector Renewal	1,000	1,000	1,000
Disabled Facilities Grants	250	250	250
New Affordable Homes	700		
Empty Dwellings	20	20	20
Affordable Warmth	245	245	245
Care and Repair	160	160	160
Housing Total	3,475	2,775	2,775
Central Services			
Bolton Arena	100	100	100
Accommodation Review	1,250		
Access layer/Data Networks	100	100	100
LAN network maintenance	70	70	70
Asset management plan - urgent works	1,000	1,000	1,000
Area Property review	40	40	40
Carbon Management programme	100	100	100
Glazing Risk assessment & surveys	40	40	40
Health & Safety surveys	45	45	45
Health & Safety surveys - voluntary organisations	40	40	40
Land Development	90	90	90
Le Mans Fire Alarm System	275	275	
Town Centres	500		
Contingency	391		
Central Service Total	4,041	1,900	1,625
Capital Programme Total	67,456	18,711	14,099

Appendix 2

Exempt Input Tax Monitor

	Expenditure attracting VAT £000s	Exempt Proportion. %	2010-11 Exempt Expenditure £000s	Projected 2011-12 £000s	Projected 2012-13 £000s	Projected 2013-14 £000s	Projected 2014-15 £000s
Exempt Expenditure							
<u>Revenue:</u>							
Bereavement: Crematorium	528	100	528	544	560	577	594
Greenspace	3,093	8	247	255	263	270	278
Leverhulme Sports Centre	275	100	275	283	291	300	310
Community Centres	112	100	112	115	119	122	126
Excel	30	26	8	0	0	0	0
Jubilee Pool	59	17	10	10	11	11	11
HRA Non Dwelling Rents	0	1	349	0	0	0	0
Urban Renewal	675	26	176	181	186	192	198
Schools	53,906	1	539	555	572	589	607
Libraries	261	18	47	48	50	51	53
Museums	33	7	2	2	2	3	3
Markets	449	100	449	462	476	491	505
Admin Buildings	1,790	11	197	203	209	215	222
Land & Property	825	98	809	833	858	883	910
Mere Hall	71	33	23	24	25	26	26
Castle Hill	1,002	3	30	31	32	33	34
Legal Services	233	5	12	12	12	13	13
Debt Management	86	100	86	89	91	94	97
Industrial Estates	0	100	0	0	0	0	0
Total Revenue			3,898	3,648	3,758	3,870	3,986

<u>Capital</u>							
Markets	4,500	100	188	170	4,500	0	0
Crematorium	600	100	1	300	600	0	0
Schools	39,614	1	149	460	396	72	35
Libraries	100	18	2	0	18	0	0
Museums	400	7	0	25	28	0	0
Parks	1,162	8	158	202	93	8	8
Admin Buildings (incl Asset Reviews)	2,960	11	177	388	326	188	157
Land & Property	90	98	2,412	254	90	90	90
Total Capital			3,087	1,799	6,051	358	290
Total Exempt Expenditure			6,985	5,447	9,809	4,128	4,276
 Exempt Input Tax at 20 %			1,266	1,089	1,962	826	855
Total Input Tax			32,700	22,700	22,700	22,700	22,700
 Exempt as Proportion of Total			3.87%	4.80%	8.64%	3.64%	3.77%

The above method over-estimates likely exempt input tax to avoid the laborious extraction of data. It is based on current Customs Guidance on the status of activities. Future projections may be distorted by changes in VAT regulations and service delivery methods.