

Report to: CABINET

Date: 17th February 2014

Report of: DEPUTY CHIEF EXECUTIVE

**Report
No:**

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Report Title: CAPITAL PROGRAMME 2014/15

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 2014/15 as set out in Appendix 1 to this report.
- The MRP policy as set out in Section 5 of this report.
- The Capital Prudential Indicators as set out in Section 6 of this report.

Background Doc(s):

1. **BACKGROUND**

- 1.1 The Cabinet received a report setting out the capital proposals and resources for 2013/14 and 2014/15 at its meeting on 11th February 2013. The report compared the likely capital resources available with bids advanced through the Corporate Business Planning Process. The report detailed the capital programme which met the above requirements and was consistent with the proposed revenue budget.
- 1.2 This report details the capital programme for 2014/15 which is consistent with the proposed revenue budget.

2. **2014/15 CAPITAL PROGRAMME**

- 2.1 Appendix 1 identifies capital expenditure proposals amounting to

	£000s
2013/14	71,158
2014/15	49,304
2015/16	13,153
2016/17	10,645

The resources available to meet the programme are: -

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Corporate Supported Borrowing	8,000	8,000	1,000	-
Corporate Capital Receipts	6,723	2,850	-	-
Corporate Revenue	9,617	3,103	1,000	1,000
Corporate £22.1m Investment (Capital)	6,397	13,453	1,750	500
Service Supported Borrowing	169	2,913	3,105	3,074
Service Revenue (largely Children's)	13,533	1,927	485	-
Government Grants (largely Children's)	24,011	16,725	5,813	6,071
Third Party Contributions	2,708	333	-	-
Total	71,158	49,304	13,153	10,645

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 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 Cabinet Member – Leader's Portfolio on 24th February 2014. It is likely some commitments from 2013/14 will be carried forward to be met in 2014/15. Matching resources will be carried forward but additional expenditure commitments for schemes with potentially limited VAT recovery will require individual appraisal.
- 3.3 The corporate investments are included on an indicative basis with detailed proposals and phasing being agreed as schemes come forward.
- 3.4 The Capital programme only includes schemes which have started or will start in 2014/15 plus those annual rolling programmes funded from external resources such as schools. The detailed programme in subsequent years will need to be considered as part of the overall budget process for these years.

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%. Bolton has applied to use the 7 year average because of the investment in Bolton Market.

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

	%
2013/14	6.91
2014/15	3.64
2015/16	3.33
2016/17	3.61

The detailed calculations are set out in Appendix 2. The 7 year average is 4.12% and is therefore within the HMRC limit.

- 4.3 Full VAT recovery is projected in each of the years however there is little margin to accommodate scheme slippage. Due to 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. However 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. There is also an option to tax on Cremation and Market activities.

Given the fine margin over the 7 year period to 2016/17 it will be important that 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.

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 2012/13	Revised 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Affordability					
Ratio of financing costs stream General Fund	4.15%	2.72%	3.08%	3.19%	3.30%
Impact of capital investment decisions on Council Tax			£13.01	£1.49	£0.00
Capital Expenditure and Capital Financing					
General Fund	£50.9m	£71.2m	£49.3m	£13.2m	£10.6m
Capital Financing Requirement	£234.4m	£228.4m	£222.4m	£216.4m	£210.4m

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 2014/15 as set out in Appendix 1 to this report.
 - The Minimum Revenue Payment policy as set out in section 5 of this report.
 - The Capital Prudential Indicators as set out in Section 6 of this report.

APPENDIX 1

Capital Programme 2013/14 to 2016/17				
	2013/14	2014/15	2015/16	2016/17
Service/Scheme	£000s	£000s	£000s	£000s
<u>Children's Services</u>				
Building Maintenance Plan	2,965	2,000	2,000	2,000
School Capital Support Fund	490	200	200	200
Schools Access Initiative	249	200	200	200
Kitchens Programme	224	490	100	100
Basic Need Programme			2,652	2,910
Devolved Formula Capital	1,555	661	661	661
Primary Expansion Programme	10,510	5,931		
ESSA Academy	272			
St Catherine's Academy	709			
Kearsley Academy	1,012	208		
14-19 Diploma's SEN and Disabilities	10			
Youth and Play Centres	438			
Lever Park Specialist School	14			
Smithills Occupation Project	1,791			
Early Years	48			
Primary Places	30			
2 year old Capital funding	624			
Children's Social Care - DFG	30	30	30	
Funding Short Breaks	263			
Children's Social Care - Software	197	70		
Improvements to Leisure Provision	478			
School Schemes	633			
Children's Services Total	22,542	9,790	5,843	6,071
<u>Adult Services</u>				
Telecare Equipment	10			
Disabled Facilities Top Up Grant	15	100		
Electronic Home Care Equipment		36		
Adult Services Major Repairs	50	56		
Supported Housing Developments	20	740		
Customers ICT		100		
Day Service Buildings		400		
Wilfred Geere Refurbishment	279	36		
Capital Investment on ICT Modernisation	75	860		
Capital Investment on LD Day Care		340		
Great Lever Park Lodge	95			
Dementia Pilot - Laburnum Lodge	499	40		
Dementia Pilot - Bakewells & Blackrod House	499			
To be allocated(Ring-fenced Community Capacity Grant)		513		
Adult Services Total	1,542	3,221	0	0

Capital Programme 2013/14 to 2016/17				
	2013/14	2014/15	2015/16	2016/17
Service/Scheme	£000s	£000s	£000s	£000s
<u>Environmental Services</u>				
H10 Highways Capital Programme (Grant)	3,788	3,281		
DfT Additional Highways Maintenance	631	338		
Concrete lighting columns over 40 years old renewals	1,615	350		
Illuminated Bollards & Signs Energy/Carbon Reduction	79	45		
Street Lighting/Carbon reduction (Prudential)	40			
Street Lighting Energy Control	1,179	3,075	3,075	3,074
Improvement of Street Lighting (capacitors)	45	45		
Water Asset Management	9			
Business Support Systems	32			
Public Rights of Way Improvement Plan	18	15		
Congestion A579	5			
Highways Investment (Corporate Prudential)	79			
Highway Drainage imps to prevent ironwork theft	45	45		
Flood Defence	75	75		
Surface Water Run-off Highways Improvements	140	140		
Pitt Review	15			
Safer Barrier Replacement	166	40		
Highways Strategic Investment	2,000	2,000		
Footpaths Strategic Investment	500	500		
Transport Infrastructure Fund (TfGM)	1,651			
Ravenden Clough Culvert	308			
LSTF Bolton Bury Cycle Route	1,182			
Better Bus Area Funding	202			
Casualty Reduction	240			
Car Park Infrastructure Improvements	169			
Octagon Car Park	1,567			
Moss Bank Park Rock Garden	13			
Queens Park (Grant)	1,714	981		
Queens Park	100	100		
Potters Hall	65			
Equipment Play Areas	609			
Access To Nature	83	15		
Neighbourhood Services Asset & Infrastructure Programme	94	60		
Greenspace - Playing Pitches & Changing Facilities	359	1,030	250	
Greenspace - Tennis Court Refurbishment/Reinstatement	126	120		
Greenspace - Multi Use Games Areas	70	106		
Greenspace - Parks Facility Improvement	413	385		
Replacement of Waste & Recycling bins	192	135		
Replacement of Recycling bins extra		180		

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Capital Programme 2013/14 to 2016/17				
	2013/14	2014/15	2015/16	2016/17
Service/Scheme	£000s	£000s	£000s	£000s
<u>Housing</u>				
Disabled Facilities Grants (grant funded)	1,398	1,158		
Private Sector Renewal	773	1,812	1,500	500
Private Sector Renewal (new programme)			1,000	1,000
Disabled Facilities Grants	427	250		
Affordable Warmth	386	245		
Empty Dwellings	70	20		
Care and Repair	177	160		
New Build Affordable Homes	310			
Housing Total	3,541	3,645	2,500	1,500
<u>Central Services</u>				
Asset management plan - urgent works	1,000	1,000		
Carbon Management programme	238	100		
Glazing Risk assessment & surveys	143			
Health & Safety surveys	113			
Bolton Town Hall	4,445	3,800		
Albert Halls		3,000	1,000	
Farnworth Area Office	73			
Central Library & Museum	550	200		
Adelaide Street Workshops	500			
Replacement Autism Centre	2,000			
Westhoughton Town Hall	750			
Blackrod Area Office	175			
Town Centres	275	500		
Octagon Capital	50			
Farnworth Market	500			
Oracle & ICT Developments	1,000			
Contingency - Coroners	322			
Collections for the Future	39			
Peoples Network	39			
Spa Road Demolition	26			
Asbestos	256			
Transitional Fund for Voluntary Sector	100			
Anti-Poverty	1,000			
To be considered (One Off)	1,500			
Central Services Total	15,094	8,600	1,000	0
Capital Programme Total	71,158	49,304	13,153	10,645

APPENDIX 2

Exempt Input Tax Monitor

	Expenditure attracting VAT £000s	Exempt Proportion. %	2012-13 Exempt Expenditure £000s	Projected 2013-14 £000s	Projected 2014-15 £000s	Projected 2015-16 £000s	Projected 2016-17 £000s
Exempt Expenditure							
<u>Revenue:</u>							
Bereavement: Crematorium	795	100	795	819	843	895	922
Greenspace	2,505	4	100	103	106	109	113
Leverhulme Sports Centre	43	100	43	44	46	47	48
Community Centres	54	100	54	56	57	59	61
Jubilee Pool	18	3	1	1	1	1	1
HRA Non Dwelling Rents	0	0	0	0	0	0	0
Urban Renewal	493	26	128	132	136	140	144
Schools	40,628	1	406	418	431	444	457
Libraries	738	15	111	114	117	121	125
Museums	400	18	72	74	76	79	81
Markets	548	100	548	564	581	599	617
Admin Buildings	1,767	6	106	109	112	116	119
Land & Property	561	96	539	555	571	588	606
Mere Hall	46	33	15	16	16	17	17
Castle Hill	1,135	3	34	35	36	37	38
Legal Services	421	5	21	22	22	23	24
Debt Management	22	100	22	23	23	24	25
Industrial Estates	0	100	0	0	0	0	0
Total Revenue			2,995	3,085	3,177	3,272	3,371
<u>Capital</u>							
Markets	825	100	825	3,697	256	0	0
Crematorium	393	100	393	16	0	0	0
Schools	28,989	1	290	261	94	58	61
Libraries	215	15	32	47	15	0	0
Museums	346	18	62	57	18	0	0
Greenspace	715	4	29	112	4	0	0
Admin Buildings	2,000	6	120	332	258	0	0
Land & Property	5	96	5	0	0	0	0
Total Capital			1,756	4,522	645	58	61
Total Exempt Expenditure			4,751	7,607	3,822	3,330	3,432
Exempt Input Tax at 20%			950	1,521	764	666	686
Total Input Tax			23,084	22,000	21,000	20,000	19,000
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Exempt as % of Total Input	3.74%	3.49%	4.12%	6.91%	3.64%	3.33%	3.61%

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.

The seven year average for VAT is currently 4.12%