

Report to: CABINET

Date: 11th February 2013

Report of: DEPUTY CHIEF EXECUTIVE

**Report
No:**

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Report Title: CAPITAL PROGRAMME 2013/14 TO 2015/16

**Confidential /
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 2013/14 to 2015/16 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 2013/14 at its meeting on 3rd September 2012. The report compared the likely capital resources available with bids advanced through the Corporate Business Planning Process. The Deputy Chief Executive 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. **2013/14 CAPITAL PROGRAMME**

- 2.1 Appendix 1 identifies capital expenditure proposals amounting to

	£000s
2013/14	45,548
2014/15	19,281
2015/16	3,281

The resources available to meet the programme are: -

	2013/14 £000	2014/15 £000	2015/16 £000
Corporate Supported Prudential Borrowing	9,900	3,184	-
Service Supported Prudential Borrowing	734	320	30
Government Grants (largely Children's)	19,210	9,516	3,251
Third Party Contributions	1,683	19	-
Capital Receipts	2,185	1,570	-
Revenue (largely Children's)	11,836	4,672	-
Total	45,548	19,281	3,281

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 Cabinet Member – Leader's Portfolio on 4th March 2013. It is likely some commitments from 2012/13 will be carried forward to be met in 2013/14. 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:

	%
2013/14	7.25
2014/15	3.90
2015/16	3.80

The detailed calculations are set out in Appendix 2. The 7 year average is 4.52% 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. 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 in 2013/14 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	Budget	Budget	Budget
Affordability	2011/12	2012/13	2013/14	2014/15	2015/16
Ratio of financing costs stream General Fund (%)	4.78	4.15	2.72	2.77	2.86
Impact of capital investment decisions on Council Tax (£)			13.43	4.42	0.04
Capital Expenditure and Capital Financing					
General Fund (£000)	70,908	71,768	44,921	19,281	3,281
Capital Financing Requirement (£m)	236.7	234.4	228.4	222.4	216.4

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.
- 7.2 Appendix 3 to this report sets out the Capital Investment approved on the 3rd September 2012 funded from one-off resources.

8. RECOMMENDATION

- 8.1 The Executive is asked to recommend to the Council for Approval:
- The Capital Programme for 2013/14 to 2015/16 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 2013/14 to 2015/16			
Service/Scheme	2013/14	2014/15	2015/16
	£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	661	661	661
Primary Expansion Programme	12,806	1,900	
2 year old Capital funding	624		
ESSA Academy		69	
St Catherine's Academy	6	94	
Kearsley Academy	607	211	
Primary Places	23		
Children's Social Care - DFG	30	30	30
Facilities for Youth	100		
Improvements to Leisure Provision	210		
Children's Total	17,657	5,555	3,281
Adults			
Telecare Equipment	45		
Disabled Facilities Top Up Grant	175	100	
Mental Health	182		
PC refresh and Mobile Working	495	290	
Supported Housing Developments	590	150	
Adult Services Major Repairs	61		
Lift Refurbishments	123		
Adults Energy Efficiency	20		
Customers ICT	100		
Electronic Home Care Equipment	63		
Day Service Buildings	400		
To be allocated		513	
Adults Total	2,254	1,053	0
Environmental Services			
H10 Highways Capital Programme (Grant)	3,546	3,281	
DfT Additional Highways Maintenance	631	338	
Concrete lighting columns over 40 years old renewals	350	350	
Illuminated Bollards & Signs Energy/Carbon Reduction	45	45	
Street Lighting Energy Control	900	900	
Improvement of Street Lighting (capacitors)	45	45	
Public Rights of Way Improvement Plan	15	15	
Highway Drainage imps to prevent ironwork	45	45	

Capital Programme 2013/14 to 2015/16			
Service/Scheme	2013/14	2014/15	2015/16
	£000s	£000s	£000s
theft			
Flood Defence	75	75	
Surface Water Run-off Highways Improvements	140	140	
Safer Barrier Replacement	40	40	
LSTF Bolton Bury Cycle Route	1,060		
Car Park Infrastructure Improvements	176		
Queens Park (Grant)	2,287		
Queens Park	100	100	
Potters Hall	65		
Equipment Play Areas	81		
Access To Nature	41	15	
Neighbourhood Services Asset & Infrastructure Programme	60	60	
Replacement of Waste & Recycling bins	135	135	
Food Only Waste Collection	358		
Increased Recycling Participation	180		
Heaton Cemetery Extension	113		
Overdale Crematorium Emissions Abatement	27		
Replacement of Fleet Vehicles	772		
ICT	40	40	
Property	41	41	
Environmental Service Total	11,368	5,665	0
<u>Development and Regeneration</u>			
Business Expansion Grants	60	30	
Bolton Innovation Zone	140	50	
Commission Street	418		
Development Enabling Fund	649	65	
Public Realm Implementation Framework	823		
Town Centre Improvement Fund	127	50	
Bolton Market	3,262	256	
Departmental ICT	12	12	
Development and Regeneration Total	5,491	463	0
<u>Housing</u>			
Disabled Facilities Grants	250	250	
Disabled Facilities Grants (grant funded)	1,114	1,100	
Private Sector Renewal	156		
Affordable Warmth	245	245	
Care and Repair	160	160	
Empty Dwellings	20	20	
Housing Total	1,945	1,775	0

Capital Programme 2013/14 to 2015/16			
Service/Scheme	2013/14	2014/15	2015/16
	£000s	£000s	£000s
Central Services			
Bolton Arena	100	100	
Access layer/Data Networks	100	100	
LAN network maintenance	70	70	
Asset management plan - urgent works	1,000	1,000	
Carbon Management programme	100	100	
Glazing Risk assessment & surveys	170		
Health & Safety surveys	185		
Adelaide Street Workshops	265		
Blackrod Area Office	175		
Westhoughton Town Hall	750		
Replacement Autism Centre	280		
Bolton Town Hall	3,050	3,200	
Peoples Network	38		
Central Library & Museum	550	200	
Central Service Total	6,833	4,770	0
Capital Programme Total	45,548	19,281	3,281

APPENDIX 2

Exempt Input Tax Monitor

	Expenditure attracting VAT £000s	Exempt Proportion. %	2011-12 Exempt Expenditure £000s	Projected 2012-13 £000s	Projected 2013-14 £000s	Projected 2014-15 £000s	Projected 2015-16 £000s
Exempt Expenditure							
<u>Revenue:</u>							
<u>Bereavement:</u>							
Crematorium	658	100	658	678	698	719	741
Greenspace	3,224	3	97	100	103	106	109
Leverhulme Sports Centre	42	100	42	43	45	46	47
Community Centres	62	100	62	64	66	68	70
Jubilee Pool	81	38	31	32	33	34	35
HRA Non Dwelling Rents	335	13	44	0	0	0	0
Urban Renewal	694	26	180	186	191	197	203
Schools	41,669	1	417	429	442	455	469
Libraries	453	14	63	65	67	69	71
Museums	261	28	73	75	78	80	82
Markets	519	100	516	531	547	564	581
Admin Buildings	1,945	9	175	180	186	191	197
Land & Property	709	97	688	708	730	752	774
Mere Hall	64	33	21	22	22	23	24
Castle Hill	1,049	4	42	43	45	46	47
Legal Services	294	4	12	12	12	13	13
Debt Management	28	100	28	29	30	31	32
Industrial Estates	0	100	0	0	0	0	0
Total Revenue			3,148	3,198	3,294	3,393	3,494
<u>Capital</u>							
Markets	91	100	91	1,172	3,200	156	0
Crematorium	291	100	291	586	0	0	0
Schools	41,844	1	418	419	153	47	37
Libraries	114	14	16	16	0	0	0
Museums	353	28	99	108	0	0	0
Parks	1,118	3	34	103	0	0	0
Admin Buildings (incl Asset Reviews)	1,284	9	821	450	119	119	119
Land & Property	402	97	390	150	150	150	150
Total Capital			1,454	3,375	3,953	472	306
Total Exempt Expenditure			4,603	6,573	7,247	3,865	3,800
Exempt Input Tax at 20 %			921	1,315	1,449	773	760
Total Input Tax			26,380	23,500	20,000	20,000	20,000
Exempt as Proportion of Total			3.49%	5.59%	7.25%	3.90%	3.80%

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.

Additional Investment identified in 3rd September 2012 Report

	2013/14	2014/15
	£000	£000
General Investment in Town Centre	500	500
Strategic Acquisitions	1,000	1,000
Support for Key Developments	1,000	1,000
Interchange – complimentary investment	500	500
Greenspace Strategic Investment	500	500
Highways Strategic Investment	2,000	2,000
Footpaths Strategic Investment	500	500
Housing Private Sector Renewal	1,000	1,000
To be identified		3,000
Total	7,000	10,000

One-off resources available to meet the above investment are as follows:-

	£000
Capital Reserves	5,000
Bolton at Home Capital Transfer Payment	5,000
Revenue Reserves	4,000
VAT shelter	2,000
Insurance Reserve	1,000
Total	17,000