

## APPENDIX 4

<b>RESOURCES ALLOCATION - CAPITAL PROGRAMME 2021/22 TO 2023/24</b>
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1. Summary of proposals

The Council's policy committees considered capital submissions for the three years 2021/22 to 2023/24, of which some are recommended to proceed immediately since funding resources are in place whilst others are awaiting confirmation of receipt of funding. Details are given in the reports to the committees as to which schemes are to proceed immediately and which are on hold until the funding is received or the Finance and Resources Committee makes a decision to allow the scheme to start and recommends a reduction in reserves or increase in borrowing.

The capital submissions as recommended by the policy committees and the methods of financing the 2021/22 programme are summarised below.

	<b>General Fund £</b>	<b>HRA £</b>
<b>Draft Capital Programme 2021/22</b>		
Housing	797,850	9,987,300
Community Safety	0	
Jobs and Economy	25,000	
Leisure and Health	1,054,000	
Environment and Climate Change	910,250	
Finance & Resources	360,000	
<b>TOTAL</b>	<b>3,147,100</b>	<b>9,987,300</b>
<b>Anticipated Funding:</b>		
HRA Depreciation (Major Repairs Reserve)		4,211,000
Better Care Fund (Disabled Facilities Grants)	797,850	
Usable Capital Receipts (estimate)	165,250	2,218,000
Prudential Borrowing	1,061,000	1,400,000
Revenue Contributions	0	2,158,300
Other Grants	0	
Shortfall/(surplus)	1,123,000	
<b>TOTAL</b>	<b>3,147,100</b>	<b>9,987,300</b>

Capital contingencies of £55,000 (General Fund) and £27,900 (HRA) have been allowed for in the above table.

## 2. Capital Programme

The Local Government Act 2003 requires local authorities to comply with the Prudential Code for Capital Finance in Local Authorities published by the Chartered Institute of Public Finance and Accountancy (CIPFA) when carrying out their capital budgeting activities. The objectives of the Prudential Code are to ensure that the capital investment plans are affordable, prudent and sustainable. A fundamental part of the Code is the calculation of a number of 'prudential indicators' that form the framework for capital financing and spending decisions. Further details can be found in Appendix 7.

The Local Authority (Capital Financing and Accounting) (England) (Amendment) regulations 2008 place a duty on local authorities to make a prudent provision for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). Further details can be found in Appendix 8.

## 3. Capital Grants and Contributions

The only proposed capital schemes for 2021/22 to 2022/24 that are likely to be funded from capital grants are Disabled Facilities Grants (DFG). Government allocations towards is channelled through the Better Care Fund, which is administered by Nottinghamshire County Council. The funding for 2021/22 to 2023/24 is assumed to be £797,850 per annum.

As disabled adaptations work is demand-led, further capital commitments may be required. Requests for these will be brought forward to the Finance and Resources Committee for consideration along with details as to how these can be funded if and when they arise.

The capital programme 2021/22 is also based upon contributions from organisations such as FCC Communities Foundation (formerly known as WREN) to fund improvement works at parks and recreation grounds.

## 4. Capital Receipts for 2021/22

In 2012/13 the authority committed to using any capital receipts from housing right to buy sales towards a new build programme, with government restrictions such that these monies have to be used within 3 years of their receipt or they will be passed over to the government. The calculation of the value of such receipts that can be used in this way is complicated by a formula which takes into account the assumed level of receipts within the HRA self financing settlement which took place at the end of 2011/12. As at the end of December 2020 accumulated usable capital receipts of approximately £4,346,100 were calculated as being available. These will be used to finance the housing new build programme and acquisition of properties as set out in the Housing Delivery Plan.

A capital receipt of £2,110,100 from the sale for residential development of part of the Council's land in Beeston was received in November 2020 and this will be used to help finance the Beeston Town Centre Redevelopment scheme.

Further capital receipts are anticipated following the acquisition by NET of a number of retail businesses in The Square which are owned by the Council but which were on a long term lease to Henry Boot. No assumptions have been made with regards to either the value or timing of such receipts that may subsequently be received.

#### 4. Revenue Contributions

Revenue contributions can be used to finance capital expenditure. In 2021/22 the only revenue contribution that is proposed relates to the HRA and this is in line with proposals contained within the HRA revenue budget and the HRA business plan model. No General Fund revenue contributions are proposed.

#### 5. Borrowing

A revenue contribution from the HRA of £2,158,300 and a contribution of £4,211,00 from the Major Repairs Reserve along with HRA capital receipts of £2,218,000 are proposed in 2021/22 to finance the HRA capital programme along with planned borrowing of £1,400,000 to meet the cost of acquisitions. The nature of the HRA is that no Minimum Revenue Provision (MRP) has to be provided on borrowing but it has to be affordable. Appendices 6 and 7 outline the MRP policy and various prudential indicators which can be used to help judge the affordability of any such borrowing.

In respect of General Fund capital schemes, there is a funding shortfall in 2021/22 of £1,123,000 as shown in section 1 above. The options for addressing this shortfall are as follows:

- Reducing the size of the programme.
- Using existing reserves (i.e. funding the schemes directly from revenue resources)
- Borrowing
- Creating a reserve list for schemes to be brought forward as and when funding becomes available.

The programme has been compiled in accordance with the Capital Strategy 2021/22 – 2023/24 set out in appendix 5. All of the proposed schemes meet the required criteria and are deemed either essential or beneficial in reducing revenue costs or increasing income (invest to save schemes). Therefore there are no grounds for reducing the size of the programme although some re-phasing may be possible.

The Council has sufficient reserves to meet the costs of the programme in full. However, on the basis of the proposals presented in this report, this would reduce the level of reserves to below the required £1.5m balance on the General Fund by 2024/25. More detail on the reserves position in the medium term is provided in Appendix 8.

It is therefore proposed to meet part of the shortfall by prudential borrowing and to place the remaining schemes on a reserve list. The following schemes are proposed to be financed from borrowing in 2021/22:

<b>Scheme</b>	<b>Proposed borrowing 2021/22 £</b>
Replacement Vehicles and Plant	756,000
Replacement/Development Programme	90,000
Technical Infrastructure Architecture	50,000
E-Facilities Initiatives	40,000
Beeston Town Centre Redevelopment	125,000
<b>Total</b>	<b>1,061,000</b>

The level of financial reserves available to the Council indicates that the borrowing can potentially be financed from internal sources (subject to cash flow considerations). As returns on investment are currently lower than external borrowing rates, internal borrowing will be more cost-effective than external borrowing at this point in time.

Depending on the date at which the loans are raised this will have a part year impact in 2021/22 and a full year impact from 2022/23 onwards.

The following schemes are contained within the Capital Programme 2021/22 but are awaiting funding:

<b>Proposed scheme</b>	<b>£</b>
Car Parks - Resurfacing	25,000
BLC – Main Pool Filter Media Replacement	15,000
BLC – Refurbishment of Fitness Changing Rooms	38,500
BLC – Replacement of Teaching Pool Filter	25,000
BLC – Replacement of Flat Roofs	176,000
BLC – Replacement of Teaching Pool Windows	33,000
BLC – Replacement of Main Pool Windows	93,500
BLC – Replacement Intruder Alarm	20,000
BLC – Refurbishment of Pool Surrounds	80,000
BLC – Replacement of High Voltage Transformer	57,000
BLC – Replacement Heating Valves	22,500
BLC – Replacement Hot Water Calorifier	20,000
KLC – Electrical, Window and Drainage Works	12,500
KLC – Replacement Pool Circulation and Shower Pumps	12,000
KLC – Extension of Gym Changing Facilities	36,000
KLC – Replacement Pool and Plant Filters	20,000
KLC – Renewal of Intruder Alarm Sensors	8,500
KLC – Replace Pipework (Plant Room to Swimming Pool)	275,000
CO – Refurbishment of Male Changing Rooms	79,500
Cemeteries - Footpath and Roadway Impts	30,000
Asset Management - Programmed Maintenance	44,000
<b>Total</b>	<b>1,123,000</b>