

## APPENDIX 4

<b>RESOURCES ALLOCATION – CAPITAL PROGRAMME 2023/24 to 2025/26</b>
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1. Summary of Proposals

The Overview and Scrutiny Committee considered the proposed Capital Programme submissions for the three years from 2023/24 to 2025/26, of which some are recommended to proceed immediately since funding resources are in place whilst others are awaiting confirmation of receipt of funding. Details were given in the reports to the Committee as to which schemes are to proceed immediately and which are on hold until the funding is received or Cabinet 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 2023/24 programme are summarised below.

	<b>General Fund £</b>	<b>HRA £</b>
<b>Capital Programme 2023/24</b>		
Housing	800,000	19,185,000
Community Safety	-	-
Business Growth	11,868,000	-
Leisure and Health	2,405,000	-
Environment and Climate Change	1,580,000	-
Finance and Resources	406,000	-
<b>TOTAL</b>	<b>17,059,000</b>	<b>19,185,000</b>
<b>Anticipated Financing:</b>		
HRA Depreciation (Major Repairs Reserve)	-	4,617,000
Better Care Fund (Disabled Facilities Grants)	800,000	-
Usable Capital Receipts (Estimated)	-	2,498,000
Prudential Borrowing	1,669,000	7,941,000
Revenue Contributions	-	1,717,000
Section 106 Contributions	-	-
Other Grants	11,328,000	2,412,000
Shortfall/(surplus)	3,262,000	-
<b>TOTAL</b>	<b>17,059,000</b>	<b>19,185,000</b>

Capital Contingencies of £60,000 for General Fund and £28,000 for the Housing Revenue Account (HRA) are included 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

A proposed capital scheme for 2023/24 through to 2025/26 that is likely to be funded from capital grants is Disabled Facilities Grants (DFG). Government allocations towards this scheme are channelled through the Better Care Fund, which is administered by Nottinghamshire County Council. The funding for 2023/24 to 2025/26 is assumed to be £800k per annum pending confirmation from Nottinghamshire County Council of the actual amount to be received. As disabled adaptations work is demand-led, further capital commitments may be required. Requests for these will be brought forward to Cabinet for consideration along with details as to how these can be funded if and when they arise.

The Council will also receive funding of up to £21.1m across five financial years 2021/22 to 2025/26 as part of the Stapleford Town Deal. This award from the Department for Levelling Up, Housing and Communities (DLUHC) is based upon Heads of Terms issued on 8 June 2021 and the subsequent completion of the conditions and satisfactory summary documents. Payments in future years will only be made subject to satisfactory spend and progress against agreed project milestones, outputs and outcomes. The three-year Capital Programme 2021/22 to 2025/26 includes £14.6m of the overall Stapleford Towns Fund schemes, including £10.7m in 2023/24 – all funded by grant.

In 2023/24, the Capital Programme also includes capital schemes of £627k as part of the £2.56m revenue and capital funding allocation from the Government's UK Shared Prosperity Fund for the three financial years 2022/23 to 2024/25.

For the HRA, the Council has been awarded £1.5m from Homes England to part-fund various schemes within the Housing Delivery Programme, with the potential for further funding for future schemes. In addition, BEIS has made an award of £900k to part finance the decarbonisation of the Council's Housing Stock.

#### 4. Capital Receipts

In 2012/13, the Council committed to using any capital receipts from housing right to buy sales towards a new build programme. Government restrictions are such that these monies have to be used within five-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 in 2011/12. As at 31 December 2022, accumulated usable HRA capital receipts of around £4.6m were calculated as being available after deducting the share of 2022/23 receipts due to the Treasury in April 2023. These will be used to finance the housing new build programme and acquisition of properties as set out in the Housing Delivery Plan.

#### 4. Revenue Contributions

Revenue contributions can be used to finance capital expenditure. In 2023/24 the only proposed revenue contribution relates to the HRA, which is in line with proposals contained within the HRA revenue budget and the HRA 30-year Business Plan model. No General Fund revenue contributions are proposed.

#### 5. Borrowing

A revenue contribution from the HRA of £1.717m and a contribution of £4.617m from the Major Repairs Reserve along with HRA capital receipts of £2.498m are proposed in 2023/24 to finance the HRA Capital Programme. Furthermore, there is planned borrowing of £7.941m for the development of the proposed new build housing programme and acquisitions of former right to buy properties and other properties on the open market.

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, when including prudential borrowing of £1.669m, there is a financing shortfall of £3.262m in 2023/24 as shown in section 1 above. This is largely made up of works at Bramcote Leisure Centre. 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)
- Further 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 2023/24 to 2025/26 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). There are no grounds for reducing the size of the programme although some re-phasing may be possible.

It is proposed to meet part of the programme by prudential borrowing and to place the remaining schemes on a reserve list. The following schemes are proposed to be financed from borrowing in 2023/24:

<b>Scheme</b>	<b>£</b>
Replacement Vehicles and Plant	928,000
Technical Infrastructure Architecture	196,000
Pride in Parks (approved as part of 2022/23 programme)	105,000
Replacement/Development Programme	112,000
Coronation Park – Path improvement	63,000
High Hazels Re-roofing	40,000
Leyton Crescent – Path improvement	38,000
Eastwood Cemetery – Path Improvements	36,750
Vehicle Wash Refurbishment	32,500
Quarry Maintenance and Remedial Works	25,000
The Square, Beeston Refurbishment	25,000
CMS Upgrade	7,750
Contingency	60,000
<b>Total</b>	<b>1,669,000</b>

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

Depending on the date at which the loans are raised this may have a part-year impact in 2023/24 and a full year impact from 2024/25 onwards.

The following schemes are contained within the Capital Programme 2023/24 but are awaiting financing:

<b>Proposed Scheme</b>	<b>£</b>
BLC - Replacement Hot Water Pipework	750,000
BLC - Rewire of Facility	550,000
Employment Space (Economic Development)	350,000
Hickings Lane Skate Park	253,000
Replacement/Repair Flat roofs	220,000

<b>Proposed Scheme</b>	<b>£</b>
BLC - Replacement Building Management System	220,000
Sustainable Travel to Work (Economic Development)	150,000
BLC - Main Pool Window Replacement	150,000
BLC - Main Pool Surrounds	100,000
BLC - Replacement HV Transformer	90,000
BLC - Main Pool Filter Replacement 2	80,000
Asset Management Plan	44,000
BLC - Replacement Circulation Pumps Main Pool	40,000
BLC - Teaching Pool Window Replacement	40,000
Cemeteries - Footpath and Roadway Improvements	30,000
BLC - Replacement Teaching Pool Water Filter	30,000
Car Parks Resurfacing	25,000
BLC - Replacement Heating Valves	25,000
BLC - Main Pool Filter Media Replacement 1	25,000
BLC - Replacement Intruder Alarm	25,000
BLC - Replacement Hot Water Storage Unit	22,000
BLC - Replacement Tiles	20,000
BLC - Replacement CCTV System	18,000
IKEN additions	5,000
<b>Total</b>	<b>3,262,000</b>