APPENDIX 5

RESOURCES ALLOCATION - CAPITAL PROGRAMME 2019/20 TO 2021/22

1. Summary of proposals

The Council's policy committees considered capital submissions for the three years 2019/20 to 2021/22, 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 2019/20 programme are summarised below.

	General Fund £	**HRA £**
Draft Capital Programme 2019/20		
Housing	747,300	5,502,700
Community Safety	0	
Jobs and Economy	271,400	
Leisure & Environment	3,502,500	
Finance & Resources	2,971,500	
TOTAL	**7,492,700**	**5,502,700**
Anticipated Funding:		
HRA Depreciation (Major Repairs Reserve)		3,885,700
Better Care Fund (Disabled Facilities Grants)	747,300	
Usable Capital Receipts (estimate)	320,000	0
Prudential Borrowing	3,571,500	0
Revenue Contributions	0	1,617,000
Section 106 (Parks and Open Spaces)	18,500	
Other Grants	1,148,000	
Shortfall/(surplus)	1,687,400	
TOTAL	**7,492,700**	**5,502,700**

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 2019/20 to 2021/22 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 2019/20 to 2021/21 is assumed to be £747,300 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.

Confirmation is presently awaited as to the outcome of a bid to the D2N2 Local Enterprise Partnership (LEP) towards the Beeston Square redevelopment. It has been assumed that £250,000 will be received in 2019/20 with £500,000 in 2020/21. If this funding does not materialise then other funding sources to meet any shortfall will be identified.

The capital programme 2019/20 includes a £1,050,000 scheme for a new full size 3G football pitch and car park at Kimberley Leisure Centre. This assumes external contributions of £650,000 from the Nottinghamshire Football Association and £50,000 from Liberty Leisure. However, the scheme would require the Council to contribute £350,000 and would not proceed until a source for this could be identified, even if the external contributions were realised.

The capital programme 2019/20 is also based upon contributions from organisations such as WREN to fund improvement works at parks and recreation grounds.

4. Capital Receipts for 2019/20

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 2018 accumulated usable capital receipts of approximately £3,553,250 were calculated as being available but these can only be used to help finance the housing new build programme. As such they have been excluded from the financing table set out above.

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.

5. Revenue Contributions

Revenue contributions can be used to finance capital expenditure. In 2019/20 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.

6. Borrowing

Excluding the housing new build programme, a revenue contribution from the HRA of £1,617,000 and a contribution of £3,885,700 are proposed in 2019/20 to finance the HRA capital programme. There is no planned borrowing in 2019/20 to meet the proposed HRA capital programme which can be funded in full from revenue contributions. 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 7 and 8 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 2019/20 of £1,687,400 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 2019/20 – 2021/22 set out in appendix 6. 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 2022/23. More detail on the reserves position in the medium term is provided in Appendix 10.

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 2019/20:

Scheme	**Proposed borrowing 2019/20 £**
BLC – Replacement of Combined Heat and Power Unit	140,000
Replacement Vehicles and Plant	765,000
Replacement/Development Programme	90,000
Technical Infrastructure Architecture	50,000
E-Facilities Initiatives	40,000
Beeston Town Centre Redevelopment	2,186,500
NWOW – Civic Suite Audio Visual Equipment	100,000
NWOW – Planning, Finance Services and Estates	200,000
Total	**3,571,500**

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 2019/20 and a full year impact from 2020/21 onwards. The costs of any additional borrowing required to finance the Capital Programme 2019/20 will need to be met from the General Fund budget for 2019/20.

The following schemes are contained within the Capital Programme 2019/20 but are awaiting funding:

Proposed scheme	**£**
Car Parks - Resurfacing	25,000
Mushroom Farm – New Industrial Units	246,400
BLC – Main Pool Filter Replacement	13,000
BLC – Refurbishment of Fitness Changing Rooms	33,000
BLC – Replacement of Teaching Pool Filter	22,000
BLC – Condition Survey Remedial Works	50,000
BLC – Replacement of Flat Roofs	154,000
BLC – Replacement of Teaching Pool Windows	20,000
BLC – Replacement of Main Pool Windows	80,000
BLC – Replacement Intruder Alarm	25,000
BLC – Replacement of Dance Studio Windows	10,000
BLC – Refurbishment of Pool Surrounds	50,000
BLC – Replacement of High Voltage Transformer	40,000
KLC – Electrical, Roof, Window and Drainage Works	11,000
KLC – New Full Size 3G Football Pitch and Car Park	350,000
KLC – PRAMA Studio	40,000
KLC – Replace Mobile Elevated Work Platform	8,000
KLC – Reconfigure Gyms and Studios	70,000
KLC – Replacement Pool Circulation and Shower Pumps	12,000
KLC – Extension of Gym Changing facilities	330,000
KLC – Replacement of Suspended Ceilings and Floors	18,000
KLC – Repaint Car Park Lines and Customer Walkways	6,000
Cemeteries - Footpath and Roadway Impts	30,000
Asset Management - Programmed Maintenance	44,000
Total	**1,687,400**