

APPENDIX 4

RESOURCES ALLOCATION – CAPITAL PROGRAMME 2024/25 to 2026/27
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1. Summary of Proposals

The Overview and Scrutiny Committee has considered the proposed Capital Programme submissions for the three years from 2024/25 to 2026/27. These reports are included at appendix 4A

Some schemes 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 Overview and Scrutiny 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 with a reduction in reserves and/or increase in borrowing.

The capital submissions, as recommended, and the methods of financing the 2024/25 capital programme are summarised below.

	General Fund £	HRA £
Capital Programme 2024/25		
Housing	800,000	17,755,000
Community Safety	-	-
Business Growth	13,134,000	-
Leisure and Health	4,136,000	-
Environment and Climate Change	2,159,000	-
Finance and Resources	230,000	-
TOTAL	20,459,000	17,755,000
Anticipated Financing:		
HRA Depreciation (Major Repairs Reserve)	-	4,778,000
Better Care Fund (Disabled Facilities Grants)	800,000	-
Usable Capital Receipts (Estimated)	-	990,000
Prudential Borrowing	2,455,000	10,387,000
Revenue Contributions	-	-
Section 106 Contributions	-	-
Other Grants	13,068,000	1,600,000
Shortfall/(surplus)	4,136,000	-
TOTAL	20,459,000	17,755,000

Capital Contingencies of £100,000 for General Fund and £100,000 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 2024/25 through to 2026/27 that is largely to be funded from capital grants is Disabled Facilities Grants (DFG) (including Warm Homes of Prescription). Government allocations towards this scheme are channelled through the Better Care Fund, which is administered by Nottinghamshire County Council. The funding for 2024/25 to 2026/27 is assumed to be £800,000 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 2024/25 to 2026/27 includes the final £3.95m of the overall Stapleford Towns Fund schemes, including £1m in 2024/25, all funded by grant.

The Kimberley Levelling Up scheme, funded by grant, is also included in the three-year programme. Provisionally the entire £11.86m remaining in the scheme is allocated to 2024/25, however any underspend will be carried forward to future years if there is any slippage in the scheme.

Further, the Capital Programme also includes capital schemes of £200k as part of the £2.56m revenue and capital funding allocation from the Government's UK Shared Prosperity Fund.

For the HRA, the Council has been awarded £1.6m from Homes England to part-fund various schemes within the Housing Delivery Programme, with the potential for further funding for future schemes.

4. Capital Receipts

The Council has 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 2023, accumulated usable HRA capital receipts of around £6.1m were calculated as being available with a forecast £3.7m to be used in 2023/24. These will be used to finance the new house build programme and acquisition of properties as set out in the Housing Delivery Plan.

5. Revenue Contributions

Revenue contributions can be used to finance capital expenditure. Due to the current General Fund and HRA balances being required to maintain minimum reserve levels and to fill potential revenue budget gaps, it is proposed that no revenue contributions are made to capital financing in 2024/25.

6. Borrowing

For the HRA there is planned borrowing of £10.387m. This is largely to finance the Housing Development programme and to a lesser degree major works to existing properties.

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 £2.455m, there is a financing shortfall of £4.136m in 2024/25 as shown in section 1 above. This relates to replacement gym equipment and 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 2024/25 to 2026/27 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 2024/25:

Scheme	£
Bramcote Crematorium – Cremator Replacement	900,000
Replacement Vehicles and Plant	833,000
Pride in Parks	173,000
Stapleford Cemetery Extension	150,000
Contingency	100,000
Implementation of Food Waste Collections	50,000
ICT eFacilities Initiatives	50,000
ICT Replacement and Development	40,000
ICT Technical Infrastructure Architecture	40,000
Replacement Pay and Display Machines	36,000
Car Park Surfacing	30,000
Security on Parks	28,000
Kimberley Depot- Security Barriers Repositioning	25,000
Total	2,455,000

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 2024/25 and a full year impact from 2025/26 onwards.

The following schemes are contained within the Capital Programme 2024/25 but are awaiting financing ('reserve items'):

Proposed Scheme	£
Gym Equipment Replacement	521,000
BLC - Replacement/Repair Flat roofs	300,000
BLC - Replacement Heating Valves	35,000

Proposed Scheme	£
BLC - Main Pool Filter Media Replacement 1	35,000
BLC - Main Pool Filter Replacement 2	170,000
BLC - Main Pool Surrounds	150,000
BLC - Main Pool Window Replacement	250,000
BLC - Replacement Intruder Alarm	35,000
BLC - Replacement Building Management System	220,000
BLC - Replacement Hot Water Storage Unit	35,000
BLC - Replacement Hot Water Pipework	1,210,000
BLC - Replacement HV Transformer	135,000
BLC - Replacement Circulation Pumps Main Pool	60,000
BLC - Replacement Teaching Pool Water Filter	45,000
BLC - Replacement Tiles	30,000
BLC - Rewire of Facility	825,000
BLC - Teaching Pool Window Replacement	80,000
Reserve Items total	4,136,000