

**Report to:** COUNCIL

**Date:** 22<sup>nd</sup> February 2017

**Report of:** BOROUGH TREASURER

**Report  
No:**

**Contact Officer:** Sue Johnson

**Tele No:** 1502

**Report Title:** CAPITAL PROGRAMME 2017/18

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**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 three years.

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**Decision:**

The Cabinet is asked to recommend to Council for Approval:

- The Capital Programme for 2017/18 as set out in Appendix 1 to this report.
- The MRP policy as set out in Section 5 of this report.
- The Capital Prudential Indicators as set out in Section 6 of this report.

**Background Doc(s):**

## **1 BACKGROUND**

- 1.1 On 24th February 2016 Council approved the capital programme for financial year 2016/17. The report set out the capital proposals and resources for the year and compared the likely capital resources available, with bids advanced through the Corporate Business Planning Process. The report detailed the capital programme which met the above requirements and was consistent with the proposed revenue budget.
- 1.2 This report provides an update to the 2016/17 capital programme and additional resources available for 2017/18 which is consistent with the proposed revenue budget.

## **2 CAPITAL STRATEGY**

- 2.1 The significant reductions in the Council's revenue budget have meant that the maximisation of capital funding has become a vital part of ensuring the Council can continue to pursue its key objectives. In recent years, capital monies have been allocated to support the strategic road network across the Borough and to enable developments in the town centre. Capital schemes have also enabled the release of on-going revenue savings, most notably by the refurbishment of the Town Hall.
- 2.2 At its meeting on 24<sup>th</sup> February 2016 Council approved the following in respect of the £5.5m unallocated Capital Programme Resources for 2016/17
  - To provide an additional £1m for improved street lighting within the Borough
  - An additional £0.5m for the Community Empowerment Fund for the voluntary and community sector
  - £1m for improvements / additional facilities at Bolton One
  - £1m to repair / provide additional flashing road speed warnings
  - £1.5m for new 3G pitches in the Borough plus the potential for £1m match funding with Sports England
  - £0.5m to develop Free Breakfast clubs in Primary Schools

### **Cabinet 13<sup>th</sup> February 2017**

- 2.3 At the meeting of the Cabinet on the 17<sup>th</sup> February 2017 the Cabinet agreed, that in respect of the Capital Programme 2017-18, to recommend to the Council the following in respect of the £2.5m unallocated Capital Programme Resources for 2017/18
  - £1m per annum be allocated to continue Safe Warm Dry schemes over the next 2 years to replace the loss of government funding
  - Up to £0.300m to extend the provision of Free Breakfast clubs in Primary Schools for a further 2 years
  - £0.200m to implement dropped kerbs around the Borough for improved disabled access
  - £2.5m is identified from the existing allocations for essential work on Westhoughton Town Hall
- 2.4 Taking the above into account, and recognising existing approved capital commitments for 16/17 and beyond, the table below shows the financing of the current programme;

	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Corporate Supported Borrowing	10,111	9,579
Corporate Revenue	7,847	3,607
Corporate Capital Receipts	3,891	5,900
Corporate One-Off Investment	9,573	517
Service Supported Borrowing	2,877	3,459
Service Revenue (largely Children's)	7,930	11,010
Government Grants (largely Children's)	20,203	20,854
Third Party Contributions	2,250	1,460
<b>Total</b>	<b>64,682</b>	<b>56,386</b>
Less existing Commitments	64,682	56,386
Available for allocation	0	

### 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 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 – Regeneration and Resources on 13<sup>th</sup> March 2017. It is likely some commitments from 2016/17 will be carried forward to be met in 2017/18. Matching resources will be carried forward but additional expenditure commitments for schemes with potentially limited VAT recovery will require individual appraisal.
- 3.3 The corporate investments are included on an indicative basis with detailed proposals and phasing being agreed as specific schemes are identified.
- 3.4 The Capital programme includes schemes which have started or will start in 2016/17, those annual rolling programmes funded from external resources such as schools. And those put forward from the Cabinet meeting above The detailed programme in subsequent years will need to be considered as part of the overall budget process for these years.

### 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.
- 4.2 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%. Bolton has applied to use the 7 year average because of the investment in Bolton Market.

- 4.3 If the proposed programme is approved the exempt input tax proportion is estimated as follows:

	%
2016/17	3.89%
2017/18	4.58%
2018/19	4.58%
2019/20	3.73%

- 4.4 The detailed calculations are set out in Appendix 2. The 7 year average is 4.15% and is therefore within the HMRC limit.
- 4.5 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.
- 4.6 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.
- 4.7 Given the fine margin over the 7 year period to 2016/17 it will be important that 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

- 5.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31<sup>st</sup> 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.
- 5.2 General Fund Borrowing that was previously supported through the RSG system will be provided for in equal annual instalments over a 50 year period commencing 1st April 2015. As at 1st April 2016, the value of this borrowing equalled £148.1m and results in an equal annual minimum revenue provision of £3.022m over the remaining 49 years, the final instalment of which will be provided for by no later than 31 March 2065. 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

- 6.1 Prudential Indicators seek to provide measures of affordability and prudence reflecting Capital Expenditure, Debt and Treasury Management. Debt and Treasury Management indicators are addressed in the Treasury Management and Investment Strategy 2017/18.

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.

	<b>Actual 2015/16</b>	<b>Revised 2016/17</b>	<b>Budget 2017/18</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>
<b>Affordability</b>					
Ratio of financing costs to net revenue stream - General Fund	3.3%	3.47%	3.57%	3.50%	3.68%
Incremental Impact of capital investment decisions on Council Tax			£0.00	£0.00	£0.00
<b>Capital Expenditure and Capital Financing</b>					
General Fund	£38.2m	£64.7m	£56.4m	£27.5m	£2.3m
Capital Financing Requirement	£198.6m	£195.4m	£190.9m	£188.40	£186.9m

## 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.

## 8 RECOMMENDATION

- 8.1 The Cabinet is asked to recommend to the Council for Approval:

- The Capital Programme for 2017/18 as set out in Appendix 1 to this report.
- The Minimum Revenue Payment policy as set out in section 5 of this report.
- The Capital Prudential Indicators as set out in Section 6 of this report.

## APPENDIX 1

**Capital Programme**

	<b>Current Programme</b>	<b>Current Programme</b>	<b>Current Programme</b>	<b>Current Programme</b>
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
<b><u>Housing</u></b>				
Private landlords/ empty dwellings	116,993			
Disabled Facilities Grants	3,572,565			
Private Sector Renewal	3,569,056	1,000,000	1,000,000	
Housing Improvements Cabinet Feb 2015	728,163			
New Build Affordable Homes	54,813			
Safe Warm Dry Cabinet Feb-17		1,000,000	1,000,000	
<b>Total Housing</b>	<b>8,041,590</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>0</b>
<b><u>Development &amp; Regeneration</u></b>				
Town Centre Improvement Fund	83,993	20,000		
Business Expansion Grants	4,000	80,378		
Development Enabling Fund	67,473	430,000		
Town Centre Strategy Enabling Fund	107,519			
Public Art S106	5,617			
Commission Street Cabling	19,000			
Brownlow Fold	59,394			
Horwich Leisure Centre Cabinet Feb 2015	4,361,543	5,300,000		
Peoples Network Refresh Libraries	15,147			
Smithills Hall Internal Refurbishment	500,000			
Octagon	250,000	500,000	7,000,000	2,250,000
Egyptology	346,000	1,751,012	1,709,000	
Hall ith Wood Museum	50,000	100,000		
Christmas Lights Infrastructure	130,000			
Bolton One Facilities - Cabinet Feb 16		1,000,000		
Strategic Acquisitions	1,494,865			
Public Realm Schemes & Gateways	1,824,419	448,000		
<b><u>Property</u></b>				
Carbon Management Programme	59,000	190,000		
Asset Management Plan - urgent works	1,213,602	1,417,535		
Replacement lift at Ashburner Street	60,000			
Glazing Risk assessment & surveys	45,000			
Health & Safety surveys	170,000			
Central Library & Museum - Eqyptology				
Central Library & Museum - Aquarium	75,000			
Westhoughton Town Hall		1,750,000	750,000	
Blackrod AO		175,000		
Town Hall	95,000			

	Current Programme	Current Programme	Current Programme	Current Programme
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
Castle Hill Car Park Alterations	82,868			
Town Centres		370,000		
Farnworth Market Precinct		250,000	250,000	
61-63 Market St Little Lever	758,531	441,469		
Business Support Scheme	50,585			
Business Development Fund	2,200,000			
Town Centre Free Parking Initiative	136,769			
<b>Total Development and Regeneration</b>	<b>14,265,325</b>	<b>14,223,394</b>	<b>9,709,000</b>	<b>2,250,000</b>
<b><u>Children's</u></b>				
Building Maintenance Plan	2,739,000	2,000,000	2,000,000	
School Capital Support Fund	75,000	622,000	200,000	
Schools Access Initiative	92,000	200,000	200,000	
Devolved Formula Capital	1,000,000	975,000	590,000	
Primary Expansion Programme	4,893,000	8,500,000	1,000,000	
Special School Expansion Programme		4,946,000	1,500,000	
Secondary Expansion Programme		5,000,000	10,000,000	
Youth and Play Centres	141,000	428,000		
Smithills Occupation Project	67,000			
Primary Places	49,000	205,000		
Two Year Old Funding	245,000	100,000		
Children Social Care - DFG	30,000	30,000	30,000	
Funding Short Breaks	40,000			
School Schemes (including BMP contributions)	1,973,000			
Free Breakfast Clubs - Cabinet Feb-16	260,000	240,000	300,000	
Leisure and Youth Provision Cabinet Feb 2015	295,000	705,000		
Primary Capital Programme	75,000			
<b>Children's Total</b>	<b>11,974,000</b>	<b>23,951,000</b>	<b>15,820,000</b>	<b>0</b>
<b><u>Adults</u></b>				
Adult Servs Major Repairs		49,000		
Supported Housing Devlpmnts		347,000		
Wilfred Geere Refurb	237,000			
Capital Investment on ICT Modernisation	219,000			
Day Care	1,017,000	1,300,000		
Winifred Kettle	690,000	100,000		
Brazley & Winifred Kettle Equip	67,000			
Thicketford Remodelling	80,000			
Thicketford Refurbishment	26,000			
Darley Court	158,000			
Alderbank Demolition	110,000			
Castle Hill IT	56,000			

	Current Programme	Current Programme	Current Programme	Current Programme
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
Brazley & Winifred Kettle IT	30,000			
Surface Pro purchase	120,000			
Wilfred Geere Equip	20,000			
<b>Adults Total</b>	<b>2,830,000</b>	<b>1,796,000</b>	<b>0</b>	<b>0</b>
<b><u>Environmental Services</u></b>				
<b><u>Highways</u></b>				
DfT Highways LTP	2,484,353	2,788,000		
Pothole Action Fund - DfT	170,000			
Concrete lighting columns over 40 years old renewals	1,170,017	245,017		
Street Lighting LED Programme	2,830,000	3,458,936		
Improved Street Lighting - Cabinet Feb 16	400,000	600,000		
Depot Improvement Plan - Mayor St	343,967	50,000		
Depot Improvement Plan - Wellington St	50,000	50,000		
Multi-hog Pothole Repair Vehicle	158,440			
Business Support Systems	16,392	12,957		
Pitt Review		12,000		
Surface Water Run Off / Highway Drainage Improvement	91,870			
Public Rights of Way Improvement Plan	145,989			
Safety Barrier Replacement Programme	16,895			
Highways Ashburner Street	47,818			
Highways Strategic Investment	2,027,161	800,000		
Footpaths Strategic Investment	407,495	250,000		
Road safety near schools Cabinet Feb 2015	385,098			
Road Warning Signals - Cabinet Feb 16	400,000	600,000		
Orlando Bridge	330,785			
Ravenden Clough Culvert (Harricraft Farm)				
Casualty Reduction	40,000	40,000		
LSTF Enhancing Cycle Routes & 20 mph schemes	100,000			
Environment agency (Culvert Investigations & Red Bridge)	3,217			
A666 Challenge Fund St Peters Way Improvement	3,467,412	1,600,000		
Bolton Salford Quality Bus Network	989,459			
Highways Flood Damage - Dft	481,024			
Cycle Access to Bolton: East (Middlebrook Way)	3,239	87,535		
Cycle Access to Stations		100,000		
City Cycle Ambition	166,538			
BTCTS - South Sector	123,419			
Dropped Kerbs Cabinet Feb-17		200,000		
<b><u>Non-Highways</u></b>				



	Current Programme	Current Programme	Current Programme	Current Programme
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
Queens Park (Grant)	215,996			
Equipped Play Area Strategy (S106)	320,993			
Access To Nature	19,092	84,760		
Neighbourhood Services Asset & Infrastructure Programme	139,236			
Greenspace - Playing Pitches & Changing Facilities	499,752	263,961		
Greenspace - Multi Use Games Areas	70,000	30,000		
Greenspace - Outdoor Gyms/Health Trails	40,000			
Replacement of Waste bins	200,000			
Waste Savings - Bin Exchange	1,953,012			
Replacement of Fleet Vehicles	1,661,805	1,500,000		
SNT Client Buses	90,354			
ICT	98,234			
Dawes Street Skate Park	4,778			
Octagon Square (Elephant Square)	116,073			
Albert Halls Refurbishment	3,920,275			
Furniture	50,000			
Security & CCTV	190,000			
3G Sports Pitches - Cabinet Feb 16	600,000	900,000		
Street scene Cabinet Feb 2015	115,400			
<b>Environmental Service Total</b>	<b>27,155,588</b>	<b>13,673,166</b>	<b>0</b>	<b>0</b>
<b><u>Central Services</u></b>				
Community Empowerment Fund Cabinet Feb 2015/16	18,600	742,800		
Transitional Fund for Voluntary Sector	7,800			
Anti-Poverty	389,000			
<b>Central Service Total</b>	<b>415,400</b>	<b>742,800</b>	<b>0</b>	<b>0</b>
<b>Total Existing Programme</b>	<b>64,681,903</b>	<b>56,386,360</b>	<b>27,529,000</b>	<b>2,250,000</b>

**APPENDIX 2**

**Exempt Input Tax Monitor**

	2015-16	2015-16	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
	Expenditure	Exempt	Exempt	Exempt	Exempt	Projected	Projected	Projected	Projected	
	attracting VAT	Proportion.	Expenditure	Expenditure	Expenditure	Exempt Exp.	Exempt Exp.	Exempt Exp.	Exempt Exp.	
<b>Exempt Expenditure</b>	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Revenue:</u>										
Crematorium	754	100%	740	785	754	777	800	824	849	
Greenspace	1,722	5%	110	80	91	94	97	99	102	
Leverhulme Sports Centre	58	100%	36	59	58	60	62	63	65	
Community Centres	219	100%	72	121	219	226	232	239	246	
Jubilee Pool	8	100%	0	11	8	8	8	9	9	
Urban Renewal	456	26%	128	117	119	122	126	130	133	
Schools	44,780	1%	396	469	473	487	502	517	532	
Libraries	457	12%	165	68	55	56	58	60	62	
Museums	288	23%	95	60	65	67	69	71	73	
Markets	441	99%	506	604	438	451	464	478	493	
Admin Buildings	1,552	5%	145	83	82	84	87	90	92	
Land & Property	661	97%	854	645	644	663	683	704	725	
Mere Hall	0	0%	15	0	0	0	0	0	0	
Castle Hill	1,232	2%	48	26	30	31	32	33	34	
Legal Services	504	3%	26	18	15	16	16	17	17	
Debt Management	15	100%	21	0	15	15	16	16	17	
<b>Total Revenue</b>			<b>3,357</b>	<b>3,146</b>	<b>3,066</b>	<b>3,158</b>	<b>3,252</b>	<b>3,350</b>	<b>3,450</b>	

**Exempt Input Tax Monitor (cont'd)**

<u>Capital</u>											
Markets		-	99%	3,441	104	-	84	331	331		
Crematorium		-	100%	4	21	-		0	0		
Horwich Leisure Centre			100%	-	-	-	400	0	0		
Schools		7,390	1%	192	120	78	159	253	166	0	
Libraries		14	12%	8	13	2	9	0	0		
Museums		197	23%	24	22	44	202	418	386		
Greenspace		1,009	5%	94	56	53	44	16	0		
Admin Buildings (incl Asset Reviews)		1,035	5%	364	393	55	35	78	0		
Land & Property			97%	19				0	0		
<b>Total Capital</b>				<b>4,146</b>	<b>728</b>	<b>232</b>	<b>932</b>	<b>1,096</b>	<b>883</b>	<b>0</b>	
<b>Total Exempt Expenditure</b>				<b>7,503</b>	<b>3,874</b>	<b>3,298</b>	<b>4,090</b>	<b>4,348</b>	<b>4,233</b>	<b>3,450</b>	
<b>Exempt Input Tax at 20 %</b>				<b>1,501</b>	<b>775</b>	<b>660</b>	<b>818</b>	<b>870</b>	<b>847</b>	<b>690</b>	
Total Input Tax			23,084	24,962	22,597	21,517	21,000	19,000	18,500	18,500	
											<b>7 year average re 13- 14</b>
Exempt as Proportion of Total	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>3.96%</b>
	<b>3.74%</b>	<b>3.49%</b>	<b>4.12%</b>	<b>6.01%</b>	<b>3.43%</b>	<b>3.07%</b>	<b>3.89%</b>	<b>4.58%</b>	<b>4.58%</b>	<b>3.73%</b>	
<div style="border: 1px solid black; padding: 5px;">                     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.                 </div>											
The seven year average for VAT up to March 2017 is currently 3.96%											