

Report to: Council

Date: 24th February 2016

Report of: Borough Treasurer

**Report
No:**

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Report Title: Capital Programme 2016/17

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.

Decision:

The Cabinet is asked to recommend to Council for Approval:

- The Capital Programme for 2016/17 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 25th February 2015 Council approved the capital programme for financial years 2015/16 and 2016/17. The report set out the capital proposals and resources for these two years 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 2015/16 capital programme and additional resources available for 2016/17 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 For 2015/16 and 2016/17 Council last year approved an additional £13m of capital expenditure covering the following schemes;
- £0.2m of capital funding to complement the revenue funding provided to improve the environment of the Borough.
 - £5m investment in highway schemes including residential roads and pavements at £2.5m in 2015/16 and £2.5m in 2016/17.
 - £4m contribution to a new Horwich Leisure Centre in conjunction with other funding partners.
 - £1m for other Leisure and youth provision capital investment to enhance sporting and social activities for young people and adults.
 - £1m investment to increase the provision of aids and adaptations in people's homes to improve their quality of live and enable them to live independently longer at £0.5m in 2015/16 and £0.5m in 2016/17.
 - An additional £1m for investment in Housing and Housing Improvements
 - £0.5m to improve road safety in the vicinity of the borough's schools, including the implementation of 20mph zones and/or other road safety schemes.
 - £0.3m to support capital programmes for the voluntary and community sector including via capital projects within the Community Empowerment Fund.

Cabinet 15th February 2016

- 2.3 At the meeting of the Cabinet on the 15th February 2016 the Cabinet agreed, that in respect of the Capital Programme 2016-17, to recommend to the Council 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

2.4 In continuing this strategy, resources available to support capital expenditure have been assumed as follows:

- The first £2m of capital receipts will continue to be used to fund the core capital programme.
- Additional capital receipts generated in 2016/17 will be available for allocation once they are received.
- Specific schemes will continue to be funded from departmental revenue provision and external funding sources
- Receipt of any airport dividend above the £1m that is built into the base revenue budget could be allocated for one-off or capital schemes once it is received. Whilst this could be in the region of £1-2m each year, clearly this is dependent upon the trading performance of the airport group and the dividend that is declared following the completion of the year end accounts.

2.5 Taking the above into account, and recognising existing approved capital commitments for 15/16, the resources available for allocation in 2016/17 are as follows:

	2015/16 £000	2016/17 £000
Corporate Supported Borrowing	8,740	15,736
Corporate Revenue	2,197	6,568
Corporate Capital Receipts	5,723	8,798
Corporate One-Off Investment	6,392	5,886
Service Supported Borrowing	2,392	6,231
Service Revenue (largely Children's)	5,998	7,226
Government Grants (largely Children's)	14,376	16,889
Third Party Contributions	2,367	450
Total	48,185	67,784
Less existing Commitments	48,185	67,784
Available for allocation	0	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 22nd February 2016. It is likely some commitments from 2015/16 will be carried forward to be met in 2016/17. 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 only includes schemes which have started or will start in 2016/17 plus those annual rolling programmes funded from external resources such as schools. 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.

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.

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

	%
2015/16	3.33
2016/17	4.89
2017/18	4.10

The detailed calculations are set out in Appendix 2. The 7 year average is 4.15% and is therefore within the HMRC limit.

- 4.3 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.

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.

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**

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31st 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.

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 2015, the value of this borrowing equalled £151.1m and results in an equal annual minimum revenue provision of £3.022m, 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**

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 2015/16.

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.

	Actual 2014/15	Revised 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
Affordability					
Ratio of financing costs to net revenue stream - General Fund	3.08%	4.21%	3.35%	3.42%	3.44%
Incremental Impact of capital investment decisions on Council Tax			£0.00	£0.00	£0.00
Capital Expenditure and Capital Financing					
General Fund	£42.3m	£48.2m	£67.8m	£8.7m	£1.0m
Capital Financing Requirement	£200.1m	£194.6m	£193.1m	£190.6m	£189.1m

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 2016/17 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

	Revised Allocation	Revised Allocation	Revised Allocation	Revised Allocation
Service/Scheme	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s
<u>Housing</u>				
Disabled Facilities Grants 1	2,579	500		
Private Sector Renewal Commitments	1,072	1,500		
Private Sector Renewal new programme	268	2,000	1,000	1,000
Private landlords/ empty dwellings	20	65		
Caravan Park	2	46		
Housing Improvements Cabinet Feb 2015	400	785		
New Build Affordable Homes	1,500	55		
Housing Total	5,841	4,951	1,000	1,000
<u>Development & Regen</u>				
Town Centre Improvement Fund	297	52		
Business Expansion Grants	10	80		
Development Enabling Fund	53	460		
Town Centre Strategy Enabling Fund	71	62		
Little Bolton Town Hall	27			
Departmental ICT		83		
Support For Key Developments	1,072			
Strategic Acquisitions	687	245		
Public Realm Schems & Gateways	1,138	1,450		
Town Centre Free Parking Initiative	361	137		
Business Support Scheme	162			
Horwich Leisure Centre Cabinet Feb 2015	300	4,200		
Peoples Network Refresh Libraries	200			
Octagon Theatre		2,000		
Strengthening the Office Market in Town Centre		500		
Public Art S106	6			
Smithills Hall Internal Refurbishment	100	400		
Bolton One Facilities - Cabinet Feb-16		1,000		
Development & Regen Total	4,484	10,669	0	0
<u>Children's</u>				
Building Maintenance Plan	2,830	2,823	2,743	
School Capital Support Fund	230	600	200	
Schools Access Initiative	103	200	200	
Devolved Formula Capital	1,369	611	241	
Primary Expansion Programme	2,714	6,911	611	

	Revised Allocation	Revised Allocation	Revised Allocation	Revised Allocation
Service/Scheme	2015/16	2016/17	2017/18	2018/19
Youth and Play Centres	996			
Smithills Occupation Project	350			
Primary Places	26			
Two Year Old Funding	7	180		
Children Social Care - DFG	30	30	30	
Funding Short Breaks	40			
Facilities for Youth	0			
Childrens Social Care Software	71	70		
Improvement to Leisure Provision	41			
School Schemes	578			
Leisure and Youth Provision - Cabinet Feb-15		1,000		
Free Breakfast Clubs - Cabinet Feb-16		500		
3G Sports Pitches - Cabinet Feb-16		1,500		
Children's Total	9,385	14,425	4,025	0
<u>Adult Svs</u>				
Adult Servs Major Repairs	50			
Supported Housing Devlpmnts	42	342		
Wilfred Geere Refurb	246	90		
Capital Investment on ICT Modernisation	648			
Autism Centre	22			
Darley Court	23			
Day Care - Brazley	1,000			
Winifred Kettle	697	232		
Day Care - Jubilee		2000		
Day Care - Harrowbys		500		
Adult Svs Total	2,728	3,164	0	0
<u>Environmental Services</u>				
DfT Highways LTP	3,336	2863	2716	
DfT Additional Highways Maintenance	359			
Concrete lighting columns over 40 years old renewals	1,295	500		
Street Lighting LED Programme	3,183	5864		
Depot Improvement Plan	120	50		
Business Support Systems	0	29		
Pitt Review	12			
Surface Water Run Off / Highway Drainage Improvement	100	100		
Public Rights of Way Improvement Plan	150	100		
Safety Barrier Replacement Programme	25	10		

	Revised Allocation	Revised Allocation	Revised Allocation	Revised Allocation
Service/Scheme	2015/16	2016/17	2017/18	2018/19
Highways Ashburner Street	36	43		
Highways Strategic Investment	2,922	2000		
Footpaths Strategic Investment	828	500		
Road safety near schools Cabinet Feb 2015	200	300		
Ravenden Clough Culvert (Harricroft Farm)	270	35		
Casualty Reduction	173			
LSTF Bolton - Bury Cycle Route	608			
Local Pinch Point - Logistics North Access (TfGM)	453			
Environment agency (Culvert Investigations & Red Bridge)	3			
A666 Challenge Fund St Peters Way Improvement	500	2400		
Bolton Salford Quality Bus Network	245			
Cycle Acces to Town Centre (TfGM)	125			
Cycle Access to Bolton: East (Middlebrook Way)	150			
Cycle Access to Stations	20	80		
City Cycle Ambition	50	35		
Bow Street demolition	105			
Moss Bank Park Rock Garden	2			
Queens Park (Grant)	604	170		
Potters Hill	112			
Equipped Play Area Strategy (S106)	490	128		
Access To Nature	61	103		
Neighbourhood Services Asset & Infrastructure Programme	76	200		
Greenspace - Playing Pitches & Changing Facilities	313	628		
Greenspace - Multi Use Games Areas	246	10		
Greenspace - Outdoor Gyms/Health Trails	20	18		
Greenspace - Parks Facility Improvement	39	0		
Greenspace - Woodland Family Trail	0	100		
Replacement of Waste bins	587	200		
Replacement of Fleet Vehicles (Prudential)	68	668		
New Waste vehicles	578	2489		
Vehicle Wash area Improvements	72	0		
SNT Client Buses		190		
ICT		98		
Property		284		
Emergency Control Centre	22			
Dawes Street Skate Park	30			
Octagon Square (Elephant Square)	250			
Street scene Cabinet Feb 2015	100	100		
Albert Halls Refurbishment	1,500	5000		

	Revised Allocation	Revised Allocation	Revised Allocation	Revised Allocation
Service/Scheme	2015/16	2016/17	2017/18	2018/19
Replacement Bins		1900		
Road Warning Signals - Cabinet Feb-16		1000		
Improved Street Lighting - Cabinet Feb-16		1000		
Env Svs Total	20,438	29,195	2,716	0
<u>Central Services</u>				
Carbon Management Programme	427	203		
Asset Management Plan - urgent works		1500	500	
Glazing Risk assessment & surveys	55	88		
Health & Safety surveys	60	53		
Town Hall	1,404	0		
Central Library & museum	620	500	500	
Westhoughton AO		750		
Blackrod AO		175		
Town Centres		370		
Farnworth Market Precinct		500		
ORACLE & ICT Investment	875			
PS Adelaide St workshop	26			
Asbestos containment / removal	5			
Office Development at Transport Interchange	1,500			
Transitional Fund for Voluntary Sector	55			
Anti-Poverty	250	473		
Community Empowerment Fund Cabinet Feb 15 & Feb 16	32	768		
Central Svs Total	5,309	5,380	1,000	0
Total	48,185	67,784	8,741	1,000

APPENDIX 2

Exempt Input Tax Monitor

	Expenditure attracting VAT £000s	Exempt Proportion. %	2013-14 Exempt Expenditure £000s	2014-15 outturn	Projected 2015-16 £000s	Projected 2016-17 £000s	Projected 2017-18 £000s	Projected 2018-19 £000s	
Exempt Expenditure									
Revenue:									
Crematorium	785	100	740	785	809	833	858	884	
Greenspace	1,676	5	110	80	83	85	88	91	
Leverhulme Sports Centre	59	100	36	59	61	63	64	66	
Community Centres	121	100	72	121	125	128	132	136	
Excel	0	0	0	0	0	0	0	0	
Jubilee Pool	11	100	0	11	11	12	12	12	
Urban Renewal	451	26	128	117	121	124	128	132	
Schools	43,051	1	396	469	483	498	513	528	
Libraries	560	12	165	68	70	73	75	77	
Museums	279	21	95	60	61	63	65	67	
Markets	604	100	506	604	622	641	660	680	
Admin Buildings	1,510	5	145	83	85	88	90	93	
Land & Property	668	96	854	645	664	684	704	725	
Mere Hall	0	0	15	0	0	0	0	0	
Castle Hill	1,134	2	48	26	26	27	28	29	
Legal Services	417	4	26	18	18	19	20	20	
Debt Management	17	100	21	17	18	18	19	19	
Industrial Estates	0	100	0	0	0	0	0	0	
Total Revenue			3,357	3,163	3,258	3,355	3,456	3,560	
Capital									
Markets	104	100	3,441	104	0	0	0	0	
Crematorium	21	100	4	21	0	0	0	0	
Horwich Leisure Centre	-	100	-	-	0	400	0	0	
Schools	10,964	1	192	120	102	135	44	0	
Libraries	106	12	8	13	0	0	0	0	
Museums	101	21	24	22	132	928	345	0	
Greenspace	1,164	5	94	56	74	46	0	0	
Industrial Estates	-	-	-	-	0	0	0	0	
Admin Buildings (incl Asset Reviews)	7,176	5	364	393	79	274	55	0	
Land & Property	-	96	19	53	0	0	0	0	
Total Capital			4,146	728	440	1,784	443	0	
Total Exempt Expenditure			7,503	3,891	3,698	5,139	3,899	3,560	
Exempt Input Tax at 20 %			1,501	778	740	1,028	780	712	
Total Input Tax			23,084	24,962	22,597	22,200	21,000	19,000	18,500
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Exempt as Proportion of Total	3.74%	3.49%	4.12%	6.01%	3.44%	3.33%	4.89%	4.10%	3.85%
<p>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.</p>									
<p>The seven year average for VAT up to March 2017 is currently 4.15%</p>									