

**Report to:** COUNCIL

**Date:** 25<sup>th</sup> February 2015

**Report of:** BOROUGH TREASURER

**Report  
No:**

**Contact Officer:** Sue Johnson

**Tele No:** 1502

**Report Title:** CAPITAL PROGRAMME 2015/16 and 2016/17

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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 four years.

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**Decision:**

It is recommended that Council approve:

- The Capital Programme for 2015/16 and 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 The Cabinet received a report setting out the capital proposals and resources for 2014/15 and 2015/16 at its meeting on 17th February 2014. The report 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 details the capital programme for 2015/16 and 2016/17 which is consistent with the proposed revenue budget.

### **1.3 Cabinet 16<sup>th</sup> February 2015**

At the meeting of the Cabinet on the 16<sup>th</sup> February 2015 The Cabinet agreed, that in respect of the Capital Programme 2015-17, to recommend to the Council the following in respect of the £10m unallocated Capital Programme Resources for 2015/16 and £3m unallocated Capital Resources in 2016/17:

- £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.

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

- Maintenance of the funded level of external borrowing, enabled by a replacement external loan of £10m during 2015/16.
- The first £2m of capital receipts will continue to be used to fund the core capital programme.
- Additional capital receipts generated in 2015/16 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.

2.3 Taking the above into account, and recognising existing approved capital commitments, the resources available for allocation in 2015/16 and 2016/17 are as follows:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Corporate Supported Borrowing	3,997	19,748	8,000
Corporate Capital Receipts	2,524	6,241	2,000
Corporate Revenue	6,403	1,856	1,000
Corporate One-Off Investment	7,972	10,895	500
Service Supported Borrowing	12	7,084	2,574
Service Revenue (largely Children's)	5,636	6,102	-
Government Grants (largely Children's)	19,533	13,067	6,071
Third Party Contributions	1,072	768	-
<b>Total</b>	<b>47,149</b>	<b>65,761</b>	<b>20,145</b>
Less existing commitments (see Appendix 1)	47,149	65,761	19,921
<b>Available for allocation</b>	<b>0</b>	<b>0</b>	<b>224</b>

2.4 Proposals to allocate the available resources for 2015/16 will come forward as part of the budget process. At this stage, the capital programme for 2016/17 is only indicative, and detailed proposals will form part of the budget process for that financial year.

### **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 was considered at the meeting of the Executive Cabinet Member – Regeneration and Resources on 16th February 2015. It is likely some commitments from 2014/15 will be carried forward to be met in 2015/16. 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 2015/16 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:

	%
2014/15	3.87
2015/16	3.71
2016/17	3.55

The detailed calculations are set out in Appendix 2. The 7 year average is 4.07% 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 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.

The budget has been prepared on the basis of a MRP calculation at 4% of opening debt for non HRA services as required under previous practice. For non-Housing schemes financed from unsupported borrowing from 1<sup>st</sup> 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.

	<b>Actual 2013/14</b>	<b>Revised 2014/15</b>	<b>Budget 2015/16</b>	<b>Budget 2016/17</b>	<b>Budget 2017/18</b>
<b>Affordability</b>					
Ratio of financing costs stream General Fund	2.72%	3.08%	3.30%	3.30%	3.30%
Impact of capital investment decisions on Council Tax			£13.00	£7.00	£0.00
<b>Capital Expenditure and Capital Financing</b>					
General Fund	£54.3m	£47.1m	£65.8m	£19.9m	£0.0m
Capital Financing Requirement	£208.2m	£203.4m	£209.7m	£205.7m	£201.7m

## **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 It is recommended that Council approve:

- The Capital Programme for 2015/16 and 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.



<b>Capital Programme 2014/15 to 2016/17</b>			
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Service/Scheme</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b><u>Environmental Services</u></b>			
H10 Highways Capital Programme (Grant)	3,327	3,451	2,801
DfT Additional Highways Maintenance	509		
DfT Flood Damage	310		
DfT Pot Hole	393		
Concrete lighting columns over 40 years old renewals	87	1,365	500
Illuminated Bollards & Signs Energy/Carbon Reduction	45		
Street Lighting/Carbon reduction (Prudential)	328	165	
Street Lighting Energy Control	350	4,425	4,449
Improvement of Street Lighting (capacitors)	45		
Business Support Systems		32	
Public Rights of Way Improvement Plan	15	150	100
Highway Drainage imps to prevent ironwork theft	45		
Flood Defence	75		
Surface Water Run-off Highways Improvements	135	100	100
Pitt Review	12		
Safer Barrier Replacement	40		
Cycle Lane Improvement	1	22	
Highways Ashburner Street	500		
Highways Strategic Investment	1,650	350	
2014/15 Highways Classified Roads	1,000		
2014/15 Highways Residential Roads	1,000		
Footpaths Strategic Investment	547	100	
Transport Infrastructure Fund (TfGM)	322		
Ravenden Clough Culvert	385	100	
Mayor Street Surfacing		25	
Wellington Yard Surfacing		25	
LSTF Bolton Bury Cycle Route	1,168		
Casualty Reduction	44	180	
Environment Agency (Culvert Investigations & Red Bridge)		3	
Lower Bridgeman Street (TfGM)	200		
Cycle Access to Town Centre (TfGM)	130		
Local Pinch Point – Logistics North Access (TfGM)	2,100		
Car Park Infrastructure Improvements	59		
Octagon Car Park	88		
Bow Street demolition	3	870	
Moss Bank Park Rock Garden	6		
Queens Park (Grant)	203	900	
Potters Hall	39		
Equipment Play Areas	452	168	
Access To Nature	67	106	
Neighbourhood Services Asset & Infrastructure	70	200	200

<b><u>Capital Programme 2014/15 to 2016/17</u></b>			
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Service/Scheme</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Programme			
Greenspace - Playing Pitches & Changing Facilities	460	1,080	
Greenspace - Tennis Court Refurbishment/Reinstatement	133		
Greenspace - Multi Use Games Areas	98	256	
Greenspace – Outdoor Gyms/Health Trails	19	6	
Greenspace - Parks Facility Improvement	464		
Greenspace – Woodland Family Trail		130	
Replacement of Waste & Recycling bins	360	453	200
Heaton Cemetery Extension	3	64	
Overdale Crematorium Emissions Abatement	24		
Replacement of Fleet Vehicles		736	
New Waste Vehicles	1,590	3,010	
Vehicle Wash Area Improvements	287		
SNT Client Buses	206	675	
ICT		97	
Property		347	
Emergency Control Centre	20		
Dawes Street Skate Park	233		
Renewable Energy – Ashburner Street	12		
Environmental Health IT	6		
Albert Halls refurbishment	250	6,250	
Tidy Up Schemes Cabinet Feb 15		200	
Additional Highways Investment Cabinet Feb 15		2,500	2,500
Road safety schemes around schools Cabinet Feb 15		500	
<b>Environmental Services Total</b>	<b>19,915</b>	<b>29,041</b>	<b>10,850</b>
<b><u>Development and Regeneration</u></b>			
Commission Street	360		
Business Expansion Grants		90	
Bolton Innovation Zone	34	112	
Development Enabling Fund	251	411	
Public Realm Implementation Framework	218	350	
Town Centre Improvement Fund	127	136	
Bolton Market	99		
Little Bolton Town Hall		27	
Manchester Growth Points		74	
Public Art S106	32		
Departmental ICT		83	
Support For Key Developments	1,200	500	
Town Centre Car Parking	272	520	
Business Support Scheme	200		
Strengthening Town Centre Office Market		500	
Strategic Acquisitions	787	663	



<b>Capital Programme 2014/15 to 2016/17</b>			
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Service/Scheme</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Public Realm Schemes & Gateways		2,200	
Horwich Leisure Centre Cabinet Feb 15		4,000	
<b>Development and Regeneration Total</b>	<b>3,580</b>	<b>9,666</b>	<b>0</b>
<b>Housing</b>			
Disabled Facilities Grants (grant funded)	1,429	1,347	
Private Sector Renewal	1,000	2,450	500
Private Sector Renewal (new programme)		1,000	1,000
Affordable Warmth	245		
Empty Dwellings	123		
Care and Repair	211		
Caravan Park	414		
Housing improvements Cabinet Feb 15		1,000	
<b>Housing Total</b>	<b>3,422</b>	<b>5,797</b>	<b>1,500</b>
<b>Central Services</b>			
Asset management plan - urgent works	125	1,000	1,000
Carbon Management programme		307	
Glazing Risk assessment & surveys		143	
Health & Safety surveys		113	
Bolton Town Hall	6,146	1,800	
Autism Centre	156		
Central Library & Museum	150	571	
Westhoughton Town Hall		750	
Blackrod Area Office		175	
Town Centres	250	400	
Farnworth Market		500	
Oracle & ICT Developments	200	800	
Transitional Fund for Voluntary Sector	100		
Anti-Poverty	401	560	
Community Empowerment Fund Cabinet Feb 15		300	
<b>Central Services Total</b>	<b>7,528</b>	<b>7,419</b>	<b>1,000</b>
<b>Capital Programme Total</b>	<b>47,149</b>	<b>65,761</b>	<b>19,921</b>

## APPENDIX 2

### Exempt Input Tax Monitor

	Expenditure attracting VAT £000s	Exempt Proportion. %	2013/14 Exempt Expenditure £000s	Projected 2014/15 £000s	Projected 2015/16 £000s	Projected 2016/17 £000s	
<b>Exempt Expenditure</b>							
<u>Revenue:</u>							
Bereavement: Crematorium	740	100	740	762	785	809	
Greenspace	2,756	4	110	114	117	120	
Leverhulme Sports Centre	36	100	36	37	38	39	
Community Centres	72	100	72	74	76	79	
Jubilee Pool	19	1	0	0	0	0	
HRA Non Dwelling Rents	0	0	0	0	0	0	
Urban Renewal	493	26	128	132	136	140	
Schools	39,608	1	396	408	420	433	
Libraries	971	17	165	170	175	180	
Museums	353	27	95	98	101	104	
Markets	506	100	506	521	537	553	
Admin Buildings	2,067	7	145	149	154	158	
Land & Property	871	98	854	879	906	933	
Mere Hall	46	33	15	16	16	17	
Castle Hill	1,190	4	48	49	50	52	
Legal Services	525	5	26	27	28	29	
Debt Management	21	100	21	22	22	23	
Industrial Estates	0	100	0	0	0	0	
<b>Total Revenue</b>			<b>3,357</b>	<b>3,458</b>	<b>3,561</b>	<b>3,669</b>	
<u>Capital</u>							
Markets	3,441	100	3,441	111	0	0	
Crematorium	4	100	4	24	0	0	
Schools	19,195	1	192	148	65	61	
Libraries	48	17	8	0	0	0	
Museums	88	27	24	41	148	0	
Greenspace	2,350	4	94	55	85	0	
Admin Buildings	5,207	7	364	430	126	0	
Land & Property	19	98	19	0	0	0	
<b>Total Capital</b>			<b>4,146</b>	<b>809</b>	<b>424</b>	<b>61</b>	
<b>Total Exempt Expenditure</b>			<b>7,503</b>	<b>4,267</b>	<b>3,985</b>	<b>3,730</b>	
<b>Exempt Input Tax at 20%</b>			<b>1,501</b>	<b>853</b>	<b>797</b>	<b>746</b>	
Total Input Tax			24,962	22,000	21,500	21,000	
	<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>
Exempt as % of Total Input	3.74%	3.49%	4.12%	6.01%	3.87%	3.71%	3.55%

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.

**The seven year average for VAT up to March 2017 is currently 4.07%**