

Report to: COUNCIL

Date: 21st February 2018

Report of: BOROUGH TREASURER

**Report
No:**

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Report Title: CORPORATE CAPITAL PROGRAMME 2018/19

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 Corporate 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 Corporate Programme for 2018/19 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 22nd February 2017 Council approved the corporate capital programme for financial year 2017/18. The report set out the capital proposals and resources for the year and compared the likely capital resources available. 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 2017/18 programme and additional resources available for 2018/19 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 22nd February 2017 Council approved the following in respect of the £2.5m unallocated Corporate 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 was identified from the existing allocations for essential work on Westhoughton Town Hall
- 2.3 In August 2017 Cabinet approved the £100m borrowing requirement for the Town Centre Strategy. The Strategy itself was subsequently approved at Cabinet on 25th September 2017
- 2.4 At the meeting of the Cabinet on the 12th February 2018 the Cabinet agreed, that in respect of the Corporate Programme 2018-19, to recommend to the Council the following in respect of the £1.0m unallocated Resources for 2018/19
 - £0.100m to continue the work of Breakfast Clubs
 - £0.200m towards the LED Street Lighting programme
 - £0.300m for additional Highways maintenance work
 - £0.300m for the Waste Behavioural Change programme
 - £0.100m for Anti-Social Behaviour / Home Watch schemes
- 2.5 Taking the above into account, and recognising existing approved commitments for 17/18 and beyond, the table below shows the financing of the current programme;

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Corporate Prudential - General	6,834	14,099		
Corporate Prudential - Town Centre	1,263	33,000	33,000	32,737
Corporate Revenue	5,267	5,717	2,250	1,000
Corporate Capital Recs	4,785	9,075	1,500	
Corporate One Off (£22.1m)	3,492	93		
Self Funded - Prudential	2,900	1,907		
Self Funded - Revenue	6,912	1,807	537	
Grants Central Govt	17,453	43,037	9,048	
Grants & Contributions Non-Dept Public Bodies	1,275	6,580		
Departmental Capital Receipts	661	500		
Third Party Contributions (S106)	508	1,005	1,000	
Total Resources	51,350	116,820	47,334	33,737
Total Existing Commitments (Appendix 1)	51,350	116,820	47,334	33,737

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 12th March 2018. It is likely some commitments from 2017/18 will be carried forward to be met in 2018/19. 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 programme includes schemes which have started or will start in 2017/18, 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:

	%
2017/18	3.33
2018/19	4.38
2019/20	3.44
2020/21	3.13

- 4.4 The detailed calculations are set out in Appendix 2. The 7 year average is 3.73% 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 margin over the 7 year period to 2017/18 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 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.
- 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 2017, the amount outstanding is £145.1m and results in an equal annual minimum revenue provision of £3.022m over the remaining 48 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 2018/19.

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.

		Revised	Budget	Budget	Budget
		2017/18	2018/19	2019/20	2020/21
Affordability					
Ratio of financing costs to net revenue stream - General Fund		3.56%	5.04%	5.32%	5.34%
Capital Expenditure and Capital Financing					
General Fund (£M)		48.2	116.3	47.3	33.7
Capital Financing Requirement (£m)		205.2	247.3	272.2	296.9

7 CONCLUSION

7.1 Appendix 1 to this report sets out the proposed 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 2018/19 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

Corporate Programme

	17/18	18/19	19/20	20/21
	Current Programme	Current Programme	Current Programme	Current Programme
Housing				
Private landlords/ empty dwellings	118,702			
Disabled Facilities Grants	2,300,000	2,700,000	1,982,888	
Private Sector Renewal	1,077,594	2,000,000	1,500,000	
Housing Improvements Cabinet Feb 2015	156,033	100,000		
New Build Affordable Homes	54,813			
Safe Warm Dry Cabinet Feb-17		2,000,000		
Total Housing	3,707,143	6,800,000	3,482,888	0
Development & Regeneration				
Town Centre Improvement Fund	67,433	175,000		
Development Enabling Fund	60,140	392,000		
Town Centre Strategy Enabling Fund	40,075	43,850		
Public Art S106	530			
Public Realm Impl Frmwk	495,000	500,000		
Christmas Lights Infrastructure	106,185			
Leverhulme Spin Room	90,000			
Horwich Leisure Centre Cabinet Feb 2015	5,429,866			
Bolton One Facilities - Cabinet Feb 16	910,000			
Smithills Hall Internal Refurbishment	458,724			
Octagon	710,659	7,000,000	2,250,000	
Egyptology	2,615,231	1,200,000		
Central Library & Museumn Roof	1,000,000			
Hall ith Wood Museum	6,185	122,731		
Bromley Cross Library Heating System	35,000			
Great Lever Library (UCAN)		600,000		
Strategic Acquisitions	721,902			
Public Realm Schemes & Gateways	1,165,766			
Johnson St land purchase	165,700			
Town Centre Strategy	1,262,695	33,000,000	33,000,000	32,737,305
Manchester Airport		11,000,000		
Property				
Asset Management Plan - urgent works	1,303,220	1,539,000		
Replacement lift at Ashburner Street	75,000			
Carbon Management Programme	3,658			
Glazing Risk assessment & surveys	2,744			
Health & Safety surveys	14,777			
Westhoughton Town Hall	500,000	2,000,000		
Blackrod AO	0	175,000		
Castle Hill Car Park Alterations	25,462			
61-63 Market St Little Lever	441,469	1,756,000		

	17/18	18/19	19/20	20/21
	Current Programme	Current Programme	Current Programme	Current Programme
Land at Lot 4, Kenilworth Square Acquisition	19,000			
Town Centres	150,000			
Farnworth Market Precinct	250,000	250,000		
Corporate Property Capital Programme		1,000,000	1,000,000	1,000,000
Total Development & Regeneration	18,126,422	60,753,581	36,250,000	33,737,305
<u>Children's Services</u>				
Building Maintenance Plan	1,121,192	1,960,000	1,000,000	
School Capital Support Fund	580,295	100,000	100,000	
Schools Access Initiative	141,960	100,000	100,000	
Devolved Formula Capital	847,847	1,000,000	465,586	
Primary Expansion Programme	4,190,610	9,700,000		
Special School Expansion Programme	3,376,294	4,250,000		
Secondary Expansion Programme	560,000	18,700,000	5,630,000	
Youth and Play Centres	175,878	500,000		
Primary Places	57,989	250,000		
Two Year Old Funding		250,000		
Childrens Centres	70,000	500,000		
Funding Short Breaks	33,705			
Childrens Social Care Software				
Improvement to Leisure Provision				
School Schemes (including BMP contributions)	101,724			
Early Years Capital - Capital Element	89,829			
3G Sports Pitches - Cabinet Feb-16				
Roscow Fold PRU Adaptations				
Primary Capital Programme				
SEND Provision Capital			275,943	
Children Social Care		60,000		
Leisure and Youth Provision Cabinet Feb 2015	193,490	452,197		
Children Social Care - DFG	54,612	30,000	30,000	
Early Years Capital - Refcus Element	142,414			
Total Children's Services	11,737,839	37,852,197	7,601,529	0
<u>Adults</u>				
Adult Servs Major Repairs				
Wilfred Geere Refurb	170,556			
Capital Investment on ICT Modernisation				
Day Care - Brazley	79,660			
Day Care - Jubilee	107,573			
Day Care - Harrowbys				

	17/18	18/19	19/20	20/21
	Current Programme	Current Programme	Current Programme	Current Programme
Day Care		80,000		
Winifred Kettle	138,272			
Brazley & Winifred Kettle Equip	2,358			
Thicketford Remodelling				
Thicketford Refurbishment				
Darley Court FFE	30,000			
Alderbank Demolition	5,016			
Castle Hill IT	2,971			
Brazley & Winifred Kettle IT	36,469			
Surface Pro purchase	16,541			
Wilfred Geere Equip	16,854			
Thicketford IT	30,000			
New Lane Kitchen Refurb	40,000			
Jubilee WiFi	50,000			
Supported Housing Devlpmnts				
Premises Signage	22,641			
Supported Housing Devlpmnts	116,882	188,000		
Total Adults	865,792	268,000	0	0
<u>Environmental Services</u>				
Highways				
DfT Highways LTP	2,948,498	349,983		
Pothole Action Fund	229,000			
Concrete lighting columns over 40 years old renewals	245,017			
Street Lighting LED Programme	1,900,000	1,906,658		
Improved Street Lighting - Cabinet Feb 16 & Feb-18	179,725	900,000		
Depot Improvement Plan - Mayor St	4,984	150,910		
Depot Improvement Plan - Wellington St	34,523			
Business Support Systems	12,957			
Pitt Review	15,080			
Surface Water Run Off / Highway Drainage Improvement	5,575			
Safety Barrier Replacement Programme	16,895			
Highways Strategic Investment	431,845			
Footpaths Strategic Investment	53,489			
Road Warning Signals - Cabinet Feb 16	369,404	369,404		
Dropped Kerbs Cabinet Feb-17	50,000	150,000		
External Highways				
Casualty Reduction	80,000			
A666 Average Speed Camera Replacements	125,000	162,000		
A666 Challenge Fund St Peters Way Improvement	918,998	2,421,240		

	17/18	18/19	19/20	20/21
	Current Programme	Current Programme	Current Programme	Current Programme
Tonge Moor Corridor Junction Improvement	13,451			
Crompton Way / Blackburn Road	1,334			
Bolton Salford Quality Bus Network	800,000	983,227		
Highways Flood Damage - Dft	255,271	325,551		
LSTF Enhancing Cycle Routes & 20 mph schemes	45,888	65,907		
Cycle Access to Bolton: East (Middlebrook Way)	0	231,109		
Cycle Access to Stations	0	100,000		
City Cycle Ambition	265,010	200,000		
BTCTS - South Sector	0.00			
Highways Maintenance Cabinet Feb-18	0	300,000		
Non-Highways	0			
Equipped Play Area Strategy (S106)	84,607			
Access To Nature	91,757			
Neighbourhood Services Asset & Infrastructure Programme	21,221			
Greenspace - Playing Pitches & Changing Facilities	80,079	49,241		
Greenspace - Multi Use Games Areas	3,000	43,321		
Greenspace - Outdoor Gyms/Health Trails	27,500			
Replacement of Waste bins	171,804			
Waste Savings - Bin Exchange	54,094			
Replacement of Fleet Vehicles	3,434,326	325,000		
Security & CCTV	240,288			
3G Sports Pitches - Cabinet Feb 16	490,654	835,769.63		
Street scene Cabinet Feb 2015	26,236			
Total Environmental Services	13,727,512	9,869,321	0	0
<u>Chief Executive's</u>				
Community Empowerment Fund Cabinet Feb 2015/16	76,800	666,000		
Total Chief Executive's	76,800	666,000	0	0
Total Capital	48,241,507	116,209,099	47,334,417	33,737,305
<u>Development & Regeneration</u>				
Business Development Fund	1,086,438			
Strengthening the Office Market in Town Centre	300,000			
Total Development & Regeneration	1,386,438	0	0	0
<u>Children's Services</u>				

	17/18	18/19	19/20	20/21
	Current Programme	Current Programme	Current Programme	Current Programme
Free Breakfast Clubs - Cabinet Feb-16/17/18	429,496	210,504		
Childrens Services Surface Pros	160,000			
Total Children's Services	589,496	210,504	0	0
<u>Environmental Services</u>				
Clean Up of Neighbourhoods incl Feb-18 Cabinet	538,045	300,000		
Anti-Social Behaviour / Home Watch Feb-18 Cabinet		100,000		
Total Environmental Services	538,045	400,000	0	0
<u>Chief Executive's</u>				
Community Empowerment Fund Cabinet Feb 2015/16	259,714			
Benefit Changes Hardship Fund	334,945			
Total Chief Executive's	594,659	0	0	0
Total Revenue	3,108,638	610,504	0	0
Total Corporate Programme	51,350,145	116,819,603	47,334,417	33,737,305

Exempt Input Tax Monitor

Exempt Input Tax Monitor 2017-18										
		2016-17	2016-17	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Expenditure	Exempt	Exempt	Exempt	Exempt	Projected	Projected	Projected	Projected
		attracting VAT	Proportion.	Expenditure	Expenditure	Expenditure	Exempt Exp.	Exempt Exp.	Exempt Exp.	Exempt Exp.
		£000s	%	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Exempt Expenditure										
<u>Revenue:</u>										
Crematorium		723	100%	785	754	723	745	767	790	814
Greenspace		2,208	3%	80	91	74	76	79	81	83
Leverhulme Sports Centre		66	100%	59	58	66	68	70	72	74
Community Centres		192	100%	121	219	192	198	204	210	216
Jubilee Pool		1	100%	11	8	1	1	1	1	1
Urban Renewal		361	26%	117	119	94	97	100	103	106
Schools		42,113	1%	469	473	578	595	613	631	650
Libraries		708	11%	68	55	75	77	80	82	85
Museums		310	25%	60	65	78	80	83	85	88
Markets		544	100%	604	438	544	560	577	594	612
Admin Buildings		1,549	7%	83	82	102	105	108	111	114
Land & Property		660	97%	645	644	641	660	680	700	721
Castle Hill		1,189	2%	26	30	25	26	26	27	28
Legal Services		351	3%	18	15	11	11	12	12	12
Debt Management			100%	0	15	0	0	0	0	0
Total Revenue				3,146	3,066	3,203	3,299	3,398	3,500	3,605

Exempt Input Tax Monitor (cont'd)

	2016-17	2016-17	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
	Expenditure	Exempt	Exempt	Exempt	Exempt	Projected	Projected	Projected	Projected	
	attracting VAT	Proportion.	Expenditure	Expenditure	Expenditure	Exempt Exp.	Exempt Exp.	Exempt Exp.	Exempt Exp.	
<u>Capital</u>	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Markets	-	100%	104	-	-	0	250	250	0	
Crematorium	-	100%	21	-	-	0	0	0		
Horwich Leisure Centre		100%	-	-	-		400	0		
Schools	10,911	1%	120	78	150	213	329	104	0	
Libraries	55	11%	13	2	6	0	0	0		
Museums	210	25%	22	44	53	621	432	0		
Greenspace	668	3%	56	53	22	5	0	0		
Admin Buildings (incl Asset Reviews)	911	7%	393	55	60	99	131	0		
Land & Property	766	97%			-	97	97	97	0	
Total Capital			728	232	290	1,035	1,640	451	0	
Total Exempt Expenditure			3,874	3,298	3,493	4,334	5,038	3,951	3,605	
Exempt Input Tax at 20 %			775	660	699	867	1,008	790	721	
Total Input Tax			22,597	21,517	26,063	26,000	23,000	23,000	23,000	
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Exempt as Proportion of Total	3.49%	4.12%	6.01%	3.43%	3.07%	2.68%	3.33%	4.38%	3.44%	3.13%
<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 2018 is currently 3.73%										