



AGENDA ITEM: 10

CABINET: 13 January 2015

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
29 January 2015**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holder: Councillor D Whittington

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SUBJECT: MEDIUM TERM GRA CAPITAL PROGRAMME

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To set out a number of options for determining the medium term capital programme.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the medium term financial position be noted, and consideration given to how a balanced capital programme can be achieved.

2.2 That the Portfolio Holder for Resources be given delegated authority to submit firm proposals to Council on 25th February 2015 to enable the capital programme to be set.

2.3 That call in is not appropriate for this item as it is to be submitted to the Executive Overview and Scrutiny Committee on 29th January 2015.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That consideration be given to how a balanced capital programme can be set and that any comments agreed by the Committee be submitted to the Portfolio Holder for Resources in advance of the Council meeting to be held on 25th February 2015.

4.0 BACKGROUND

- 4.1 The Council has a medium term rolling capital programme, which is reviewed and updated on a regular basis. As part of the budget setting process, a programme covering the next three years will need to be agreed by Council at its meeting in February 2015. This report concentrates on the general capital programme and does not consider the HRA capital programme which is determined through a separate process.

5.0 CAPITAL RECEIPT FUNDING

- 5.1 The main source of Council funding available to support the capital programme are receipts from the sale of assets, and at the start of this financial year there were £3.027m of receipts being held for this purpose. The number and value of assets sold each year can vary significantly depending on a range of factors. In particular Council House sales under Right to Buy legislation can be volatile depending on the state of the economy and changes in government rules on levels of discounts.
- 5.2 Table 1 shows details of sales by number and value in recent years. Part of the proceeds from the sale of Council Houses must be repaid to the Government, and the usable sale proceeds shown below reflect the amount available for new capital spending after taking these payments into account:

Year	Number of Sales		Usable Sale Proceeds £000	
	Council Houses	Other Assets	Council Houses	Other Assets
2007/08	91	4	1,181	8
2008/09	27	2	326	158
2009/10	12	2	174	43
2010/11	18	2	226	97
2011/12	10	0	123	0
2012/13	25	3	240	102
2013/2014	48	4	307	29
2014/2015 (mid year)	19	3	160	188

- 5.3 Following changes to Government rules on how capital receipts are treated, since 2013/14 the Council has been able to retain an additional share in relation to an “Allowable Debt” factor on Council house sales. Part of this funding is set aside for the repayment of Housing debt and the remaining element is then available for new capital spending. It is estimated that this should enable new spending of around £0.3m per year over the next 4 years in addition to the figures shown above.
- 5.4 Taking all of these factors into account, it is anticipated that there will be estimated capital receipts of £3.471m generated over the 4 year period 2014-15 to 2017-18 that will be available to fund new capital expenditure. This is based

on an estimated 40 Right to Buy Council House Sales each year, the sale of the Westec Site, and other anticipated sales through the SAMP process.

- 5.5 The estimates of capital receipt funding are potentially subject to significant variation as, for example, a single large asset sale could produce a large receipt and the level of future house sales is difficult to predict. However, in looking at medium term financial plans it is best practice to use a prudent approach when estimating future available resources. The assumptions underlying these projections have been based on discussions with colleagues in Housing and Estates and the estimates will be updated on a regular basis to ensure they take account of new developments.

6.0 SPENDING REQUIREMENTS

- 6.1 The Council's current 3 year programme covers the period 2014/2015 to 2016/2017. Consequently, in addition to current year budgets there are also indicative spending approvals in place for the following two years. It should be recognised, however, that as we operate a medium term capital programme, approvals that have been given for future years are indicative allocations only that are potentially subject to change.

- 6.2 The current value of spending approvals to be funded from capital receipts is £4.893m which is analysed in the Appendix. In addition to the existing scheme approvals it has become normal practice in developing the rolling medium term programme to include provisional allocations for the next year of the programme (in this case 2017/2018). Consequently, the Appendix also contains provisional allocations of £0.802m for ongoing capital schemes which typically receive funding each year.

7.0 OVERVIEW

- 7.1 Table 2 summarises the current position in terms of estimated capital receipt funding and spending requirements. The bottom line position is that there is an estimated £0.803m that will be available to fund new capital schemes over the 3 year period 2015/16 to 2017/18. In considering this position Members should note that if a high proportion of this funding is allocated for the 2015/16 financial year, then there will be less scope to develop new capital schemes in the remaining 2 years of the 3 year medium term plan period.

Table 2 –General Capital Receipts Funding Available	£000
Usable capital receipts held in April 2014	3,027
Estimate of receipts that will be generated between April 2014 and the end of the 2017/2018 financial year	3,471
Existing spending approvals covering period to 2014/2015 – 2016/2017	-4,893
Provisional spending approvals for 2017/2018	-802
Total Funding Available	803

8.0 WAY FORWARD

- 8.1 In developing the next capital programme, Members will need to consider what proposals for new capital schemes to approve to meet corporate and service objectives and to ensure a balanced overall financial position. Officers will work with each Political Group through the budget process to review the available options. The Council meeting will then provide an opportunity for each Political Group to put forward proposals to produce a balanced capital programme.
- 8.2 In addition to capital receipt funding there will also be a need to consider external capital investment and grants. The Council has been successful in attracting external capital investment over many years and this can provide an important source of funding for the capital programme. A Local Land Auction Pilot is also being actively pursued and this could potentially deliver significant additional finance for investment in specific areas. A further potential source of finance alongside the capital programme is the new Community Infrastructure Levy system which has recently been introduced and which should enable a higher level of infrastructure development to take place.
- 8.3 The Council also has the ability to prudentially borrow to obtain the funding necessary to develop new capital schemes. This type of borrowing can be used to finance investment in long term assets where it is prudent, affordable and sustainable. For example, if the Council was to borrow £1m for 25 years, it would increase revenue costs by £80,000 to £90,000 per annum as a result of interest and minimum revenue provision requirements (money set aside for the repayment of the debt). The costs associated with this borrowing would then need to be factored into the revenue budget.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 9.1 The proper management of the Council's asset base enhances service delivery. Assets consume a high level of resources both in terms of capital investment and revenue maintenance and having a proper strategy in this area ensures that the capital base can shape the future direction of the Council.

10.0 RISK ASSESSMENT

- 10.1 The level of capital receipts generated by asset sales is a significant risk to the future development of the programme. If receipts exceed the projections contained in this report, it would enable additional schemes to be developed. However, if receipts are below the projections, it would require reductions to be made.
- 10.2 Some schemes in the Programme are dependent on external partner funding. To minimise the risk of funding not being available, such schemes will only begin once their funding details have been finalised.

Background Documents:

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision from this report does not have any direct impact on members of the public, employees, elected members and/or stakeholders. Therefore, no Equality impact assessment is required.

Appendix

1. Capital Receipt Funding Approvals
2. Minute of Cabinet 13 January 2015 (Executive Overview and Scrutiny Committee only)