



CABINET: 9 January 2018

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
25 January 2018**

Report of: Borough Treasurer

Relevant Portfolio Holder: Councillor A. Yates

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SUBJECT: MEDIUM TERM CAPITAL PROGRAMME

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To set out details on the GRA medium term capital programme position for the next 3 years.

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 Finance be given delegated authority to submit firm proposals to Council on 28 February 2018 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 25 January 2018.

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 Finance in advance of the Council meeting to be held on 28 February 2018.
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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 2018. 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 general capital programme are receipts from the sale of assets, and at the start of this financial year there were £2.399m 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 (RTB) legislation can be volatile depending on the state of the economy and changes in government rules.

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
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
2013/14	48	4	307	29
2014/15	35	4	300	273
2015/16	57	5	338	142
2016/17	81	6	329	174

5.3 Based on recent trends and projecting forward on a prudent basis it is anticipated that there will be receipts of £0.980m generated from an estimated 200 RTB Council House sales over the next 4 years, as well as £0.400m of receipts from land sales. It is also expected that a surplus of around £0.53m should be generated from the Westec site development over the next few years

5.4 In addition to the funding shown above the Council is also able to retain a further share of the proceeds from RTB sales under government regulations in relation to an "Allowable Debt" factor. 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 £1.552m over the next 4 years in addition to the figures shown above.

- 5.5 Taking all of these factors into account, it is anticipated that there will be capital receipts of £3.462m generated over the 4 year period 2017-18 to 2020-21 that will be available to fund new capital expenditure. These projections 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 will be reviewed 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 2017/2018 to 2019/2020. 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 £3.804m which is analysed in Appendix 1. In addition to the existing scheme approvals it is our normal practice in developing the rolling medium term programme to include provisional allocations for the next year of the programme (in this case 2020/2021). Consequently, Appendix 1 also contains provisional allocations of £0.574m for ongoing capital schemes which typically receive funding each year. No funding has been allocated for the Leisure Trust scheme in 2020/21 as the current leisure contract comes to an end in March 2020.

7.0 OVERVIEW

- 7.1 Table 2 overleaf summarises the current position in terms of estimated capital receipt funding and spending requirements. The bottom line position is that there is estimated funding available of £1.483m over the programme period. This funding position is before any consideration is given to potential new capital schemes that have been identified by Heads of Service. Appendix 2 provides a summary of these budget options, which in total comes to £0.474m.
- 7.2 There is more capital receipt funding available at this time than there has been for several years. This is down to a combination of the relatively high level of capital receipts that are currently being generated, the anticipated returns from the Westec site development, and the relatively small size of the existing capital programme.

Table 2 – General Capital Receipts Funding Available	£000
Usable capital receipts held in April 2017	2,399
Estimate of receipts that will be generated between April 2017 and the end of the 2020/2021 financial year	3,462
Existing spending approvals covering period 2017/2018 – 2019/2020	-3,804
Provisional spending approvals for 2020/2021	-574
Total Funding Available for new schemes	1,483

8.0 WAY FORWARD

- 8.1 There are a number of options that can be considered to realign and update the programme. Members will need to carefully consider what proposals to include in the final budget to meet corporate and service objectives but also to ensure a balanced overall financial position.
- 8.2 There are a number of factors that can be considered or given regard through this process including:
- The Council has been very successful in attracting external capital investment over many years, and further opportunities should be considered
 - The priority that is attached to the potential new capital schemes set out in Appendix 2
 - The need for investment in IT to provide more effective and efficient services
 - Reviewing existing spending approvals to assess whether they are still relevant and appropriate
 - Prudential borrowing could be assessed as a mean of providing additional capital resources. This type of borrowing can be used to finance investment in long term fixed assets where it is prudent, affordable and sustainable. The costs associated with this borrowing would then need to be factored into the revenue budget, and this could be difficult to achieve given the GRA's challenging medium term financial position.
 - The scope to develop new capital schemes funded through Section 106 Agreements or Community Infrastructure Levies which are subject to separate processes
 - The potential financing requirements of the proposed new Development Company, the Skelmersdale Town Centre Vision, and the Leisure Strategy

- 8.3 Officers will work with each Political Group during 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.

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.

Appendices

Appendix 1 - Capital Receipt Funding Approvals

Appendix 2 – Potential new capital schemes

Appendix 3 - Minute of Cabinet (Executive Overview and Scrutiny Committee only) – to follow