

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>19th FEBRUARY 2018</b>
<b>Heading:</b>	<b>PROPOSED CAPITAL STRATEGY 2017/18– 2021/22</b>		
<b>Portfolio Holder:</b>	<b>CORPORATE SERVICES</b>		
<b>Ward/s:</b>	<b>ALL</b>		
<b>Key Decision:</b>	<b>YES</b>		
<b>Subject To Call-In:</b>	<b>YES</b>		

### **Purpose of Report**

The previous Capital Strategy covered the years 2017/18 – 2019/20. The revised capital strategy seeks to extend the capital strategy to cover years 2017/18 – 2021/22.

### **Recommendation(s)**

- 1) The increase in Capital borrowing of £3.8m for years 2020/21 and 2021/22 be approved and recommended to Council
- 2) To approve the potential use of Capital Borrowing of £6m to part fund the new Kirkby Leisure Centre and recommend this is approved by Council (This figure is an estimate and subject to change through future reports following detailed cost assessments).
- 3) To approve and recommend to Council the carry forward of unused borrowing of £254k from 2016/17 into 2017/18.

### **Reasons for Recommendation(s)**

To ensure that proposed capital expenditure could continue to be funded from borrowing to the end of 2021/22.

### **Alternative Options Considered (With Reasons Why Not Adopted)**

None.

## Detailed Information

### 1. Changes to the Capital Strategy

The last Capital Strategy was approved on 30th November 2017 by Cabinet. The Capital Strategy has been revised on the basis that:-

- 1) Less capital expenditure (to be financed by borrowing) than projected was incurred as at 31<sup>st</sup> March 2017. This gap has been rolled forward into the current strategy.
- 2) The current capital strategy period ends on the 31<sup>st</sup> March 2020. The revised capital strategy includes the years 2020/21 and 2021/22. This allows the Capital Strategy to cover the same period as the proposed Capital Programme which is on the same agenda as this report.
- 3) The Authority is currently looking at options to provide a new leisure centre facility in Kirkby-in-Ashfield. The potential options are still being evaluated. It is expected that the Council will need to borrow at least £6m to fund this project.

### 2. The Capital Strategy

The borrowing limits for the General Fund have increased by £10.054m over the life of the Strategy. This comprises of £6m to potentially fund the new Kirkby Leisure Centre, £0.254m unused borrowing carried forward from 2016/17 and £3.8m for financial years 2020/21 and 2021/22. The new Capital Strategy total borrowing can be analysed as follows:

	<b>£000's</b>
Investment Properties	25,000
Kirkby Leisure Centre	6,000
Other Borrowing – Vehicles etc.	9,500
Carried Forward from 2016/17	254
<b>Grand Total</b>	<b>40,754</b>

It is likely that there may be some changes in the expenditure mix. Any overspends in one area must be compensated by at a least a similar under spend in another area to ensure that the total prudential borrowing figure of £40.754m is not exceeded. Although within the overall strategy, no new projects will be included in the Capital Programme without a sound business case and appropriate approval by members.

The February 2018 proposed capital programme estimates that the overall borrowing for the period 2017/18 – 2021/22 will be £24.469m. As discussed in the Capital Programme Cabinet Report the purchase of £9.9m additional Investment Properties has been put on hold. The borrowing requirement for these is remaining in the Capital Strategy for the time being. The capital programme does not currently include £6m for the Kirkby Leisure Centre. If the Kirkby Leisure centre is approved at a future date, the total estimated borrowing requirement for the five years will be £30.469m. This will leave an available headroom of £10.285m compared to the Capital Strategy.

The Government has issued guidance in February 2018 on Investments and Minimum Revenue Provision (MRP) which are effective from the 1<sup>st</sup> April 2018. This change has made it less feasible for Authorities to invest in Investment Properties. As result of this guidance the Authority is currently reviewing its future Investment property options.

### **3. Impact on the Medium Term Financial Strategy**

The Medium Term Financial Strategy (MTFS) includes the estimated Minimum Revenue Provision (MRP) charge for all of the items included in the Proposed February 2018 Capital Programme. The MTFS does not currently include the estimated MRP for the Kirkby Leisure Centre. The interest payable and MRP charge for this site is expected to be more than offset by cost savings and additional income from the site. This is a key principle in the project to ensure the sustainability of the Councils future finances.

### **Implications**

#### **Corporate Plan:**

The Capital Strategy reflects the priorities in the Corporate Plan.

#### **Legal:**

If approved by Cabinet, this report will require approval by Council to ensure compliance with the Constitution and the Council's Financial Regulations.

#### **Finance:**

This report is effective from 19/02/2018 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	The increase in amounts that can be borrowed will impact on the amount of Minimum Revenue Provision (MRP) charged to the General Fund. The Medium Term Financial Strategy (MTFS) includes estimates of these MRP increases.
General Fund – Capital Programme	Once approved the changes to the Capital Strategy will allow for capital borrowing to continue until 2021/22. Provisional allowance has been made for the construction of a new Leisure Centre but this will not be utilised unless the overall business case for the Leisure Centre is approved.
Housing Revenue Account – Revenue Budget	None.
Housing Revenue Account – Capital Programme	None.

**Risk:**

Risk	Mitigation
Capital Borrowing over the five-year period is exceeded.	Careful monthly monitoring of capital expenditure will highlight any potential overspends before they arise so that appropriate corrective action can be undertaken.

**Human Resources:**

There are no HR implications.

**Equalities:**

There are no Equalities implications.

**Other Implications:**

None.

**Reason(s) for Urgency (if applicable):**

N/A

**Exempt Report:**

N/A

## **Background Papers**

None.

## **Report Author and Contact Officer**

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