

Subject:	Capital Strategy and Capital Programme 2018/19 to 2020/21	Status:	For Publication
Report to:	Overview & Scrutiny Committee Cabinet Council	Date:	5 th February 2018 21 st February 2018 28 th February 2018
Report of:	Head of Finance & Property Services	Portfolio Holder:	Portfolio Holder for Resources and Customer Services
Key Decision:	<input checked="" type="checkbox"/> <input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	Yes/No	Attached: Yes/No
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1.	RECOMMENDATION(S)
1.1	Members consider the Capital Strategy for 2018/19 and the medium term.
1.2	Members consider the affordable capital programme for 2018/19, as set out in Appendix 1, and recommend the new capital expenditure projects totalling £1,443k to Full Council for approval.
1.3	Members agree to delegate any minor amendments to the capital programme throughout the 2018/19 financial year as a result of new grant-funded community projects, to the Head of Finance in consultation with the Portfolio Holder for Resources. Amendments will then be reported to Cabinet through the regular Financial Monitoring Reports.

2. PURPOSE OF REPORT

- 2.1 To provide members with a Capital Strategy for the coming three years, taking into account progress of current projects and proposed plans for future developments.
- 2.2 To propose a capital expenditure programme for 2018/19 and the medium term 2019/20 & 2020/21.
- 2.3 To advise members on the various sources of capital funding available to support the proposed expenditure and their impacts upon the Medium Term Financial Strategy.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
 - **A clean and green Rossendale:** our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.
 - **A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have work harder for us.
 - **A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

In setting the Capital Programme, officers and members must consider projects which support the Council's Corporate Priorities within the constraints of the MTFS.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:

- The Council needs to ensure that it is able to generate adequate sources of capital funding to support its capital commitments over the medium term and that it does not over stretch itself in terms of borrowing exposure.
- The Council can do this by prioritising both its capital expenditure and the assets it chooses to retain over the medium term. This requires focus, not just on the immediate issues, but on those emerging in the years ahead.
- In the current economic climate there is some uncertainty surrounding the Council's ability to generate resources from the disposal of its surplus assets. Regular reporting will continue be made to Members to explain any additional resources achieved and account for their allocation to the programme as and when they become available.
- Members should be aware that this Capital Strategy for 2018 to 2021 provides for minimal capital repair works and very little new investment, other than the Bacup THI and Spinning Point projects, which have already received member approval. Given the outcome of the 2012/13 Stock Condition Survey there may be some risk of not providing the required investment (see below).
- As part of the Empty Homes Project the Council does have full repairing responsibilities on c.12 properties
- Members should also be aware of the potential for unforeseen events and in particular emergency works, such as culvert works. At the time of drafting this report there is an uncommitted balance of £97k for emergency works. However, it is likely that c£20-25k will be required for emergency culvert works during Q4 of 2017/18. Any balance will be carried forward into 2018/19 and officers would seek any opportunity to bring the provision set aside back up to £100k level.
- Due consideration should be given to financial resources available to community partners occupying Council assets on terms below commercial rates on the expectation, amongst other things, that partners are liable for the regular upkeep and maintenance of the assets.

5. BACKGROUND AND OPTIONS

5.1 The link between Capital and Revenue

5.1.1 Capital expenditure refers to larger projects, typically over £10k in value, and those where the benefit will last for more than one year, such as vehicles and buildings. Revenue expenditure is annual costs of providing services, such as employees, running costs and supplies.

5.1.2 Capital resources are those which either come from the sale of capital assets (and they are therefore one-off in nature) or from external capital grants. In contrast, revenue resources are those annual incomes from council tax, business rates and the provision of services.

To maintain a sustainable revenue position authorities are not allowed to fund annual revenue expenditure from one-off capital receipts, but they are allowed to fund long-term capital plans over several years from revenue resources. This is done in one of two ways: a revenue contribution to the capital outlay/purchase (known as RCCO) or through initial borrowing which is then repaid from revenue resources over the life of the asset. The level of borrowing is known as the Capital Financing Requirement (CFR) and this can be funded from internal cash reserves which are repaid by Minimum Revenue Payments (MRP), being a charge against Council Tax, or from external borrowing, in which case the revenue impact is increased by the cost of interest payments

The current 2017/18 budget includes £100k per annum in terms of RCCO as agreed by members back in March 2017 and the total ongoing MRP budget was £958k, although £149k related to assets which concluded their MRP repayments during 2017/18. These ongoing revenue funds are now available to support the next round of fleet replacement in the years to come as the old vehicles reach the end of their economical lives.

Capital resources are kept separate from revenue and any funds not used at the end of a financial year can be carried forward to future years. Amounts relating to General Fund properties are kept separate from Housing, though they are combined in the Capital Receipts Reserve on the authority's official Balance Sheet.

5.2 What is a Capital Strategy?

The Corporate Strategy sets out the strategic direction of the Council, providing a focus to ensure that the services the Council delivers meet the needs of its communities. It is one of the Council's most important documents setting out those areas identified for focused improvement over future years.

The Prudential Code plays a key role in capital finance in local authorities. Councils determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support councils in making their decisions. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, which means that each council must make a reasonable estimate of the total capital expenditure that it intends to incur during the forthcoming financial year and at least the following two financial years.

A sound capital programme must be driven by the Corporate Priorities and capital decisions must balance the long-term gains with the initial capital costs and the ongoing revenue implications in terms of running costs and potential income generation opportunities. The Prudential Code recognises that in making its capital investment decisions the council must have explicit regard to option appraisal, asset management planning, strategic planning for the council and achievability of the capital programme.

As well as future investments, Members must also consider the costs of holding onto some assets compared with their contribution towards the Corporate Priorities. Holding costs include revenue running costs and general maintenance, but often capital maintenance costs are overlooked and these can mount up over time if not addressed. The last comprehensive stock condition survey was undertaken in 2013 and since then the Council has only had the resources to deal with the highest priority capital maintenance works in a rolling programme of around £125k per annum. That said, the Facilities Management

Team is confident that all the Council's assets are being adequately maintained.

5.3 **Current and ongoing projects/schemes**

The Council has two major ongoing schemes in the borough; the Spinning Point development in Rawtenstall and the Bacup Town Centre Heritage Scheme, which tackle the regeneration plans within the Corporate Strategy.

Efforts to promote sustainability across the Council's partners and the community are currently in progress with the Whitaker, Ski Rossendale and Rossendale Leisure Trust.

The Council is also working closely with its partners across the community to focus on our clean and green borough, improving play areas and public spaces including schemes at Stubbylee Park, Healy Dell and Waterfoot Town Centre.

In addition the Council is making every possible effort to keep up the maintenance on key assets across the borough and manage the fleet of operational vehicles in the most economic and efficient way possible to ensure that public services continue to meet the standards expected.

5.3.1 Spinning Point

Spinning Point Phase 1 is a £5.3m project in the centre of Rawtenstall designed to provide a new bus station with retail units, redevelopment of the former Town Hall into offices, for which a tenant has been secured, and provide car parking on the former Police Station and former bus station sites. Funded through grants from Lancashire County Council, the Local Growth Fund and Rossendale Council, physical works got under way in March 2017. The demolition of the former town hall annex and the old police station are now complete and internal redevelopment of the old town hall is under way. Negotiations continue with regard to the stopping up of some roads at the site, but work on the construction of the new bus station is scheduled to commence before the end of the 2017/18 financial year.

The Council has previously committed to the development of Spinning Point Phase 2, which is aimed at a combination of retail units and leisure facilities. The work to take this Phase to the planning application stage is about to commence, which is estimated at to be £150k in total. The Council's share of costs has previously been approved at Cabinet in November 2017.

In due course a further £150k will be required from the two partners (£75k each) in order to get to the development stage. All such costs (c £300k) will in due course be reclaimed from the development of Phase Two.

Thereafter, the Council will have the opportunity to consider its further involvement in Spinning Point Phase 2, both as financier and owner in part or full, of the completed development. Should the Phase 2 development not progress, the Council risks the forfeit of £1.1m Local Growth Fund in relation to Phase 1.

5.3.2 Bacup Town Centre Heritage Scheme (THI)

This £2.2m project aims to improve the appearance and public realm in Bacup town centre. Funded by the Council, the Heritage Lottery Fund, Lancashire County Council and local commercial/retail property owners, the scheme began in 2015 and is expected to conclude during the 2018/19 financial year with the public realm works being the main focus in the final year.

5.3.3 Working with our partners on sustainability

At the Whitaker a £100,000 grant has been secured to enable the development of full RIBA stage D drawings as well as the development of activities and coordination plans. It is anticipated that this will lead to a full £2 million Heritage Lottery Fund application for the

extension of the Council's Whitaker Museum into the adjacent barn and stables. This would represent a major enhancement of the site and will greatly expand the number of events and activities that can take place, with the potential to boost visitor numbers.

At Ski Rossendale the Council is working closely with the Board of Directors to support the enhancement of this Council-owned facility. Plans have been successfully submitted for Sports Lottery funding to improve the existing buildings and the café as part of wider a holistic approach to ensure the long-term sustainability of this key leisure & tourism facility in the borough.

Officers have been working on a playing pitch strategy for the borough over the last couple of years, in close cooperation with Rossendale Leisure Trust. Capital Receipts have been set aside in previous years to support the outcome of the strategy, including potential works to the playing pitches at Haslingden Sports Centre and Marl Pits. In an effort to ensure a joined-up, sustainable approach to playing pitches which meets the needs of the whole borough, control of lettings across all pitches have now transferred to the Trust.

5.3.4 Working with our communities

Over the last few years many environmental grants for capital works have been directed towards community groups, as a way to encourage interest and participation in the local surroundings. In line with the Council's priority to encourage proud, healthy and vibrant communities, schemes led by community groups have been encouraged.

Stubbylee Park Masterplan has been an ongoing project with the Friends of Stubbylee Park which has seen over £84k invested in a new pump track and improvements to the duck pond. The next phase will look at bidding for grants and other contributions to renovate and re-landscape the Dell.

Similar works of around £76k have been undertaken during 2017/18, in conjunction with Rochdale Council and local community groups, to provide a pump track and woodland path at the Healy Dell Nature Reserve which straddles the two neighbouring authorities.

The public open space in Waterfoot is currently receiving a £141k make-over, funding by environmental grants, S106 agreement funds and other funds raised by the community groups. This will transform an under-used play area into a healthy and vibrant community asset for the future.

5.3.5 Maintaining the Council's own operational assets

The Council must also continue to provide the quality services which the public deserve and in order to do this it has to maintain the assets which it uses in good condition, to ensure efficient operations and effective services.

The Council's Operations team have over 100 vehicles or major pieces of plant and equipment which have varying useful lives from 3 years up to 12 years. When any item reaches the end of its economic life officers review the needs of the team, the options for purchase/lease/rent, potential sources of replacement (including the use of local government purchasing frameworks) and the potential sources of funding.

At the moment, all vehicles, plant & equipment purchases have been funded through internal borrowing, with the MRP levels built into the revenue budget as shown in section 5.7.

The Council's fixed assets on the Balance Sheet as at 31st March 2017 were as follows.

BALANCE SHEET	31st March 2016 £000s	31st March 2017 £000s
Property, Plant & Equipment		
Other Land and Buildings	21,523	22,027
Vehicles, Plant, Furniture & Equipment	2,375	1,910
Infrastructure	189	122
Community Assets	925	885
Assets under construction	765	960
Surplus Assets	509	390
	26,286	26,294
Heritage Assets	2,163	2,155
Investment Property	539	539
Intangible Assets	109	154
Assets held for sale within one year	60	48
Council Assets	29,157	29,190

Since the last full stock condition survey in 2013, the Council has invested c£125k per annum in the highest priority repairs and maintenance works. Pressures on the MTFS mean that the level of RCCO in future years may have to fall, so the Council does not plan to increase that level of expenditure, unless additional external resources can be achieved.

This Council currently has only one investment site, in Bacup, where the 2015 Morrisons supermarket development is now bringing in an annual rental stream of £25k.

5.3.6 Maintaining the borough's domestic housing stock

As part of its commitment towards achieving a proud, healthy and vibrant community, the Council is also focusing on the domestic housing stock across the borough.

The council receives grant from the Better Care Fund each year to provide Disabled Facilities Grants (DFGs) to help people to stay in their own homes, rather than having to enter the social care system. The Council received £869k in 2017/18 to add to the £391k left from the 2016/17 grant. There have been delays in getting occupational health referrals through from Lancashire County Council, but officers expect to have delivered around 65 projects by the end of the current year, and carry around £438k forward to deliver in 2018/19.

The Council is also raising the profile of the high volumes of long-term empty houses in the borough. Members took the decision to levy a Council Tax premium of 50% on these properties in an effort to prompt action by owners. Officers have also undergone an exercise to identify the worst properties, resulting in a list of 11 properties which officers are now working to tackle each one in turn. In the past a capital expenditure budget of £120k had been set aside to support Compulsory Purchase Orders (CPOs), with the intention that subsequent auction sale proceeds would go back into the fund and be recycled into the next case. During 2017/18 the first "assisted sale" case has been dealt with in a way, which has not required the same up-front costs for the Council, but still achieves the same ultimate outcome as the CPO process.

5.4 **Future project ambitions**

Spinning Point Phase 2 (see 5.3.1 above) will be brought before Members for decisions during 2018/19, with a view to any works being complete by around 2020/21. At the moment only the initial development works have been approved.

The Whitaker is currently working up a potential Heritage Lottery bid of around £2m, but

again, only the development stage has so far been approved.

Officers and Members have completed negotiations around the future of Rossendale Transport Ltd, which now see the Council acquiring ownership of the Knowsley Road depot site. The contribution which that site can make towards the Council's economic regeneration and development plans has yet to be fully determined, but are likely to see a disposal.

The Council has prioritised the development and delivery of a Trail Head Centre at the Futures Park site, with further themed developments on the other 3 remaining plots. Council officers and Members are in ongoing discussions with Lancashire CC, businesses and community groups, including the Pennine Mountain Bike Association to analyse options for alternative delivery and management vehicles to achieve a site of national importance in the field of adrenaline sports.

Rossendale Borough Council is a member of the East Lancs Railway Trust and as such continues to work closely with them on plans to improve and extend the station at Rawtenstall. More will be known in the coming year once the ELR Trust's 10-year strategy is complete.

There are around £695k of operational fleet which will need replacing in 2018/19 and around £470k in 2019/20. These vehicles have residual values as obsolete stock and if sold at auction for the best price possible officers estimate an income of around £54k in excess of their book values, to help meet the costs of the replacements, leaving c£639k to fund by internal borrowing which will in turn require an MRP of just over £110k per annum.

5.5 **An affordable Capital Programme**

In order to meet the above strategic plans and operational requirements officers have drawn up the following affordable Capital Programme for the next three years

(See next page)

Capital Programme 2018/19- 2020/21

Capital Programme	2018/19			Future plans	
	Ongoing Projects* £000	New Projects £000	Total Programme £000	New in 2019/20 £000	New in 2020/21 £000
Operations & Communities					
Parks Vehicle Replacement Programme	-	693	693	468	-
Playgrounds		10	10	10	10
Pathways		20	20	-	20
Cemeteries	96	-	96	20	-
Sports Playing Fields	193	-	193	-	-
	289	723	1,012	498	30
Regeneration					
Bacup THI Scheme	722	-	722	-	-
Spinning Point - Phase 1	4,013	-	4,013	-	-
	4,735	-	4,735	-	-
Corporate					
Building Maintenance	100	100	200	100	70
Emergency Works	100	-	100	-	-
	200	100	300	100	70
General Fund Total	5,224	823	6,047	598	100
Housing					
Disabled Facilities Grants (DFGs)	438	500	938	500	500
Compulsory Purchase Order Schemes	-	120	120	60	60
Housing Services Total	438	620	1,058	560	560
Expenditure Grand Total	5,662	1,443	7,105	1,158	660

Ongoing projects will cost around £5,662k for which the funding streams have already been identified.

Members are now asked to approve the following new projects for 2018/19:-

- Vehicle replacement programme - a cost of a £693k will be required to replace the fleet currently reaching the end of its economically useful life in 2018/19. The obsolete stock should fetch around £54k surplus at auction, therefore the internal borrowing requirement will be £639k. In 2019/20 a further £ 468k are likely to need to be replaced.
- Playgrounds & Pathways - budgets of £10k and £20k respectively have been set aside in recent years from the capital receipts to provide minimum works or seed-corn funding for community group grant-funding projects and it is proposed that this continues.
- The £125k annual building maintenance budget in 2016/17 had been held over until the end of the year following extensive options appraisals and a full tender process. That programme has been delivered in 2017/18 and so most of the 2017/18 budget is expected to be carried forward into the 2018/19 year. Officers are confident that a combined £200k budget for 2018/19 works will be deliverable during the financial year.
- Allowances in 2018/19 for Disabled Facilities Grants from the Better Care Fund have not been announced, but officers are confident that at least £500k should be confirmed in early April. The slippage from the 2017/18 year is estimated to be around £438k, so the combined grant available in 2018/19 is likely to be around £938k. The ability to spend these funds depends upon the level of occupational

health referrals from Lancashire County Council, but officers have been assured that LCC are making every effort to resolve their staffing issues.

- Compulsory Purchase Orders - the funds of £120k are still ring-fenced for tackling long-term empty properties in the borough. In any cases where the new “assisted sale” approach does not work, then these funds will be available to purchase properties and the subsequent auction receipts will be recycled into the fund for future years.

5.6 Capital Resources

Capital resources come from three places

- Capital receipts from sales of land or other assets
- Capital grants or contributions from outside agencies, organisations or community groups
- Revenue Contributions (RCCO) from either the Council’s own budgets, or from property developers through S106 agreements.

Following the sale of Rossendale Transport Ltd., the Council estimates that it will have £2,102k of capital receipts available at the end of 2017/18, £120k of which is planned to fund the CPO investments and £489k of which is to fund ongoing capital projects in cemeteries, playing fields, emergency building works and building maintenance. This leaves a balance of £1,493k capital receipts available to finance future projects.

Officers also expect to carry £438k of the Better Care Fund grant forward to provide DFGs in 2018/19 and there should be around £93k left in the Bacup THI Earmarked Reserve at the year-end to support the final year of the scheme in 2018/19.

Capital Resources	Funding Profile for 2018/19 Projects			
	Capital Grants £000	Capital Receipts £000	Revenue Contrib £000	Internal Borrowing £000
Balances Brought Forward (estimates)				
General Fund Capital Receipts Reserve	-	1,982	-	-
Housing Capital Receipts Reserve	-	120	-	-
Better Care Funding for DFGs	438	-	-	-
Earmarked Reserves specifically identified for Bacup THI	-	-	93	-
	438	2,102	93	-
General Services				
Re Bacup THI - Heritage Lottery Grant	557	-	-	-
Re Bacup THI - Private Owner Contributions	72	-	-	-
Re Spinning Point Ph1 - Lancashire County Council	2,767	-	-	-
Re Spinning Point Ph1 - Local Growth Fund	346	-	-	-
Re Spinning Point Ph 1 - additional MRP (over 30yrs=£30k p.a.)	-	-	-	900
General Fund Capital Receipts - from sale of assets	-	50	-	-
General Fund Capital Receipts - from sale of obsolete vehicles	-	54	-	-
MRP built into current budgets to cover fleet replacement	-	-	-	639
General Fund Revenue Contribution to Capital - reducing per MTFS	-	-	100	-
	3,742	104	100	1,539
Housing Services				
Better Care Fund DFG Grant	500	-	-	-
Housing Capital Receipts - from sale of CPO properties	-	120	-	-
	500	120	-	-
Total Capital Resources	4,680	2,326	193	1,539
General Fund Services	-	1,513	-	-
Housing Services	-	120	-	-
Balance of Usable Capital Resources cfwd	-	1,633	-	-

5.6.1 Receipts from Sales

The Council's ability to raise capital receipts from land sales is dependent upon the current property market and its appetite to dispose of non-operational assets. In recent years officers have maintained a prudent view of the level of income achievable. In the past the bulk of capital receipts have come from a very small number of medium sized sales and officers have seen reductions in this income since 2015/16. In 2017/18 only one such medium-sized sale has occurred, therefore officers predict that sales will continue to be slow in the medium term, hence a forecast of £50k per annum.

Housing capital receipts balances are only expected from the sale of CPO properties and these are dependent upon, and directly related to, any CPO costs (see paragraph 5.5 above).

Should any additional receipts arise they will be reported to Members through the quarterly financial monitoring process.

5.6.2 Capital Grants

The Council looks set to start 2018/19 with a balance of £438k for DFGs from the 2017/18 Better Care Funds. Officers anticipate that at least £500k will be received in 2018/19, giving potential DFG resources for 2018/19 of £938k.

Bacup THI activity in 2018/19 will be funded primarily from the balance of the HLF grant, £2,767k and owner contributions of £72k, along with the £93k Council contribution which is still in Earmarked Reserves.

The grants from LCC and the Lancashire Growth Fund will fund most of the Spinning Point Phase 1 costs during 2018/19, with the Council's £900k contribution being funded through additional Internal Borrowing. This will add £30k per annum to MRP costs once the facility is operational, but this has been included in the business case for the investments and revenue income streams will be more than cover this additional cost.

Since the 2010 Spending Review capital grants for projects such as playgrounds have transferred to third sector bodies. Where such grant bids are successful, the Council usually provides support and a delivery mechanism as well as occasional matched funding where absolutely necessary. At the time of writing this report there is only one such scheme, to upgrade the Dell at Stubblee Park, in the initial phase of seek external grant funding. This has not been included in this capital programme as it would not proceed until all the resources have been confirmed.

5.6.3 Council revenue resources

Although capital resources cannot be used to fund revenue costs, the Council can, and does, fund some of its capital works and asset purchases from its revenue income. It can do this in two different ways - direct revenue contributions in the year and internal borrowing, which spreads the revenue impact over the life of the associated asset.

There is only one planned budget for a revenue contribution expected in the coming years, and this is for the maintenance of Council buildings. The figure included in the 2018/19 revenue budget is £100k, but the MTFS pressures have led officers to recommend that this reduces in the future years, by £25k in both 2019/20 and 2020/21.

5.7 **Capital Financing Requirement and Prudential Borrowing**

The Council's historical need to borrow, to finance its former capital projects is, known as the Capital Financing Requirement [CFR] and the borrowing can be from external sources, such as the Public Works Loans Board (PWLB), or internal, from other cash-backed reserves.

At the end of 2017/18 the CFR balance is expected to be £7,176k and this can be analysed over the assets shown below.

During 2018/19 the new projects mentioned above are expected to add £1,539k, £900k relating to Spinning Point Phase 1 and a net increase of £639k for operational vehicles, after the application of around £54k of receipts from obsolete stock sales.

The net MRP in 2018/19 will therefore be £721k and the CFR at the end of the year is expected to be £7,994k

CFR 2017/18	Capital Financing Requirement	Net Additions 2018/19	MRP 2018/19	CFR 2018/19
902	Whitworth Civic Hall	0	-29	873
2,185	Marl Pits investment	0	-66	2,119
22	Whitworth Pool extension	0	-1	21
941	Rawtenstall Town Centre	900	-67	1,775
860	Other buildings	0	-33	827
925	Operations vehicles etc	639	-354	1,211
194	Leisure Grip & Go	0	-41	153
925	Leisure H'den Sports Centre	0	-60	865
15	IT infrastructure	0	-9	6
72	IT software	0	-27	45
89	Renewable Energy Projects	0	-25	65
41	Housing (exc Empty Homes)	0	-5	36
4	Other assets	0	-4	0
7,176		1,539	-721	7,994

The term "Prudential Borrowing" refers to any external borrowing undertaken by the Council to meet the above CFR. At the moment the Council only has one PWLB loan which will have a balance of £3,128k at the beginning of 2018/19 with an annual principal repayment of £184k.

By the end of 2018/19, with a CFR of £7,994k and external borrowing of £2,944k, the Council will be under-borrowed by £5,050k. This is being supported through the use of internal borrowing against the Council's cash-backed Reserves - i.e. the General Fund Reserve, Earmarked Reserves, Capital Receipts Reserve and Government Grants Unapplied.

As the Council uses its cash-backed reserves to balance the revenue budgets, as is planned over the life of the current MTFs, the consequence will be that the Council will have insufficient cash resources to meet the needs of the CFR. At that point the Council will have to borrow externally, with the interest payable, being an additional revenue burden. This matter is explored further in the Treasury Management Strategy. Given the current low interest rates it may be more beneficial to increase borrowing sooner than later.

Future investment in additional capital assets will require the Council to either generate additional capital receipts or build into any business case the costs of external interest payments and repayment of principle (effectively equivalent to additional MRP costs).

COMMENTS FROM STATUTORY OFFICERS:

6 SECTION 151 OFFICER

6.1 Financial matters are dealt within the report.

7. MONITORING OFFICER

7.1 No comments required for this report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 Consultation has been carried out with the officers managing the Council's capital projects, especially the Bacup THI, the Spinning Point development and the Council's property maintenance programme.

9. CONCLUSION

9.1 Resources are available to meet the currently proposed affordable capital programme for 2018/19 and up to 2020/21.

9.2 The deficit between capital resources and requirements over the future years looks set to continue. With severe pressures on the Council's revenue resources throughout the Medium Term Financial Strategy it is more likely than ever that the Council will need to take out further external borrowing, leading to interest costs which will need to be included within the business case for each investment.

9.3 Members delegate the consideration, prioritisation and approval of any future capital projects, should additional resources become available during 2017/18, to the Head of Finance in consultation with the Portfolio Holder for Resources.

Background Papers

Document	Place of Inspection
Regeneration Progress Report submitted to Cabinet in September 2017	Rossendale Borough Council website
Financial Monitoring Report to Cabinet in November 2017 and the Q3 update being reported to Cabinet in February 2018.	Rossendale Borough Council website and Financial Services working papers
Revenue Budget 2018/19 and the MTFS update being reported to Cabinet in Feb 2018	Financial Services working papers