

## Capital Resources 2018/19

A fully financed Capital Investment Programme is proposed for 2018/19 assuming that existing approved capital projects spend in-line with approved budgets and certain net usable receipts of just under £15.3m in total are achieved. Table 1 below shows how the programme can be financed in 2018/19. The position for the years 2019/20 onwards is less certain until future Government allocations are confirmed. All Government support is allocated through capital grants and all grants are unringfenced with the exception of Devolved Schools Capital Grant which must be allocated to schools.

<b>TABLE 1: Capital Resources</b>	<b>2018/19 £ million</b>
Capital Grants:	
- Capital grant announcements in previous years and profiled for spend in 2018/19	40.759
- New capital grants	12.165
<b>Total Government Support</b>	<b>52.924</b>
Capital Receipts Reserve	33.464
Capital Reserves	1.523
Specific Reserves	1.316
External Contributions	10.078
Direct Revenue Funding – Housing Revenue Account	25.555
Direct Revenue Funding – Service Departments	0.455
Council Borrowing	62.750
<b>Total Capital Resources</b>	<b>188.065</b>

### Capital Grants

The Government distributes capital grants towards the financing of certain capital expenditure. In 2018/19, it is anticipated that the council will receive new capital grants of £12.165m as summarised in table 2 below, and £40.759m from grants already announced where the spending of these grants is now profiled in 2018/19.

It is possible that other capital grants may be received during the year and these will be reported through TBM budget monitoring reports to Policy, Resources & Growth Committee as and when they are announced.

The new capital grants are in two main areas.

- Education funding of £4.800m (estimated) for investment in the maintenance of educational buildings and Children’s Centres in the city.
- Transport funding of £5.365m to include the transport related schemes and highways maintenance

<b>TABLE 2: New Grants announced for 2018/19</b>	<b>£ million</b>
Education Basic Need	Nil
Education Capital Maintenance*	4.800
Schools Devolved Capital*	0.500
Highways Maintenance Block Allocation (LTP)	2.110
Integrated Transport Block Allocation (LTP)	3.059
Incentive Funding – transport	0.196
Better Care Funding*	1.500
<b>Total</b>	<b>12.165</b>

\* Funding to be confirmed with government

### Capital Receipts

The funding of the capital investment programme assumes estimated net capital receipts of £15.3m in 2018/19. This includes receipts associated with the disposal of surplus buildings for reinvestment into the Stanmer regeneration project and from the sale of Preston Barracks where the use of these receipts is planned for future years. Progress will be closely monitored throughout the year for all receipts and reported through the regular TBM budget monitoring reports. In future years receipts associated with the Brighton Waterfront will be required to be reinvested back into that scheme. Failure to achieve some of these receipts will require the capital allocations for future years to be reviewed.

The net receipts from ‘right to buy’ sales are split between funding for strategic funds delivering regeneration including affordable housing opportunities, and investment directly in housing. The forecast receipts for Brighton & Hove City Council are set at an assumed level of £0.500m per annum. Any surplus above £0.500m will be set aside to reinvest in replacement homes.

### Capital Reserves

The level of reserves relates purely to unspent resources carried forward from previous years and have already been earmarked for specific schemes. The council monitors these resources over a rolling period by continually updating projections and comparing these against the level of commitments within the approved Capital Investment Programme.

### Specific Reserves

Specific reserves will be used to support schemes directly related to the purpose of the reserve or to support corporate priorities. Specific reserves relate to the refurbishment and maintenance of properties managed by the Brighton and Hove Seaside Community Homes with the costs being met in accordance with the housing agreement. A contribution from the Brighton Centre Redevelopment Reserve will also support bringing forward the Waterfront project. The sports facilities reserve will support maintenance requirements at Prince Regent.

### External Contributions

The council will receive new external contributions totalling £10.078m in 2018/19 associated with donations, partner and private contributions as well as Heritage Lottery funding for the Royal Pavilion Estate and Stanmer Park redevelopment. There will also be contributions from the NHS capital fund toward the new GP Surgery at Palace Place.

### Direct Revenue Funding

The General Fund and Housing Revenue Account budget proposals include direct revenue funding of £26.010m. A summary of the allocations by service is shown in the table below.

<b>TABLE 3: Direct Revenue Funding 2018/19</b>	<b>£ million</b>
Sports & Leisure for Prince Regent	0.310
Transport – Street Lighting	0.145
<b>Total General Fund Services</b>	<b>0.455</b>
Housing Revenue Account	25.555
<b>Grand Total</b>	<b>26.010</b>

### Council Borrowing under the Prudential Code

Council borrowing under the Prudential Code can be undertaken only when it can be demonstrated that it is affordable, for example where the investment leads to greater efficiency in future service provision and generates revenue savings or reductions in budgeted spend. For 2018/19 it is proposed that the council will undertake borrowing of £62.250m to finance capital expenditure plans as detailed in table 4.

<b>TABLE 4: Council Borrowing in 2018/19</b>	<b>£ million</b>
Housing Revenue Account – 18/19 new borrowing	6.130
Housing Revenue Account – 17/18 reprofiled schemes	13.559
Housing Joint Venture	30.526
Replacement programme vehicles & plant	3.243
Street Lighting invest to save scheme	2.805
Social Care & corporate buildings maintenance	0.500
Planned maintenance for corporate buildings	0.550
Royal Pavilion Estate Regeneration	0.743
West Street Shelter Hall	1.000
Stanmer Park traditional agricultural buildings	1.400
Stanmer Depot and Animal Welfare Kennel (to be approved)	0.160
New GP Surgery at Palace Place	1.434
Library at Saltdean Lido	0.700
<b>Total for Capital Programme</b>	<b>62.750</b>

The borrowings in the above table are briefly described below:

- As part of the HRA business plan, borrowing will be used to support the delivery of new council housing and estate regeneration and funding of £13.559m was profiled from 2017/18 for investment in new build, conversions and cladding at various sites with a further £6.130m planned in 2018/19. The financing costs have been identified to be met from the HRA capital financing revenue budget.
- The Joint Venture Housing Delivery proposal is for the council to contribute borrowing of up to £60m alongside investment from Hyde Housing for the delivery of 1,000 affordable homes. The estimated profile of borrowing in 2018/19 is £30.526m with no net cost to the council and all costs being met through the Joint Venture business plan.
- The provision of £3.243m is for replacement of vehicles during the year. This includes replacement refuse collection street cleansing vehicles for Cityclean, potential replacement of miscellaneous waste and parks vehicles during the year and parking equipment if this proves to be the most cost-effective route for procurement. These assets may be currently provided through operational leases and paid for through the relevant service revenue budget.
- The Street Lighting invest to save proposal was presented to Policy, Resources & Growth Committee on 8 December 2016 and plans to use borrowing to implement the application of new energy efficient LED lighting technologies as well as the application of the latest British and European Road Lighting Standards and control systems. This will generate energy and

carbon reduction savings. Net revenue savings from the street lighting and electricity budget will contribute to the cost of borrowing.

- As a result of condition surveys on Social Care operational buildings an annual programme of planned works has been incorporated into the capital programme to ensure the buildings meet current standards and are fit for purpose.
- Borrowing to support the Planned Maintenance Budget has been introduced to support the ongoing maintenance pressures for corporate and civic buildings. The revenue costs for the borrowing have been addressed within the Integrated Service & Financial Plans.
- Royal Pavilion Estate regeneration project includes council borrowing to be financed from the Brighton Dome & Festival Limited to support the project. The project also receives funding from the Arts Council, Heritage Lottery Fund, Local Enterprise Partnership and external contributions.
- The Targeted Budget Management Month 9 monitoring report on this agenda includes details of the variation to the West Street Shelter Hall scheme. A borrowing allocation of £2.0m is required to meet the additional costs associated with the project with £1.0m required in 2018/19. The annual repayments will be met from rental income from commercial premises being created.
- The redevelopment of the traditional agricultural buildings at Stanmer Park is proposed to be funded from a combination of capital receipts and borrowing with income generated from rentals set aside to meet borrowing costs.
- The Stanmer Park depot relocation and animal welfare facility projects are being revisited to ensure that efficiencies and value for money are being achieved. The original proposal for the animal welfare facility estimated £0.160m of borrowing to be repaid over 10 years from existing budgets. Revised projections will be reported back to this committee.
- New GP Surgery at 62/63 Old Steine and Palace Place have already been approved at Policy, Resources & Growth Committee. The financing costs will be recovered from the NHS CCG over the life of the lease and will therefore have no impact on the council's revenue budget.
- Contribution to the replacement library at Saltdean Lido. The funding costs have been incorporated into the financing costs budget in 2018/19.

