

REPORT OF: FINANCIAL SERVICES MANAGER

TO: NELSON COMMITTEE

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CAPITAL PROGRAMME 2018/19 – REVISED FUNDING ARRANGEMENTS

INTRODUCTION

1. The purpose of this report is to:
 - a) inform the Committee of a change made to the funding of Area Committee capital programmes in 2018/19;
 - b) outline the implications for the Committee as a result of the change, and
 - c) set out a process to ensure that only bids of a capital nature are funded during the year.

RECOMMENDATIONS

2. The Committee is recommended to:
 - a) acknowledge the change made to the funding of Area Committee capital programmes in 2018/19;
 - b) note the implications for the Committee's allocation of its capital programme during the year;
 - c) agree to the process for the submission and approval of bids as set out in paragraph 14 of this report.

REASONS FOR RECOMMENDATION

3. To ensure the Committee is aware of the change in how Area Committee capital programmes are funded together with the implications arising from this in 2018/19.

BACKGROUND

- Each year the Council approves a capital programme. Included in this is a sum of money for Area Committees which is allocated between the five committees for each to distribute as it chooses via its own capital programme.
- Prior to this financial year the funding for area committee capital programmes came from a mix of **revenue** and **capital** sources recognising that some of the allocations made by each area committee were of a revenue rather than capital nature.
- In summary, the position for 2017/18 was as follows:

Table 1: Area Committee Budget Allocations 2017/18

	Capital £	Revenue £	Total £
West Craven	19,800	13,860	33,660
Barrowford and Western Parishes	12,070	8,450	20,520
Brierfield and Reedley	11,740	8,220	19,960
Nelson	30,290	21,210	51,500
Colne and District	26,100	18,260	44,360
TOTAL	100,000	70,000	170,000

WHAT HAS CHANGED?

- When developing the revenue budget for 2018/19 the Council faced an initial savings gap of over £1m. A number of saving proposals were developed in support of the budget process and these included the removal of the £70,000 revenue funding for area committees. This was done to help ease the pressure on the Council's revenue budget. However, there is no reduction in the overall funding for area committees as this revenue element has been replaced with additional capital funding for 2018/19. The table below shows the confirmed allocations for each area committee in the current year; the only difference being that the total budget of £170,000 is now wholly funded from capital resources with no revenue funding.

Table 2: Area Committee Budget Allocations 2018/19

	Capital £	Revenue £	Total £
West Craven	33,660	0	33,660
Barrowford and Western Parishes	20,520	0	20,520
Brierfield and Reedley	19,960	0	19,960
Nelson	51,500	0	51,500
Colne and District	44,360	0	44,360
TOTAL	170,000	0	170,000

IMPACT OF THE CHANGE?

- The change outlined above has implications for how the Committee distributes its capital programme. Previously, the Committee considered bids for funding with little regard to whether they were of a capital or revenue nature as the mix of funding provided flexibility when it came to accounting for all payments made. However, for the 2018/19 funding allocation, **all bids must now be of a capital nature as there is no funding available to meet bids that are revenue.**

9. In broad terms revenue spending is money that is spent on day to day items and administration costs. Examples include staff costs, running costs for buildings and vehicles, office and IT consumables. Capital spending is money that is spent on investment including the acquisition, reclamation or enhancement of assets (i.e. buildings, land, plant and machinery). "Enhancement" means to substantially lengthen the useful life of the asset, substantially increasing its open market value or substantially increasing the use of the asset.
10. Notwithstanding the above definitions, there can be questions of interpretation or 'shades of grey' and in some cases the decision will be a matter of professional judgement and potentially subject to review by auditors.
11. The following illustrates the above by reference to decisions taken by the Committee when allocating its funding in 2017/18:
 - Examples of **capital** allocations
 - Premise Improvement Grants
 - Acquisition of Athol Street triangle
 - Installation of street lighting
 - Examples of **revenue** allocations
 - Repairs, cleaning and maintenance of bus shelters
 - Tea in the Park
12. The Committee can no longer approve bids of a revenue nature as there is no approved funding available to meet them. In effect they would represent unfunded commitments and fall outside the budget framework approved by Council and as such officers would be unable to implement them.
13. The next section of this report outlines a process for the submission and approval of bids during 2018/19.

Proposed process for 2018/19 Bids

14. It is acknowledged that there may be 'teething' issues as each Area Committee adjusts to the above change when allocating its 2018/19 capital programme. In support of this it is proposed to adopt the following process for the current year:
 - a) All bids for funding to be submitted via the existing bid form;
 - b) All bids to be submitted before the deadline for the submission of reports to the Committee Section for each Area Committee meeting at which the capital programme is an item on the agenda;
 - c) All funding bids to be reviewed by Financial Services prior to their inclusion on the agenda for each meeting so as to determine whether the bids are capital or revenue;
 - d) Any revenue bid will be rejected and the applicant notified accordingly;
 - e) No late bids or funding allocations are to be made at the Area Committee meeting unless, with the consent of the Chairman, the bid is considered to be an urgent item;
 - f) If following consideration of a late/urgent bid the committee resolves to approve a bid which, in the opinion of the Chief Finance Officer, is a revenue item then the decision will be reported to the Policy and Resources Committee for determination. No payment will be made in respect of the bid pending a resolution by the Policy and Resources Committee.

- g) Each Area Committee will continue to receive regular monitoring reports on its capital programme including feedback on any matters referred to the P&R Committee.

Policy

15. The change outlined in this report does represent a change of policy from previous years. However, this was agreed by Council in February when setting the revenue and capital budgets for 2018/19.

Financial

16. The Committee is no worse off in terms of the overall funding available to deliver its capital programme. However, as explained above, all bids must now be of a capital rather than revenue nature.

Legal

17. There are no legal implications arising from the contents of this report.

Risk Management

18. The main area of risk stems from understanding and effective implementation of the change together with one outcome being that some applicants will no longer be eligible for funding.

Health and Safety

19. There are no health and safety implications arising directly from the contents of this report.

Sustainability

20. There are no sustainability implications arising directly from this report.

Community Safety

21. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

22. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

None.