

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards None	Mandatory	(a) Be entirely within Cabinet's powers to decide	NO	
		(b) Need to be recommendations to Council	YES	
		(c) Be partly for recommendations to Council and partly within Cabinets powers –	NO	
Lead Member: Councillor Brian Long E-mail: cllr.brian.long@west-norfolk.gov.uk		Other Cabinet Members consulted:		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial:		Other Members consulted:		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial:		Other Officers consulted: Management Team, Service Managers		
Financial Implications YES	Policy/Personnel Implications YES	Statutory Implications (incl S.17) NO	Equal Opportunities Implications NO	Risk Management Implications YES

Date of meeting: 6 February 2018

CAPITAL PROGRAMME AND RESOURCES 2017-2022

Summary

This report:

- revises the 2017/2018 projections for spending on the capital programme
- sets out an estimate of capital resources that will be available for 2017-2022
- details new capital bids that are recommended to be included in the capital programme for the period 2018-2022
- outlines provisional figures for capital expenditure for the period 2017-2022
- details recommendations in respect of land disposals.

Recommendations

It is recommended that:

- 1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2017-2022 capital programme as detailed in the report.
- 2) Cabinet recommends to Council that new capital bids are to be funded from available capital resources and included in the capital programme 2018-2022 as detailed in the report.
- 3) Cabinet recommends to Council that delegated authority be given to the Property Services Manager in consultation with the Leader, relevant Portfolio Holder and the Executive Director – Finance Services in respect of the disposal of surplus land as detailed in section 7 of the report.

Reason for Decision

To report amendments, rephrasing and resources to the 2017-2022 Capital Programme

1. Introduction

- 1.1 This report presents the capital programme for the period 2017 to 2022. The capital programme forms part of the Council's longer term Financial Plan, and is updated as part of the overall budget and council tax setting process.
- 1.2 The current economic conditions continue to create a challenging environment for achieving capital receipts to support the funding of the Council's capital programme. The interest in new homes delivered through the Council's housing developments continues to be strong, with homes being sold off of plan. At the same time the Council aims to deliver a number of major projects within limited resources.
- 1.3 The Council is faced with a situation where capital resources to fund the capital programme continue to be limited. There are competing demands for use of these resources, including investment in projects which will deliver revenue savings and the need to address works to existing assets.
- 1.4 The Council needs, at times, to have the ability for quick decision-making in relation to the sale of surplus land. The existing scheme of delegation Corporate Projects paragraph 3.3.1 limits these transactions to £100,000. It is proposed to revise the limits as detailed at section 7 of this report.
- 1.5 This report sets out a programme for 2017-2022 that can be delivered if predicted land sales come about. Certain capital funds come from grants, VAT shelter receipts and use of reserves but a large part of funds are to come from land sales. The sums included in 2017-2022 are anticipated receipts from identified sites, phases 2 and 3 of the Housing Joint Venture on the NORA site and the Major Housing Development.
- 1.6 The capital programme 2017-2022 includes a number of major projects, including the Major Housing Development which will deliver 422 new homes in King's Lynn (463 in the 2016-2021 capital programme, of which 41 have been completed and sold). The delivery of new homes through this project provides essential funding to support the revenue budget, both through new homes bonus and increases to the council tax base.
- 1.7 This Council has always set out to deliver as ambitious a capital programme as possible to meet its corporate priorities, and it will continue to aim to do so even in these difficult times.

2 Delivering the Efficiency Plan

- 2.1 In taking up the Government's offer of a four year funding settlement the Council was required to publish an efficiency plan and this included a focus on the following:
 - Identify capital investment opportunities to maximise the use of assets, generate a revenue return, in excess of that achieved from traditional banking investments, promote housing development, increased council tax base and new homes bonus, promote local economic and business growth and increased business rates. Some of the identified areas include a major housing project, commercial investment and development, review of car parking strategy.

- 2.2 It is proposed that future phases of the major housing development projects, including NORA Phase 4, will include delivery of houses for rent. The recently agreed wholly owned local authority company 'West Norfolk Property Ltd' will hold these private rented sector homes. The rental income will meet the financing costs and also generate ongoing additional revenue income. The capital programme 2017-2022 will need to be amended accordingly if these major projects are approved.
- 2.3 Strategic land acquisitions are being considered which provide development opportunities. These include the recent acquisition of a property at Burnham Market acquired under the Council's Local Property Investment Fund arrangements.
- 2.4 The One Public Estate Programme is an initiative which is being delivered in partnership with Cabinet Office Government Property Unit and the Local Government Association. The four key objectives are:
- Creating economic growth (new homes and jobs);
 - More integrated, customer-focused services;
 - Generating capital receipts;
 - Reducing running costs.
- 2.5 The Council obtained £115,000 from Phase 4 of the overall Norfolk One Public Estate (OPE) programme, which has meant projects being undertaken in three areas. The areas are listed below, along with an update.
- King's Court as a public sector hub – OPE funds of £30,000 were obtained towards the works necessary for the Department for Work and Pensions (Job Centre) to relocate in to King's Court in the first half of 2018. Work has progressed well and all monies have been drawn down from the OPE grant.
 - Depot rationalisation – this project is looking at the feasibility of rationalising various depot sites within King's Lynn, owned and operated by BCKLWN and Norfolk County Council. The funding obtained towards this project is £35,000 and this work is ongoing.
 - Hunstanton Regeneration – developing key strategic sites for residential, commercial and mixed use developments in Hunstanton. Many different strands are underway and all projects are at feasibility stage and involve various public sector bodies. The Council have been successful in obtaining a further £70,000 towards work in Hunstanton under the Phase 6 round of bids.

3. Capital Programme 2017/2018

- 3.1 This part of the report updates the Capital Programme for the current year 2017/2018.

- 3.2 A full updated Capital Programme 2017/2018 of £28,999,160 was reported at the Cabinet meeting on 27 June 2017. Since that date further amendments to the programme have been reported as part of the monitoring reports, as summarised below:

	£
Capital Programme 2017/2018 (Cabinet 27 June 2017)	28,999,160
Further Additions to the Capital Programme:	
Enterprise Zone Due to waiting times to re-route the gas main at the Enterprise Zone, £362,370 is to be rephased into 2018/2019. (July and August monitoring report)	(362,370)
Car Park Intelligent Signage The project has completed with a lower cost than anticipated, the budget has therefore been reduced by £15,300. (July monitoring report)	(15,300)
Careline Alarms £18,000 has been brought forward from 2018/2019 to cover the cost of 250 replacement Careline Alarm units. (July monitoring report)	18,000
Cherry Picker The early replacement of a Cherry Picker has been necessary as it is not possible to repair the existing equipment; £19,000 has been added to the capital programme. (July monitoring report)	19,000
Lynnsport Electric Infrastructure Works required to meet increased usage requirements of the facility, the cost of the works are £124,000. (July monitoring report)	124,000
Kings Lynn Town Hall An additional £100,000 for adaptation works to the Heritage Room and Mayors Parlour at King's Lynn Town Hall. These works are part of the facilitating works to accommodate third parties into King's Court. (August monitoring report)	100,000
Joint Venture – NORA £697,180 has been rephased to 2018/2019 following confirmation of project costs and a planned expenditure timescale. (September monitoring report)	(697,180)
Outer Purfleet Floating Restaurant £60,000 has been added to the Capital Programme in 2017/18 for essential infrastructure to facilitate the installation of the Outer Purfleet Floating Restaurant funded from rental income. Further information can be found in the delegated decision on the 17 May 2017. Works will not commence until an agreement is in place with a tenant. (October monitoring report)	60,000
Revised Capital Programme 2017/2018	28,245,310

3.3 A summary of the monitoring position of the budget to 31 December 2017 is shown in the table below:

	Capital Programme 2017/2018	Revised Capital Programme 2017/2018	Spend to December 2017	Percentage
	£	£	£	%
Major Projects	23,535,110	22,665,260	11,071,079	48.85
Central and Community Services	2,514,940	2,532,940	1,300,494	51.34
Commercial Services	2,826,130	2,924,130	700,112	23.94
Environment and Planning	16,000	16,000	5,869	36.68
Finance Services	106,980	106,980	50,000	46.74
Total	28,999,160	28,245,310	13,127,553	46.48

3.4 Service managers have undertaken a detailed review of commitments against all current schemes and budgets have been reduced where possible to reflect updated requirements. Approval is requested for amendments of £2,052,310 and rephasing of £501,270 to the 2017/2018 capital programme as summarised in the table below and detailed in sections 3.5 and 3.6. The Revised Capital Programme 2017/2018 is detailed at Appendix 1.

	Revised Capital Programme 2017/2018 November Monitoring	Rephasing to future years	Amendments	Revised Budget 2017/2018
	£	£	£	£
Major Projects	22,665,260	(150,090)	2,029,270	24,544,440
Central and Community Services	2,532,940	4,000	0	2,536,940
Commercial Services	2,924,130	(355,180)	23,040	2,591,990
Environment and Planning	16,000	0	0	16,000
Finance Services	106,980	0	0	106,980
Total	28,245,310	(501,270)	2,052,310	29,796,350

- 3.5 The main proposed amendments to the capital programme 2017/2018 are detailed below:

Major Projects

Enterprise Zone

Cabinet considered a report in December 2016 which outlined the arrangements for delivery of the Enterprise Zone to facilitate development of the employment land at the Nar Ouse Business Park. Design of site infrastructure required is under way and updated costings are due in the summer 2018. The capital programme will be amended accordingly at that time. The site infrastructure will be funded by 85% of business rates receipts received through the Enterprise Zone over a 25 year period. Preliminary designs and planning for the development opportunities are underway and will be subject to a further report to Cabinet on the funding arrangements for these.

There is currently a bid in with the New Anglia LEP Growth Deal Round 3 for £1.1million contribution towards the gas main diversion. A decision is due at the end of January.

NORA Housing Joint Venture

NORA Phase 3 expenditure budget has been amended by £254,000. This is offset with a corresponding equal amendment to the income budget. This is a presentational correction as the sales income had previously been shown net of selling costs.

Other Major Projects:

King's Court Refurbishment

Work has commenced on the refurbishment of King's Court following the reviews identified as part of the One Public Estate Initiative see 2.4 and 2.5 above. The work is to facilitate staff from the Department of Work and Pensions moving in to the building. The cost of the work is anticipated to be £889,390, of which the Council will receive third party contributions of £639,390. The Council will be funding £250,000 of the refurbishment which is mainly to provide meeting space at King's Court and the Town Hall and internal relocating works.

Town Centre Investment

The capital programme has been updated to include £1,300,000 (£1,040,000 2017/18; £260,000 2018/19) investment in the redevelopment of part of the Vancouver Centre which will bring a major new retailer to King's Lynn. This will generate rental income which helps to address the Council's revenue funding gap and also increased business rates. Further details can be found in the Cabinet Report dated 28 June 2016.

Land Acquisitions

As part of the Local Property Investment Fund a strategic property acquisition at Burnham Market has now been concluded and the capital programme has been updated by £314,000. It is proposed that the original property will be sold and an element of the land retained to provide access to open up the site for housing development. The capital programme will need to be updated accordingly when the detailed scheme has been agreed.

King's Lynn Riverfront Delivery Plan

Expenditure of £428,770 has been added for the King's Lynn Riverfront Delivery Plan, of which £225,000 will be match funded from the Norfolk Business Rates Pool and Heritage Action Zone. The Council's contribution of £225,000 will be funded from the Council's Major Projects Reserve. Details of the Delivery Plan were approved at Cabinet on the 1st August 2017.

Matched Funding

The capital programme has been reduced by £32,500 in relation to the Hunstanton Prosperity Scheme and the King's Lynn Creative Hub project. These schemes have now been approved for matched funding from the Business Rates Pool and having reviewed details of the bids they have been transferred to the revenue budgets.

Commercial Services

The budget for the decommissioning of redundant sewerage treatment works is no longer required as the last remaining site is now in the control of Anglia Water, the budget of £25,000 has been removed.

The early replacement of vehicles and mowers for use across the Borough has become necessary to meet revised cutting schedules/frequencies and £51,540 has been added to the Capital Programme for 2017/18. These replacements were originally scheduled for outside the current plan.

- 3.6 The review of the capital programme identified schemes provisionally set for 2017/2018 that will not be completed in the year. A total of £501,270 will be rephased to future years. The schemes for the proposed rephasing are detailed below and a full list of schemes is included at Appendix 1.

Major Projects

Nar Ouse Regeneration Area (£391,730) - Remediation works will not be fully complete in 2017/18, works will now be completed in 2018/19.

Major Housing Project

Major Housing Development £241,640 – capital programme rephased from 2018/19 to reflect the updated timetable of works as detailed at section 4.2 below.

Operational Schemes

Careline £4,000 – budget has been brought forward to 2017/18 to cover the cost of the requirement for additional alarm units following a change in technology.

Leisure Sites (£68,750) – The Council is entering into the Government Refit Initiative to deliver energy savings. Refit is a joint venture between HM Treasury and the Local Government Association that allows public bodies to achieve substantial guaranteed financial benefits through energy efficiency and/or generation. As a result of this all capital projects that can gain potential energy savings have been rephased until the Refit contract is in place to maximise savings. This includes the Corn Exchange, Downham Market Leisure Centre, Lynnsport, Oasis and St James Pool.

Car Parks (£150,000) – Resurfacing schedule has been reviewed with an aim to complete work in 2018/19.

Spin Bikes (£60,000) – The capital programme has been amended to reflect the updated timetable for the replacement of spin bikes for the Leisure Centres at the same time as the fitness equipment.

Leisure (£66,430) – Various leisure schemes now to be completed in 2018/19 including Oasis changing rooms, Corn Exchange furniture, Filter Media at St James Swimming Pool, and resealing of the main hall/dance studio at Downham Market Leisure Centre.

Community Centre (£10,000) – has been rephased to 2018/2019 for the replacement flooring at Fairstead Community Centre.

4. Capital Programme 2017-2022

4.1 This part of the report deals with the medium-term capital programme 2017-2021 and first looks at a revision to the current approved programme. The full Capital Programme 2017-2021 was last reported at the Cabinet meeting on 27 June 2017 and is summarised in the table below.

Service Head	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£
Major Projects	23,535,110	25,404,390	16,325,680	2,277,420
Central and Community Services	2,514,940	2,555,000	2,430,000	2,180,000
Chief Executive	21,000	0	0	0
Commercial Services	2,805,130	1,256,800	767,800	206,760
Environment and Planning	16,000	0	0	0
Finance Services	106,980	50,000	50,000	50,000
Total	28,999,160	29,266,190	19,573,480	4,714,180

4.2 Following the detailed review of the Capital Programme amendments have been made to a number of schemes to reflect updated costs and timing of vehicle and equipment replacement schedules, other major amendments include –

Major Projects

- Alexandra Road, Hunstanton - The Alexandra Road Site in Hunstanton has been identified for development and there will be a public consultation in February 2018. It is hoped work will commence onsite in October 2018 and be complete by December 2019. The Council was allocated £1.8m from the Government's Community Housing Fund to support community-led housing developments in areas where the impact of second homes is particularly acute. A significant proportion of this funding £1.5m is to be allocated to this scheme. The capital programme 2018/2019 and 2019/2020 has been amended accordingly.
- Town Centre Investment – The amended costs in the 2018/19 programme are £260,000 for the redevelopment of parts of the Vancouver Centre. See 3.5.
- Broadband Provision in West Norfolk - A report went to Cabinet on the 10 September 2014 outlining the Norfolk County Council-led Better Broadband for Norfolk Initiative. This was agreed at Cabinet with a commitment of £500,000 from reserves to be confirmed once the programme had let the next contract. This has now been confirmed to be payable over two financial years 2019/20 and 2020/21.
- Matched Funding - The programme has been reduced by £117,500 and funds transferred to revenue in relation to the Hunstanton Prosperity Scheme; King's Lynn Creative Hub; and the King's Lynn Transport Strategy project. These schemes have now been approved for matched funding from the Business Rates Pool and having reviewed details of the bids they have been transferred to the revenue budgets.
- Major Housing Development - Amendments have been made in 2018/19 (£548,050 Marsh Lane; £1,320,360 Lynnsport 4 and 5) and 2019/20 (£2,566,080 Lynnsport 4 and 5) to reflect updated market prices for the build phase offset in full from updated projections of sale receipts. Amendments have also been made to build costs for a total of £426,000 Build Phase 3 – Lynnsport Phases 1 and 3. This is reflected in additional income.

For each approved Phase of the Major Housing Development project monitoring arrangements are:

- a. Daily basis by the Corporate projects team;
- b. Weekly and monthly meetings with the contractor;
- c. Monthly Officer Project Management Group oversees project delivery, project management, logistics, project support/resources, recommendations to Member/Officer Board, operational decisions;
- d. Reports to Management Team on a bi-monthly basis;
- e. Quarterly (once construction commences on site) Member/Officer Board meetings (Strategic Overview, Strategic decisions, Programme Management, including recommendations to Cabinet on Trigger Point approvals).

For approval to commence the build for a further phase of the Major Housing Project the arrangements are in line with the procedures set out in the Cabinet report of 3rd February 2015 as detailed below:

- a. Cabinet - Recommendations to Council re Programme approval and sign off of each phase;
 - b. Council - Programme approval, sign off, commencement of each phase.
- 4.3 Rephrasing is proposed where schemes have been carried forward to/from 2017/2018 as detailed in sections 3.6, or where schemes are now not expected to be completed as originally planned in 2018/2019, 2019/20 and 2020/2021. Other areas of major rephasing include –

Major Projects

- Major Housing Development – rephasing to reflect updated timetable of works.

Operational Schemes

- Grounds Maintenance and Refuse Vehicles and Equipment – revised replacement schedule resulting in rephased expenditure across all years.

5. Capital Programme New Bids

- 5.1 New schemes that are required to maintain the current levels of service are detailed in the table at 5.6 below.
- 5.2 Other than the remediation costs of NORA Phase 4, the continuation to develop NORA phase 4 are not included in the programme 2017-2022 at this stage. Phase 4 is being prepared for detailed planning. A report to Cabinet will be required to consider the business case for proceeding with Phase 4.
- 5.3 A number of corporate capital projects are being investigated which would generate additional revenue income towards the Council's funding gap of £2.6 million by 2021/22. These projects maybe commercially sensitive and the capital programme will be updated at the appropriate stage. All such schemes will be subject to Panel and Cabinet reports.
- 5.4 Given the current financial position of the Council and the limited capital resources available, new bids on the capital programme have had to be controlled.

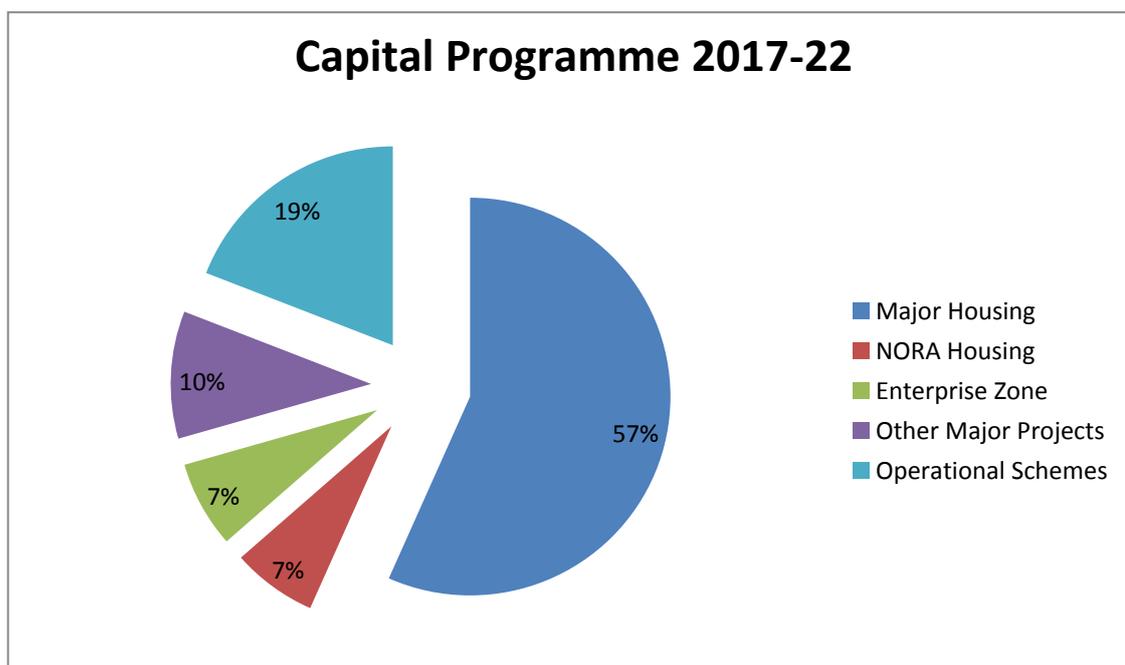
5.5 The following operational schemes are proposed for inclusion in the 2018-2022 capital programme:

	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Funded from General Capital Resources				
ICT Development Programme			150,000	150,000
Play Areas replacement Equipment & Surfacing				20,000
Community Projects				50,000
Private Sector Housing Adaptations				797,830
Funded from Grants				
Private Sector Housing Adaptations				1,352,170
Funded from Reserves				
Car Parks – Pay & Display Machine Replacement			240,000	
CCTV Control Room Upgrade				250,000
Corn Exchange - Refurbish seating				15,000
Downham Market Leisure Centre Main Hall/Dance Studio resealing				13,000
Lynnsport Toilet and Changing room refurbishment		25,000		
Lynnsport Fire Doors	12,000	20,000	20,000	
Oasis Fire Doors	15,000			
Oasis Filter Media	12,000			
Funded from Unsupported Borrowing				
Careline - Replacement alarm units				30,000
Refuse - Black bins				25,000
Refuse - Brown Composting bins (replacements)				15,000
Refuse - Green Recycling bins				18,000
Refuse - Trade Bins				10,000
Public Cleansing Sweepers / Vehicles	18,170			300,220
Emergency Planning Radios				30,000
Total	57,170	45,000	410,000	3,076,220

6. Capital Programme 2017/2022

6.1 The table below summarises the revised Capital Programme 2017-2022 including all amendments, rephrasing and new bids detailed above. The detailed Programme 2017-2022 is presented at Appendix 2.

	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £	2021/2022 £
Major Projects	24,544,440	30,839,910	22,380,340	2,592,420	0
Central and Community Services	2,536,940	2,651,000	2,430,000	2,330,000	2,330,000
Commercial Services	2,591,990	1,660,150	785,010	464,540	696,220
Environment and Planning	16,000	0	0	0	0
Finance Services	106,980	50,000	50,000	50,000	50,000
Total	29,796,350	35,201,060	25,645,350	5,436,960	3,076,220



	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Joint Venture – NORA Housing						
Opening Borrowing brought forward	3,928					3,928
Prior Year Borrowing brought forward		4,527	(93)	(93)	(93)	
In year expenditure	2,994	3,783	0	0	0	6,777
In year sale	(2,395)	(8,403)	0	0	0	(10,798)
Net Borrowing/(Receipt) Position	4,527	(93)	(93)	(93)	(93)	(93)
Major Housing Development						
Opening Borrowing brought forward	9,886					9,886
Prior Year Borrowing brought forward		23,081	12,875	1,241	0	
In year expenditure	15,636	20,230	18,027	2,342	0	56,235
Land Value to Council	294	3,372	4,726	660	0	9,052
Sale Receipts	(2,735)	(33,808)	(34,387)	(4,243)	0	(75,173)
Net Borrowing/(Receipt) Position	23,081	12,875	1,241	0	0	0
Enterprise Zone						
Opening Borrowing brought forward		1,480	5,538	6,653	6,382	
In year expenditure	1,573	4,153	1,210	0	0	6,936
Business Rates Receipts 85% (via NALEP)	(93)	(95)	(95)	(271)	(285)	(839)
Net Borrowing/(Receipt) Position	1,480	5,538	6,653	6,382	6,097	6,097

7.4 The table below provides a summary of the funding position.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	£'000	£'000	£'000	£'000	£'000
Capital Programme: S106 and Other Major Projects and Operational schemes	9,593	7,033	6,408	3,095	3,076
Joint Venture – NORA Housing	2,994	3,783	0	0	0
Major Housing Development	15,636	20,230	18,027	2,342	0
Enterprise Zone	1,573	4,153	1,210	0	0
Total Expenditure	29,796	35,199	25,645	5,437	3,076
Net Cumulative Borrowing/(Receipt) Position (Temporary Internal/External Borrowing)	29,088	18,320	7,801	6,289	6,004

7.5 Clearly the Council's commitment to a number of major projects means that the disposals programme and generation of capital receipts, and securing external funding from for example lottery funding is crucial.

7.6 The Council needs, at times, to have the ability for quick decision-making in relation to the disposal of surplus land. The existing scheme of delegation Corporate Project paragraph 3.3.1 limits these transactions to £100,000.

7.7 It is proposed that the level of delegation is increased to £2m. This is in line with the Local Property Investment Fund delegation where no one investment to be more than £2m. The delegation to be subject to:

- Business case required which considers options, risk, return, fit with corporate priorities and reputation
- Surplus land disposal decisions to be delegated to; the Property Services Manager in consultation with the Leader, relevant Portfolio Holder and the Executive Director – Finance Services.

8. Equality Impact Assessment

8.1 The Council has a statutory requirement to carry out Equality Impact Assessments (EIAs) as part of the service planning and policy proposal processes. This includes significant policy or significant changes to a service and includes potential capital bids, revenue growth bids and proposed reductions in service.

- 8.2 The Council may be required to carry out an impact assessment if the proposal impacts on any of the following:
- Equalities (including impact on issues of race, gender, disability, religion, sexual orientation, age)
 - Community cohesion (whether there is a potential positive or negative impact on relations between different communities)
- 8.3 The relevant service managers, with the assistance of the Policy officers, review each capital programme scheme to check and assess any impact of the intended outcome. Although a provisional capital budget will be included in the capital programme, it will be necessary for a report on the impact to be made to Cabinet before the scheme progresses.

9. Prudential Framework

- 9.1 The Prudential Framework for local authority capital investment was introduced as part of the Local Government Act 2003 with effect from the 1 April 2004. The Ministry of Housing, Communities and Local Government has recently issued a Consultation on proposed changes to the Prudential Framework, this ended on the 22nd December 2017. Proposed changes would apply from 2018/19. These changes have not yet been confirmed. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. The Council will need to demonstrate that treasury management decisions are taken in accordance with good professional practice and that local strategic planning, asset management and proper option appraisal is supported.
- 9.2 Within the Revenue Budget 2017-2022 the Council will enter into unsupported borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease. The Capital Programme 2017-2022 includes details of the borrowing under the framework and this is confirmed as being affordable and is included within the Budget and Council Tax calculations.
- 9.3 The proposed borrowing will be met within the Prudential Indicators set as the Operational Boundary (Limit of Borrowing) under the Treasury Management Strategy. The current Operational Boundary in 2017/2018 is set at £50m with a maximum of 40% of the total value being held as short term loans or variable rate loans.

10. Financial Implications

- 10.1 The financing arrangements for the capital programme are within budget. Where rephasing is to be made then the funding will follow.
- 10.2 The revenue implications of all capital schemes will be included in the estimates to be reported to the Cabinet meeting on 6 February 2018.

11. Risk Implications and Sensitivity Analysis

11.1 Risk is inherent in any projection of future funding. The estimated resources available to fund the capital programme 2017-2022 and the risk implications and sensitivity/consequences are detailed in the table below. The level of risk is based on the impact on the funding of the capital programme 2017-2022 if the resources are not achieved at the estimated level or at the time expected. This section updates the position as reported in the Capital Programme and Resources 2017-2021 report to Cabinet on 27 June 2017.

Source of Funding	Risk Implications and Sensitivity	Level of Risk
<p>Capital Grants</p> <p>Third Party Contributions</p> <p>Lottery Funding etc</p>	<p>Risk</p> <p>The capital grant and specific grant included in the resources is a contribution towards private sector housing assistance - Disabled Facilities Grants (DFG). The level of grant included for 2017/2018 is based on the confirmed level of grant from the Better Care Fund. Future years show no assumed growth rate but remain at a constant level for the rest of the programme as no indications of growth have been provided. The level of grant is confirmed by Central Government annually and can vary from year to year. In addition grants from lottery funding etc of £4.208m are included in the programme 2017-22.</p> <p>Sensitivity/Consequences</p> <p>This funding represents 38% of total general fund resources over the 5 year period. If the level of grants were to vary significantly the budget allocated for DFGs and the proposed schemes within the programme would need to be revised.</p>	<p>Medium</p>
<p>Capital Receipts</p>	<p>Risk</p> <p>Capital receipts represent 73% of the general fund resources available over the 5 year period 2017-2022. The actual amount and timing of capital receipts can vary significantly. The achievement of capital receipts is monitored and reported in the monthly monitoring reports to ensure no over commitment.</p> <p>Sensitivity/Consequences</p> <p>Capital receipts represent a high proportion of the total general fund resources available to fund the capital programme. The actual level of capital receipts that are achieved is sensitive to market conditions including demand for land and buildings, values and interest rates. The sum total of capital receipts included in the funding table of £21.3m plus £11m of sales receipts from the housing joint venture and £74m from the Major Housing Project is a challenging target in the current economic climate. In the event that capital receipts are not achieved at the level or within the year estimated it may be necessary to take on additional temporary borrowing at the prevailing interest rates.</p>	<p>High</p>

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Major Housing Project	<p>Risk The impact of market prices as the scheme proceeds to each phase may increase. The housing market may slow and sales may not be achieved as planned.</p> <p>Sensitivity/Consequences Business case review prior to proceeding to end stage. Local Authority Housing Company to be established to hold any surplus units for rent.</p>	High
Unsupported Borrowing	<p>Risk The proposed capital programme 2017-2022 includes unsupported borrowing for the purchase of equipment and vehicles. The unsupported borrowing will be funded through internal borrowing whenever it is most financially advantageous to do so. Internal borrowing is the use of internal funds (short term cash flows and reserves and balances not immediately required) rather than taking external debt.</p> <p>Sensitivity/Consequences The Council will enter into unsupported borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease.</p>	Low
Temporary Borrowing External and Internal	<p>Risk Temporary borrowing is included for cash flow purposes to ensure a balanced funding of the capital programme in each of the financial years and in advance of capital receipts. Internal borrowing will be used whenever it is most financially advantageous to do so. Internal borrowing is the use of internal funds (short term cash flows and reserves and balances not immediately required) rather than taking external debt. Funds currently in short term investments may be withdrawn and used in place of external borrowing.</p> <p>Sensitivity/Consequences The actual required temporary borrowing will depend on rephasing in the capital programme and capital receipts achieved in each year. Temporary borrowing will be maintained at the minimum level required and reported as part of the outturn. The cost of funding planned temporary borrowing is included in the revenue budget and is confirmed as affordable. In the event that additional temporary borrowing is required during the financial year the impact on the revenue budget will be reported in the monthly monitoring reports to Members.</p> <p>Fixed term external borrowing may be taken and drawn down as expenditure is required and rates are favourable. External borrowing will be sourced through market loans or PWLB depending on the most favourable rates.</p>	Low

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Reserves	<p>Risk Contributions from reserves are based on actual balances as at 1 April 2017 and take into account budgeted contributions to/from reserves.</p> <p>Sensitivity/Consequences The reserves are available and as such the sensitivity is low. In the event that reserves are not available as estimated in the capital resources, temporary borrowing would be incurred to ensure a balanced funding of the capital programme in each of the financial years.</p>	Low

11.2 Experience shows that the costs of schemes can also vary. Expenditure on the capital programme is included as part of the monthly monitoring report. Any significant variations on individual schemes will be reported and appropriate action taken

12. Policy Implications

The establishment and management of the capital programme are in accordance with the updated Council's Capital and Local Property Investment Fund Strategy 2017-21.

13. Statutory Considerations

None

14. Consultations

Management Team

15. Access to Information

Cabinet Reports

Financial Plan 2016-2021

Financial Plan 2017-2022

Monthly Monitoring Reports 2017/2018

The Capital and Local Property Investment Fund Strategy 2017-21