

## REPORT TO CABINET

<b>Open</b>		Would any decisions proposed :		
<b>Any especially affected Wards None</b>	Mandatory	(a) Be entirely within Cabinet's powers to decide	<b>YES</b>	
		(b) Need to be recommendations to Council	<b>NO</b>	
		(c) Be partly for recommendations to Council and partly within Cabinet's powers	<b>NO</b>	
Lead Member: Councillor Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted: Management Team		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) NO	Equal Opportunities Implications NO	Risk Management Implications YES

**Date of meeting: 10 June 2015**

### **Capital Programme and Resources 2014-2018**

#### **Summary**

The report provides details of the outturn of the 2014/2015 capital programme and outlines amendments and rephrasing to the spending on schemes, revising the programme for 2015/2018. The capital programme outturn for 2014/2015 totalled £11,040,092 against an approved budget of £13,715,050. It has been necessary to rephrase a total of £3,233,350 of scheme costs to future years. Capital receipts generated in the year totalled £667,000 of which £663,376 were useable. The capital resources available to fund expenditure in 2014/2015 are detailed in section 3 of the report.

#### **RECOMMENDATION**

- 1) that Cabinet note the outturn of the capital programme for 2014/2015 of £11,040,092.
- 2) that the financing arrangements for the 2014/2015 capital programme be approved.
- 3) that Cabinet approve the revised 2015/2018 capital programme as detailed in the report.

#### **Reason for Decision**

To report the outturn 2014/2015 for the Capital Programme and update members on capital spending and resources for 2015-2018.

## 1 Introduction

- 1.1 This report presents the outturn of the 2014/2015 capital programme and provides details of amendments and rephasing resulting from under and overspends and their impact on the 2015/2018 programme. The report also outlines the financing of the 2014/2015 programme.

## 2 Capital Programme 2014/2015

- 2.1 The full capital programme for 2014/2015 is shown at Appendix 1 and provides details of the outturn for individual schemes, together with amendments and rephasing to/from future years.
- 2.2 A full updated Capital Programme 2014/2015 of £13,715,050 was reported at the Cabinet meeting on 3 February 2015 and approved by Council on 26 February 2015.
- 2.3 The final figures for the outturn on the capital programme show that it will be necessary to carry forward a further £3,233,350 as schemes carry over to future years. In a number of cases there were over or under spends which net to a £530,952 overspend across the overall capital programme.

The main schemes where over/(underspends) are reported are detailed in the table below. The small net overspend will be funded from overall capital resources.

	£
Saturday Market Place refurbishment – final scheme costs	43,024
Tuesday Market Place refurbishment - final invoice less than provided for at previous year end	(5,247)
Queen Elizabeth Hospital Roundabout Road Widening - final invoice less than provided for at previous year end	(10,567)
Princess Theatre – third party contribution and lower scheme cost	(14,689)
ICT – Underspend across a number of ICT projects	(12,884)
Miscellaneous movements	1,880
	<b>1,517</b>

In addition there are a number of schemes which come with resources ie reserves where the capital programme was not updated and amended to fully reflect the actual costs. The main schemes are detailed in the table below. The apparent overspend is met from earmarked reserves/grants unapplied/unsupported borrowing and there is no impact on the bottom line funding of the capital programme.

<b>Scheme</b>	<b>Funding</b>	<b>£</b>
S106 CCTV Schemes	Fully financed from S106 contributions held in reserve	7,019
Affordable housing scheme	Fully financed from developer contributions held in reserves	395,473
Car Parks – Vehicle and Exhibition Trailer for event management	Funded from earmarked reserves	35,637
Oasis Leisure Centre – Air Handling System	Funded from earmarked reserves and Salix energy efficiency scheme	13,095
Refuse and Recycling – replacement bins	Funded from unsupported borrowing	12,392
St James Swimming Pool – Pool Covers	Funded from Salix energy efficiency scheme	7,019
ICT – IEG4 Benefits system	Financed from earmarked reserves	58,800
		<b>529,435</b>

- 2.4 The table below shows the summary of the programme and actual spend to 31 March 2015. The detailed outturn for the Capital Programme 2014/2015 is presented at Appendix 1.

Table 1

	<b>2014/2015 Budget £</b>	<b>2014/2015 Outturn £</b>	<b>Rephase To 2015/2016 £</b>	<b>2014/2015 Variance and Amend- ments £</b>
Major Projects	11,313,650	8,834,308	(2,549,090)	72,308
Central and Community Services	960,900	763,982	(196,800)	(118)
Chief Executive	30,700	400,569	(25,600)	395,469
Commercial Services	880,300	747,396	(179,460)	46,556
Environment and Planning	0	(734)	0	(734)
Resources	529,500	294,570	(282,400)	47,470
<b>Capital Programme Outturn</b>	<b>13,715,050</b>	<b>11,040,092</b>	<b>(3,233,350)</b>	<b>560,952</b>

- 2.5 The main areas for the proposed rephasing and amendments are detailed below. The detailed outturn is presented at Appendix 1.

### Major Projects

#### **Town Hall ‘Stories of Lynn’**

The works have commenced with the project planned to complete in early 2016. Budget provision and heritage lottery grant of £194,500 to be carried forward to meet the cost of the works.

#### **King’s Lynn Innovation Centre – Ground Works**

The ground works commenced in May 2015. The budget provision of £150,000 will be carried forward to 2015/2016 to fund these works.

#### **Mintlyn Crematorium – Replacement Cremators and Building Works**

The replacement cremators have been installed and the building works are planned to complete at the end of June 2015. The balance of the budget provision of £427,900 will be carried forward to 2015/2016.

#### **Major Housing Development**

An application for planning permission for phase 1 (Marsh Lane) is due to be submitted in June 2015. Building works on site are planned to commence in the autumn with some preliminary archaeological works will be undertaken prior to this. The balance of the budget provision of £164,800 will be rephased to 2015/2016.

#### **Joint Venture NORA Housing**

Works on phase 1 of this project is due to complete at the end of May 2015. 37 houses were either sold or reserved as at 31 March 2015. Ground works on phase 2 of the project have now commenced and the first houses are expected to be ready in the autumn. The balance of the budget of £1,623,300 will be carried forward to 2015/2016 to meet the on-going costs of this project. The capital programme does not include Phase 3 of the project; this will be subject to a further report to Cabinet.

### Central and Community Services

#### **Community Projects**

The community projects capital budget 2014/2015 has been allocated to part fund the IT solution for the LILY (living independently in later years) project. The budget of £50,000 is to be carried forward to 2015/2016.

#### **Private Sector Renewal Assistance**

These budgets are committed for grant applications that are either approved but the works are not yet complete, applications are being assessed or cases on the waiting list. Budget provision of £146,800 is to be carried forward to 2015/2016.

## Commercial Services

### **CCTV – Control Room and Wireless Transmission**

The CCTV schemes are ongoing and the balance of the budget provision of £38,400 will be carried forward to 2015/2016.

### **Play Areas – Refurbishment**

The budget provision of £33,200 will be carried forward to 2015/2016 to meet the costs of replacement play surfacing works to be completed during 2015/2016.

### **Vehicles - Grounds Maintenance and Neighbourhood Teams**

The balance of the budget provision of £116,760 will be carried forward to 2015/2016 to meet the cost of the on-going vehicle replacement programme.

## Resources

### **Sewage Treatment Works – Decommission Redundant Sites**

The balance of the budget provision of £30,500 will be carried forward to 2015/2016 to complete the on-going programme of works.

### **ICT Development Programme**

A number of ICT projects have not progressed during 2014/2015 as originally planned. It is proposed to rephase budget provision of £94,900 to 2015/2016, mainly for the continued work on the disaster recovery site and the network resilience.

### **North Lynn Industrial Estate Re-Roofing**

The contract for the works has been awarded and will complete in 2015/2016. The balance of the budget provision of £148,000 will be rephased to 2015/2016.

- 2.6 Total capital receipts generated in 2014/2015 from preserved right to buy sales of former council houses, land sales, sale of vehicles, repayment of grants and mortgage principal repayments were £667,000. Mortgage principal payments and repayments of discount on former council house sales are subject to pooling and 75% is repaid to the Government (£3,624 in 2014/2015). The useable element of the capital receipts was £663,376. The table below shows the summary of useable capital receipts generated in 2014/2015.

Table 2

	<b>2014/2015</b>	<b>2014/2015</b>
	<b>Budget</b>	<b>Outturn</b>
	<b>£'000</b>	<b>£'000</b>
Council Houses Preserved Right to Buy	148	327
General Fund – Land	698	294
Repayment of Grants	0	13
Mortgage Principal Repayments	2	1
Vehicles and Equipment	0	28
<b>Total</b>	<b>848</b>	<b>663</b>

2.7 As part of the housing stock transfer agreement the Council receives a share of the VAT recovered by Freebridge Community Housing on its development programme works. The income received under the VAT sharing agreement is classified as capital receipts, and £ 512,805 was received during 2014/2015.

2.8 There were 8 houses on the Nar Valley Park (NORA Housing Development) which had sold at 31 March 2015. The total amount received in respect of these sales was £1,264,750. In addition refundable reservation fees had been received for 29 plots and this income will be carried forward to 2015/2016.

### **3 Financing of the Capital Programme 2014/2015**

3.1 The following table details the sources of finance used to fund capital spending during the year. The strategy adopted in financing is designed to make full use of all specific grants and thereby protect future allocations. Funding is taken from capital and revenue reserves for those specific schemes identified with resources. The strategy is then to make full use of useable capital receipts and the balance of funding to be taken from capital and revenue reserves.

Table 3

	£
<b>Total Capital Programme Outturn to be Funded 2014/2015</b>	<b>11,493,332</b>
Less Third Party Contributions	(453,240)
<b>Capital Programme Expenditure to be Funded</b>	<b>11,040,092</b>
<b>Sources of Finance:</b>	
Specific Capital Grant	603,849
Unsupported Borrowing	2,084,833
Temporary Borrowing	3,248,600
Capital Reserves	1,321,537
Grant from Reserves	256,671
Capital Receipts in year	1,220,783
Capital Creditors	811,745
Capital Debtors	1,488,814
Capital Advance Receipts	3,260
<b>Total</b>	<b>11,040,092</b>

- Specific capital grants are those for Disabled Facilities Grants (DFGs) – paid directly from Government as a contribution to the costs of the DFGs.
- Unsupported Borrowing is that level of loans taken on by the Council and paid from within the budgets of services. During 2014/2015 unsupported borrowing was used to purchase vehicles and equipment where previously lease payments were made. In effect the lease payments now pay the debt charge. No help is available from Government to pay the costs – therefore they are classed as unsupported.
- Capital Reserves have been previously set aside for particular schemes, in some cases regular annual contributions are made to the reserves (e.g. sports and arts facilities, offices). The Salix Energy Efficiency funds are held in reserves to finance projects that meet energy efficiency criteria and generate annual savings in utility costs which are reinvested in new schemes.
- Capital grants and contributions are amounts held in reserves for affordable housing schemes and S106 funds.
- Capital Receipts come from the sale of assets and the preserved rights from the sale of former council houses. Following the housing stock transfer the Council receives a share of the VAT recovered by Freebridge Community Housing from the housing improvement works which is classified as a capital receipt.

- 3.2 The capital debtors and creditors represent payments that will be made or received during 2015/2016. The net sum is actually funded from capital reserves when payments are made/income received in 2015/2016.

#### **4 Minimum Revenue Provision**

- 4.1 A requirement of capital controls is that details of the minimum revenue provision (MRP) calculation are reported to Cabinet. The MRP is the minimum amount that must be charged to the Council's revenue accounts each year as a provision to repay debt. Changes to the basis of calculating MRP were made by the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008. A local authority is required to calculate an amount of MRP which they consider to be prudent, prepare a statement of its policy on making MRP and submit it to full Council. The Treasury Management Strategy 2014-2015 approved at Council on 27 March 2014 set out the policy proposals for the Borough for 2014/2015.
- 4.2 The amount of MRP charged to the accounts in 2014/2015 is £324,974 against a budget of £325,000. The actual MRP charge 2014/2015 has been calculated in accordance with the Council's policy based on the capital financing requirement as at 1 April 2014.

#### **5 Capital Programme 2015/2018**

- 5.1 The Capital Programme 2015/2018 was approved by Council on 26 February 2015. As detailed at section 2 above, it is proposed to carry forward budget provision of £3,235,350 from 2014/2015 to 2015/2016.
- 5.2 The following amendments have been included in the capital programme 2015/2016 and detailed at Appendix 2:

##### **South Quay Redevelopment**

Budget provision has been included in the capital programme 2015/2016 to meet the costs of the viability work for the redevelopment of the South Quay. A budget of £100,000 is included, £30,000 has been transferred from the existing waterfront project and the balance will be funded from reserves and a bid to the Norfolk Business Rates Pool.

##### **Nar Ouse Regeneration Area (NORA)**

As reported to Cabinet in February 2015, budget provision of £423,000 was transferred from the overall NORA project to fund grounds work costs for the King's Lynn Innovation Centre. Grant funding from the Local Enterprise Partnership (LEP) has now been awarded towards these works. The Council's budget provision will therefore be returned to the overall NORA project for remediation and land assembly costs.

### **Hunstanton – ‘Parks For People’**

A Stage 1 Heritage Lottery Fund bid has been submitted to restore, refurbish and enhance key heritage assets in and around Hunstanton Green and the Esplanade Gardens and to engage people in the history, heritage and horticulture of the area. The outcome of the stage 1 application is expected at the end of June. The capital programme includes budget provision of £164,150 for the project, funded in part from capital receipts raised in Hunstanton.

### **Customs House - Roof**

Urgent reinstatement works required to the cupola on the roof of the customs house. A capital budget of £90,000 will be included in 2015/2016 for these works to be funded from reserves.

### **Lynnsport – Replacement Athletics Equipment**

The equipment requirements have been reviewed and the estimated cost has been reduced from £20,000 to £10,000. The capital budget will be amended from £20,000 to £10,000 and the third party contribution deleted.

**Resort – Flood Gates** – As reported in the February 2014 monitoring report an additional £40,000 has been transferred from general fund savings to reserves to increase the budget provision for the new flood gates in Hunstanton. The total budget in 2015/2016 is £135,200.

### **King’s Court and King’s Lynn Town Hall – Replacement Microphone Systems**

As reported in the Revenue Outturn report £45,000 has been transferred to reserves to fund the replacement of the microphone systems at King’s Lynn Town Hall and King’s Court Committee Suite.

- 5.3 Table 4 shows in summary form the proposed programme 2015/2018 after allowing for rephrasing and amendments. Details of the individual schemes for 2015/2018 are given at Appendix 2.

Table 4

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Major Projects	22,591,950	21,050,000	24,500,000
Central and Community Services	2,320,850	2,080,760	1,746,000
Chief Executive	85,600	164,150	0
Commercial Services	2,951,540	1,188,580	1,393,780
Environment and Planning	42,800	0	0
<b>Total</b>	<b>27,992,740</b>	<b>24,483,490</b>	<b>27,639,780</b>

## 6 Capital Resources 2015-2018

6.1 Table 5 below provides details of the revised estimated capital resources for 2015/2018 updated after funding the 2014/2015 capital programme, and including amendments and rephrasing as detailed above.

Table 5

	2015/2016	2016/2017	2017/2018	Total
	£'000	£'000	£'001	£'000
<b>Sources of Finance:</b>				
Specific Capital Grants (Better Care Fund)	759	759	759	2,277
Capital Receipts Housing	150	150	150	450
Capital Receipts General	2,278	1,500	1,450	5,228
External Borrowing	0	0	943	943
<b>Resources for Specific Schemes:</b>				
Reserves	1,432	540	357	2,329
Unsupported Borrowing	1,387	582	631	2,600
S106 Funds	855	46	0	901
LEP	423	0	0	423
Norfolk Business Rates Pool	40	0	0	40
<b>Reserves:</b>				
Capital Reserves	609	131	371	1,111
VAT Shelter	2,551	0	0	2,551
<b>Total Resources</b>	<b>10,484</b>	<b>3,708</b>	<b>4,661</b>	<b>18,853</b>
Capital Programme: S106 and Other Major Projects and Operational schemes	10,484	3,708	4,661	18,853
<b>Net Funding Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Joint Venture – NORA Housing</b>				
Prior Year Borrowing brought forward	7,159	0	0	7,159
In year expenditure	6,193	2,300	0	8,493
In year sale receipts	(6,966)	(7,568)	0	(14,534)
<b>Net Borrowing</b>	<b>6,386</b>	<b>(5,268)</b>	<b>0</b>	<b>1,118</b>
<b>Major Housing Development</b>				
In year expenditure	11,316	18,475	22,979	52,770
Local Transport Board/S106	(2,000)	0	0	(2,000)
Sale Receipts	(1,200)	(9,726)	(23,920)	(34,846)
Funding from Capital Reserves	(584)	0	0	(584)
<b>Net Borrowing</b>	<b>7,532</b>	<b>8,749</b>	<b>(941)</b>	<b>6,028</b>

6.2 The funding for the period 2015/2018 was agreed by Council in 26 February 2015. The above table does contain some changes. Where schemes within the programme have been rephased the funding has followed and the figures changed accordingly.

## 7. Equality Impact Assessment

7.1 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.

7.2 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 Financial Implications

8.1 The financing arrangements for the capital programme are within budget. Where rephasing to/from 2015/2016 is to be made then the funding will follow. As previously noted the MRP charge for 2014/2015 can be met from within the overall revenue outturn for the year.

8.2 The revenue implications of all capital schemes will be met from within existing budgets.

## 9. Risk Implications and Sensitivity Analysis

9.1 Risk is inherent in any projection of future funding. The estimated resources available to fund the capital programme 2015-2018 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 if the resources are not achieved at the estimated level or at the time expected.

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Capital Grant	<p><b>Risk</b> The capital grant and specific grant included in the resources is a contribution towards housing capital expenditure and Disabled Facilities Grants (DFG). The level of grant included for 2015/2016 is based on the confirmed level of grant. The level of grant is confirmed by Central Government annually and can vary from year to year.</p> <p><b>Sensitivity/Consequences</b> This funding represents 12% of total general fund resources in 2015/2018.</p>	Low

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Capital Receipts	<p><b>Risk</b> Capital receipts represent 28% of the general fund resources available over the 3 year period 2015-2018. 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><b>Sensitivity/Consequences</b> 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 £5m plus £14.5m of sales receipts from the housing joint venture and £34.9m 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>	High
Unsupported Borrowing	<p><b>Risk</b> The proposed capital programme 2015-2018 includes unsupported borrowing for the purchase of equipment and vehicles.</p> <p><b>Sensitivity/Consequences</b> 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
Reserves	<p><b>Risk</b> Contributions from reserves are based on actual balances as at 1 April 2015.</p> <p><b>Sensitivity/Consequences</b> The reserves are available and as such the sensitivity is low.</p>	Low

9.2 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

**10 Policy Implications**

The establishment and management of the capital programme are in accordance with the Council's Capital Strategy.

**11 Statutory Consideration**

None

**12 Consultations**

Management Team

**13 Access to Information**

Cabinet Reports  
Background Papers (Government Circulars etc)  
Financial Plan 2014-2018  
Monthly Monitoring Reports 2014/2015