

REPORT TO CABINET

Open		WOULD ANY DECISIONS PROPOSED :		
Any especially affected Wards None	Mandatory	(a) Be entirely within Cabinet's powers to decide	YES	
		(b) Need to be recommendations to Council	NO	
		(c) Be partly for recommendations to Council and partly within Cabinet's powers	NO	
Lead Member: Councillor Brian Long E-mail:cllr.brian.long@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: 28 June 2016

Capital Programme and Resources 2015-2020

Summary

The report provides details of the outturn of the 2015/2016 capital programme and outlines amendments and re-phasing to the spending on schemes, revising the programme for 2016/2020. The capital programme outturn for 2015/2016 totalled £13,924,624 against an approved budget of £15,746,950. It has been necessary to re-phase a total of £1,998,850 of scheme costs to future years. Useable capital receipts generated in the year totalled £1,043,237. The capital resources available to fund expenditure in 2015/2016 are detailed in section 3 of the report.

RECOMMENDATIONS

- 1) That Cabinet note the outturn of the capital programme for 2015/2016 of £13,924,624.
- 2) That the financing arrangements for the 2015/2016 capital programme be noted.
- 3) That Cabinet approve the revised 2016/2020 capital programme and financing as detailed in the report.

Reason for Decision

To report the outturn 2015/2016 for the Capital Programme and update members on capital spending and resources for 2016-2020.

1 Introduction

- 1.1 This report presents the outturn of the 2015/2016 capital programme and provides details of amendments and rephasing resulting from under and overspends and their impact on the 2016/2020 programme. The report also outlines the financing of the 2015/2016 programme.

2 Capital Programme 2015/2016

- 2.1 The full capital programme for 2015/2016 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 2015/2016 of £15,746,950 was reported at the Cabinet meeting on 2 February 2016 and approved by Council on 25 February 2016.
- 2.3 The final figures for the outturn on the capital programme show that it will be necessary to carry forward a further £1,998,850 as schemes carry over to future years. In a number of cases there were over or over spends which net to a £20,352 underspend across the overall capital programme.

The main schemes where over/(underspends) are reported are detailed in the table below.

	£
Enterprise Centre – Ground Works	(24,483)
Sports Pavilion Kingsway Replacement - final retention payments	23,284
Joint Venture / Housing Developments – Set Up Funding (correction of prior year expenditure)	(10,310)
Private Sector Housing – Small Grants	(44,423)
Community Projects - Financial Assistance	(11,486)
North Lynn Industrial Estate - 1-8 Brygen Road reroofing	27,899
Miscellaneous movements	19,167
	(20,352)

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.

Scheme	Funding	£
King's Lynn Bus Station	Funded in part (£50,000) from S106 funds held in reserve – addition expenditure highlighted in Capital Estimates report to Cabinet in February 2016	60,677
Town Hall / Archive 'Stories of Lynn'	Funded from Town Hall Repairs and Renewals Reserve – addition expenditure highlighted in Capital Estimates report to Cabinet in February 2016	183,144
Enterprise Centre	Additional external funding – original estimate included funding of £463,000 from the Business Rates Pool and the LEP Growth Deal Grant, actual contributions totalled £950,000	(487,000)
South Quay – Acquisition of Silo Site	Funded from Capital Reserves (Cabinet 31 March 2015)	362,781
ICT Projects – One Vu Project	Invest to save scheme Funded from unsupported borrowing	61,371
Saturday Market Place Enhancements – additional building lighting	Funded from car parks Repairs and Renewals Reserve	38,331
Downham Market Leisure Centre - Replacement Fitness Equipment	Funded from unsupported borrowing	(14,483)
Refuse and Recycling – replacement bins	Funded from unsupported borrowing	3,803
Lynnsport- functional training area	Funded from retained profits Council and Alive Leisure	4,722
		213,346

- 2.4 The table below shows the summary of the programme and actual spend to 31 March 2016. The detailed outturn for the Capital Programme 2015/2016 is presented at Appendix 1.

Table 1

	2015/2016 Budget	2015/2016 Outturn	Rephase To 2016/2017	2015/2016 Variance and Amend- ments
	£	£	£	£
Major Projects	12,595,710	11,663,026	(1,091,530)	158,846
Central and Community Services	1,429,950	1,156,328	(289,470)	15,848
Chief Executive	123,900	56,124	(56,230)	(11,546)
Commercial Services	1,593,390	1,049,145	(557,620)	13,376
Environment and Planning	4,000	0	(4,000)	0
Capital Programme Outturn	15,746,950	13,924,624	(1,998,850)	176,524

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

Major Projects

Enterprise Centre

The building construction was completed during 2015/2016. The budget of £500,000 which had been allocated in 2016/2017 was brought back into 2015/2016.

NORA

Budget provision of £550,000 is to be carried forward to 2016/2017 in respect of remediation and utilities works.

Major Housing Development

Final design details are now being agreed with utility companies with a planned start on site of July 2016. Show Homes will be available from March 2017, with the first sales taking place early in 2017/2018. The balance of the budget provision of £742,900 will be rephased to 2016/2017.

Joint Venture NORA Housing

Works on phase 1 of this project is now complete and the last property is now sold awaiting completion. Construction of 58 units on phase 2 of the project is underway with 20 houses sold or reserved off plan as at 31 May 2016. The balance of the budget of £191,300 will be carried forward to 2016/2017 to meet the on-going costs of this project. The capital programme does not include for the construction of the housing units for Phase 3 of the project; this will be subject to a further report to Cabinet. However the infrastructure for phase 3 was let as part of the Phase one contract as previously agreed and will be completed by end of September 2016.

Central and Community Services

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 £120,700 is to be carried forward to 2016/2017.

ICT Development Programme

A number of ICT projects which commenced during 2015/2016 are on-going, in particular the network resilience and website. It is proposed to rephase budget provision of £168,770.

Commercial Services

Car Parks

The car parks resurfacing programme and refurbishment works to the Old Cattle Market are reprieved to 2016/2017. The budget provision of £108,000 will be carried forward to meet the cost of the works.

Corn Exchange and Leisure Facilities

The capital programme includes a number of schemes at the Corn Exchange and Leisure facilities. Several of these projects which commenced during 2015/2016 will now be completed during 2016/2017. The balance of the budget provision of £164,700 will be carried forward to 2016/2017 to meet the cost of the ongoing works.

Play Areas – Refurbishment

The budget provision of £61,770 will be carried forward to meet the costs of replacement play surfacing works to be completed during 2016/2017.

New Nursery (Hardwick Narrows Depot)

The balance of the budget provision of £83,100 will be carried forward to 2016/2017 to meet the cost of the on-going works.

King's Court - Refurbishment of Lifts

The refurbishment works to the lifts will be completed during June 2016 and the balance of the budget provision of £40,360 will be reprieved to 2016/2017.

- 2.6 Total useable capital receipts generated in 2015/2016 from preserved right to buy sales of former council houses, land sales, sale of vehicles and repayment of grants were £751,570 The table below shows the summary of useable capital receipts generated in 2015/2016.

Table 2

	2015/2016	2015/2016
	Budget	Outturn
	£'000	£'000
Council Houses Preserved Right to Buy	150	421
General Fund – Land Repayment of Grants	1,142	611
	0	11
Total	1,292	1,043

- 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 £517,412 was received during 2015/2016.
- 2.8 There were 45 houses on the Nar Valley Park (NORA Housing Development) which had sold at 31 March 2016. The total amount received in respect of the house sales was £6,625,249 (this includes £291,667 in respect of the land receipt which is reported as part of the general fund land sales to the Council in 2.6 above). In addition refundable reservation fees had been received for 15 plots and this income will be carried forward to 2016/2017. The sales receipts received in 2015/2016 have been used to meet expenditure incurred on the NORA Housing Development in 2015/2016, and to partly repay temporary borrowing which relates to expenditure on the project from prior years. The NORA Housing Development is a joint arrangement with Norfolk County Council.

3 Financing of the Capital Programme 2015/2016

- 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

	£
Total Capital Programme Outturn to be Funded 2015/2016	16,738,234
Less Third Party Contributions	(2,813,610)
Capital Programme Expenditure to be Funded	13,924,624
 Sources of Finance:	
Specific Capital Grant	759,403
Unsupported Borrowing	1,090,412
Temporary Borrowing	438,382
Capital Reserves	4,531,675
S106 Contributions from Reserves	723,217
Capital Receipts in year	7,893,934
Capital Creditors	(319,658)
Capital Debtors	(1,228,204)
Capital Advance Receipts	34,963
Capital Prepayments	500
 Total	13,924,624

- Specific capital grant is for Disabled Facilities Grants (DFGs) which is allocated directly from the Government as part of the Better Care Funding and paid via Norfolk County Council.
- Unsupported Borrowing is that level of loans taken on by the Council and paid from within the budgets of services. During 2015/2016 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.
- The temporary borrowing included in the funding of the capital programme for 2015/2016 relates to the NORA Housing Development and the Major Housing Project. Temporary borrowing is included for cash flow purposes to ensure a balanced funding of the capital programme 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.

- 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. Useable capital receipts received in previous years are held in reserves until applied to capital financing.
- S106 contributions from reserves are S106 contributions received in prior periods.
- 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 2016/2017. The net sum is actually funded from capital reserves when payments are made/income received in 2016/2017.

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 2015-2016 approved at Council on 26 March 2015 set out the policy proposals for the Borough for 2015/2016.
- 4.2 The amount of MRP charged to the accounts in 2015/2016 is £305,961 against a budget of £306,000. The actual MRP charge 2015/2016 has been calculated in accordance with the Council's policy based on the capital financing requirement as at 1 April 2015.

5 Capital Programme 2016/2020

- 5.1 The Capital Programme 2016/2020 was approved by Council on 25 February 2016. As detailed at section 2 above, it is proposed to carry forward budget provision from 2015/2016 to 2016/2017. In addition rephasing between years across the period 2016/2017 to 2019/2020 is also reported as the timing of schemes has been reviewed and updated.

- 5.2 The following amendments have been included in the capital programme 2016/2017 and detailed at Appendix 2:

Hunstanton Heritage Gardens – HLF Parks for People Scheme

The development of the stage 2 application for Heritage Lottery Fund Parks for People funding programme for the seafront gardens and associated open spaces of The Green in Hunstanton was considered at the Regeneration and Development Panel on 27 January 2016. The bid is for £826,400 (74%) towards a total scheme cost of £1,110,050. The capital programme has been amended to bring together separate capital schemes as detailed in the Panel report. The capital programme will be further updated when the outcome of the stage 2 application is known.

Hunstanton Princess Theatre – Improvements to Access

Member delegated decision dated 21 April 2016 recommended an amendment to the capital programme 2016/2017 of £37,500 to facilitate works to be undertaken to improve access arrangement at the Princess Theatre. The cost of the works will be met from the General Properties reserve.

Lynnsport – The Shed Skatepark Improvements

The capital programme 2016/2017 has been amended to include the Sport England and WREN FCC Community Action Fund grants towards improvement works to The Shed Skatepark. WREN is a not-for-profit business that helps benefit the lives of people who live close to landfill sites by awarding grants for community, biodiversity and heritage projects. The works will include improved insulation within the building and installation of a mezzanine floor to create space for a range of activities to encourage take up of extreme sports.

- 5.3 Table 4 shows in summary form the proposed programme 2016/2020 after allowing for repassing and amendments. Details of the individual schemes for 2016/2020 are given at Appendix 2.

Table 4

	2016/2017	2017/2018	2018/2019	2019/2020
	£	£	£	£
Major Projects	19,983,120	20,237,730	10,736,810	9,388,950
Central and Community Services	2,223,080	1,891,450	1,889,650	1,764,650
Chief Executive	110,930	50,000	50,000	50,000
Commercial Services	2,987,500	1,198,110	644,300	784,170
Environment and Planning	16,000	0	0	0
Total	25,320,630	23,377,290	13,320,760	11,987,770

6 Capital Resources 2016-2020

- 6.1 Table 5 below provides details of the revised estimated capital resources for 2016/2020 updated after funding the 2015/2016 capital programme, and including amendments and rephasing as detailed above.

Table 5

	2016/2017	2017/2018	2018/2019	2019/2020	Total
	£'000	£'000	£'000	£'000	£'000
Sources of Finance:					
Specific Capital Grants (Better Care Fund) see paragraph 6.2	759	759	759	759	3,036
Capital Receipts Housing	150	150	150	150	600
Capital Receipts General	1,904	3,490	250	250	5,894
Resources for Specific Schemes:					
Reserves	1,665	439	58	297	2,459
Unsupported Borrowing	1,151	629	274	45	2,099
S106 Funds	190	38	0	0	228
Reserves:					
Capital Reserves (including temporary funding from internal reserves)	1,434	(2,118)	76	1,111	503
VAT Shelter	0	0	1,072	0	1,072
Total Resources	7,253	3,387	2,639	2,612	15,891
Capital Programme: S106 and Other Major Projects and Operational schemes	7,253	3,387	2,639	2,612	15,891
Net Funding Position	0	0	0	0	0
Joint Venture – NORA Housing					
Opening Borrowing brought forward	6,099				6,099
Prior Year Borrowing brought forward		485	485	485	
In year expenditure	3,220	0	0	0	3,220
In year sale receipts	(8,834)	0			(8,834)
Net Borrowing	485	485	485	485	485

	2016/2017	2017/2018	2018/2019	2019/2020	Total
	£'000	£'000	£'000	£'000	£'000
Major Housing Development					
Opening Borrowing brought forward	1,950				1,950
Prior Year Borrowing brought forward		15,319	22,333	10,815	
In year expenditure	14,847	19,990	10,682	9,376	54,895
Local Transport Board	(1,000)	0	0	0	(1,000)
Sale Receipts	0	(12,976)	(22,200)	(23,500)	(58,676)
Funding from Capital Reserves	(478)	0	0	0	(478)
Net Borrowing/(Receipt) Position	15,319	22,333	10,815	(3,309)	(3,309)

- 6.2 An increased allocation of Better Care funding for Disabled Facilities Grants has been made for 2016/2017. The allocation for 2016/2017 is £1,248,225 (the allocation in 2015/2016 was £759,403). At this stage the capital programme and funding table have not been updated to reflect the increased allocation. As part of the capital programme this Council has provided funding from its own resources in addition to the Central Government funding to meet demand for Disabled Facilities Grants and it is expected that some of the additional funding received in 2016/2017 will replace part of the Council's top up funding, in addition to funding other initiatives. Discussions are taking place within the Integrated Housing Adaptations Team on proposed initiatives.
- 6.3 The funding for the period 2016/2020 was agreed by Council in 25 February 2016. The above table does contain some changes. Where schemes within the programme have been repassed 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 2016/2017 is to be made then the funding will follow. As previously noted the MRP charge for 2015/2016 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 2016-2020 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>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 2016/2017 and future years is based on the confirmed level of grant in 2015/2016, see paragraph 6.2. The level of grant is confirmed by Central Government annually and can vary from year to year. Grant funding for DFGs is now part of the Better Care Fund.</p> <p>Sensitivity/Consequences</p> <p>This funding represents 19% of total general fund resources over the 4 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>	Medium

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Capital Receipts	<p>Risk</p> <p>Capital receipts represent 41% of the general fund resources available over the 4 year period 2016-2020. 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 £6.5m plus £8.8m of sales receipts from the housing joint venture and £59m 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>Risk</p> <p>The proposed capital programme 2016-2020 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</p> <p>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

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Temporary Borrowing External and Internal	<p>Risk</p> <p>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</p> <p>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
Reserves	<p>Risk</p> <p>Contributions from reserves are based on actual balances as at 1 April 2016 and take into account budgeted contributions to/from reserves. In the case of the VAT Shelter, the Council receives a share of the VAT recovered by Freebridge Community Housing from housing improvement works. The monies are held in reserve and will be used to fund capital expenditure. The final year of monies being received under the VAT sharing agreement is 2015/2016.</p> <p>Sensitivity/Consequences</p> <p>The reserves are available and as such the sensitivity is low. In the case of the VAT Shelter there is a contractual agreement between the Borough and Freebridge Community Housing for the sharing of VAT reclaimed. In the event that reserves are 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

- 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 2009. The capital strategy will be revised during 2016/2017.

11 Statutory Consideration

None

12 Consultations

Management Team

13 Access to Information

Cabinet Reports
Background Papers (Government Circulars etc)
Financial Plan 2015-2020
Monthly Monitoring Reports 2015/2016