

REPORT TO CABINET

Partly Exempt		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:		
		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
If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3				

Date of meeting: 5 February 2019

CAPITAL PROGRAMME AND RESOURCES 2018-2023

Summary

This report:

- revises the 2018/2019 projections for spending on the capital programme
- sets out an estimate of capital resources that will be available for 2018-2023
- details new capital bids that are recommended to be included in the capital programme for the period 2019-2023
- outlines provisional figures for capital expenditure for the period 2018-2023
- Exempt section details proposed future corporate capital projects

Recommendations

It is recommended that:

- 1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2018-2023 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 2019-2023 as detailed in the report.

Reason for Decision

To report amendments, rephrasing and resources to the 2018-2023 Capital Programme

1. Introduction

- 1.1 This report presents the capital programme for the period 2018 to 2023. 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. The Council has considered the impact of market prices as the scheme progresses and the possibility that the housing market may slow and to mitigate this risk has established West Norfolk Property Limited (Cabinet 8 January 2018) for Private Rental Properties.
- 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.
- 1.4 This report sets out a programme for 2018-2023 that can be delivered if predicted land sales come about. Certain capital funds come from grants and use of reserves but a large part of funds are to come from land sales. The sums included in 2018-2023 are anticipated receipts from identified sites, phase 2 (final 2 show homes) and phase 3 of the Housing Joint Venture on the NORA site and the Major Housing Development.
- 1.5 The capital programme 2018-2023 includes a number of major housing projects, summarised in the table below. 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.

	<i>Total Units</i>	<i>Sold pre 2018/19</i>	Units in Current Capital Programme
<u>Joint Venture</u>			
NORA 1	54	54	-
NORA 2 ¹	58	56	2
NORA 3 ²	50	-	50
<u>Major Housing</u>			
Marsh Lane ²	130	13	117
Lynnsport 3	54	-	54
Lynnsport 4&5	89	-	89
Lynnsport 1	82	-	82
NORA 4	94	-	94
Columbia Way ³	76	-	76
Alexandra Road, Hunstanton	30	-	30
	717	123	594

1 2 show homes have been retained.

2 NORA 3 – As at 30 November 2018, 9 sales completed in 2018/19 and a further 2 units have exchanged.
Marsh Lane - 47 sales completed in 2018/19 and a further 9 units have exchanged (sold but not completed).

3 Planning has not been completed so the number of units has not been confirmed.

- 1.6 This Council has always set out to deliver as ambitious a capital programme

as possible to meet its corporate priorities and to deliver new income streams and savings to support the revenue budget and 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 in 2016 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 will include delivery of houses for rent. The wholly owned local authority company 'West Norfolk Property Ltd' will hold these private rented sector homes (See Cabinet Report 8 January 2018). The rental income will meet the financing costs and also generate ongoing additional revenue income.

2.3 Strategic land acquisitions are being considered which provide development opportunities. These include the recent acquisition of a property at South Quay, King's Lynn 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 Exempt section of report – delivery of cost reduction.

3. Capital Programme 2018/2019

3.1 This part of the report updates the Capital Programme for the current year 2018/2019.

- 3.2 A full updated Capital Programme 2018/2019 of £43,741,230 was reported at the Cabinet meeting on 25 June 2018. Since that date further amendments to the programme have been reported as part of the monitoring reports, as summarised below:

	£
Capital Programme 2018/2019 (Cabinet 25 June 2018)	43,741,230
Further Additions to the Capital Programme:	
ICT Replacement Storage Area Network purchased (August monitoring report).	129,880
Corn Exchange Auditorium Works - £10,000 to be rephased from the decoration budget and used in 2019/20 to fund improvements to the toilets within the complex (August monitoring report).	(10,000)
Re-Fit Project Set-up costs were agreed by Cabinet 17 October 2017. These have been funded from the cost reduction reserve (July monitoring report).	70,000
King's Court Fire Compartmentation Following guidance from the Council's insurance provider works had to be carried out on fire compartmentation (July monitoring report).	24,800
Public Bin Housing (Covers) Refuse bins needed replacing along Hunstanton Promenade (July monitoring report).	35,000
Industrial Unit Work needed to be completed on an industrial unit to protect the Council's asset and mitigate against future insurance claims for flood damage.	21,000
Revised Capital Programme 2018/2019	44,011,910

3.3 A summary of the monitoring position of the budget to 31 December 2018 is shown in the table below:

	Capital Programme 2018/2019	Revised Capital Programme 2018/2019	Spend to December 2018	Percent age
	£	£	£	%
Major Projects	37,063,450	37,063,450	12,431,956	33.54
Central and Community Services	2,867,210	2,997,090	1,398,348	46.66
Commercial Services	3,684,090	3,824,890	1,191,864	31.16
Environment and Planning	7,500	7,500	-	-
Finance Services	118,980	118,980	47,333	39.78
Total	43,741,230	44,011,910	15,069,501	34.24

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 £4,629,300 and rephasing of £12,253,310 to the 2018/2019 capital programme as summarised in the table below and detailed in sections 3.5 to 3.6. The Revised Capital Programme 2018/2019 is detailed at Appendix 1.

	Revised Capital Programme 2018/2019 November Monitoring	Amend-ments	Rephasing to future years	Revised Budget 2018/2019
	£	£	£	£
Major Projects	37,063,450	4,449,250	(10,377,940)	31,134,760
Central and Community Services	2,997,090	240,000	(27,660)	3,209,430
Commercial Services	3,824,890	(59,950)	(1,847,710)	1,917,230
Environment and Planning	7,500	-	-	7,500
Finance Services	118,980	-	-	118,980
Total	44,011,910	4,629,300	(12,253,310)	36,387,900

3.5 The main proposed amendments to the capital programme 2018/2019 are

detailed below:

Major Projects

NORA Phase 4

The capital programme has been updated to include £14,868,480 for NORA Phase 4. £3,717,120 of which is for 2018/19. Details of this scheme were reported to Cabinet on 21 August 2018. The total spend on this scheme is estimated to be £15,711,570, however remediation costs of £843,100 were already included in the existing capital programme. The number of units has been revised since the report went to Cabinet to 94 (was 95). This scheme was approved to achieve significant delivery of sustainable housing and to achieve a commercial return for the Council through capital and revenue receipts. The scheme is supported by an accelerated housing grant from Homes England (reported to Cabinet 18 September 2018).

There are currently ongoing discussions with Legal and General in relation to the gap funding and the final cost of a fully modular development. The final scheme will depend on these discussions.

Other Major Projects

King's Court Refurbishment

The budget of £54,760 for the refurbishment of King's Court has been removed as this is no longer required. All work has now been completed below budget. This has no impact on overall capital resourcing as the project was being funded from reserves.

Town Centre Investment

On commencement of work on the town centre development it was found that the utility services on the site were different to the plans. As a result the main contractor has incurred significant delays and costs resulting in an additional contribution from the Council of £253,230. The Council is committed to investing 25% of the capital required to redevelop the unit. The capital programme has been updated to reflect this. Further details can be found in the Cabinet Report dated 28 June 2016.

Broad Street Conversion to Houses

An additional £30,070 is required for contract variations on this scheme for various improvements and enhancements, such as improvements to the staircase, CCTV and fire safety measures. The capital programme has been updated accordingly. This amendment has no impact on the overall capital resourcing as it has been funded from reserves. Broad Street Accommodation will be operated by West Norfolk Housing Company and it is expected that the accommodation will be occupied from January 2019.

Burnham Market Housing Development

The Burnham Market Housing Development has been successfully completed and both properties have been sold. The capital programme expenditure budget can be reduced by £27,330.

Land Acquisitions

A strategic property acquisition at South Quay, King's Lynn has now been concluded and the capital programme has been updated by £550,000. This represents a key development site.

Derelict Land and Buildings

The capital expenditure budget has been reduced by £50,000. This project has been reviewed and due to the nature of the expenditure transferred to revenue.

Purfleet Stop Logs

An additional £15,500 was required to cover the actual costs of work on the Purfleet Stop Logs. This will be funded from general capital receipts.

Central and Community Services

It has been necessary to replace more Careline alarm units than originally estimated in this financial year due to many reaching the end of their useful life earlier than expected. The budget has increased by £40,000. This is to be funded from unsupported borrowing.

£200,000 has been added to the capital programme in the current year for replacing the financial ledger. This includes professional fees and testing to bring the software into use. This will be funded from reserves.

Commercial Services

The budget for the replacement of house lighting at the Corn Exchange of £35,000 and dressing room lighting of £13,750 have been removed from the capital programme. These projects are now included within the Re:Fit project.

£20,000 allocated for the replacement of play area equipment is not required as there is sufficient budget in 2019/20 to cover what is needed; this has been removed from the 2018/2019 Capital programme.

An additional £8,800 has been spent to fund the fire compartmentation at the Kings Court offices in order to comply with current safety requirements.

- 3.6 The review of the capital programme identified schemes provisionally set for 2018/2019 that will not be completed in the year. A total of £12,253,310 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

Enterprise Zone (£2,071,100) - Infrastructure works will not be fully completed in 2018/19, works will now be completed in 2019/20.

Purfleet Floating Restaurant (£76,450) – This work will not be completed until 2019/20. Discussions and negotiations are currently taking place in relation to the tender and issues raised are unlikely to be clarified in this financial year. The capital programme has been updated to reflect this.

Matched Funding (£275,000) – Schemes have been submitted and approved for funding from the Business Rates Pool but work will not be completed until 2019/20.

Nelson Quay (£65,600) – Soft market testing and viability appraisals have commenced on the Nelson Quay scheme but will not be completed until 2019/20.

Major Housing Projects:

Alexandra Road, Hunstanton (£1,392,440) – Work now scheduled for 2019/20, the capital programme has been updated accordingly.

Major Housing Development (£6,497,350) – capital programme rephased from 2018/19 to reflect the updated timetable of works as detailed at section 4.2 below.

Operational Schemes

Careline (£27,660) – the budget for replacement vehicles used by the Careline team has been carried forward to 2019/2020.

Leisure Sites and Corn Exchange (£454,910) – All capital projects in 2018/19 for the leisure sites will be rephased to 2019/20 unless essential. £253,000 of this relates to fitness equipment, £51,430 relates to changing areas at the facilities and £45,000 to repointing brickwork.

Car Parks (£613,800) – Resurfacing schedule and the Multi-Storey lighting and control schemes have been reviewed with an aim to complete work in 2019/2020.

Cemetery Extension to Gayton Road (£140,000) – These works will not now be progressed until 2019/2020. Hedgerow works have been scheduled outside of nesting season.

Christmas Lights replacement (£180,000) – Discussions with the King's Lynn Business Improvement District (BID) will be taking place in advance of a decision on the replacement of the Christmas Lights.

Skate Ramp, Resort Services (£28,000) – The budget provision of £28,000 has been transferred to 2019/2020 when further details of the scheme will be available.

Tourist Signs (£21,000) – Funds have been carried forward with completion planned in 2019/2020.

Vehicle Replacements (£410,000) – The lead time on vehicles being delivered is approximately 6 months and at this stage in the financial year no further deliveries are expected. The balance of the budget has been carried forward to 2019/2020.

4. Capital Programme 2019-2023

- 4.1 This part of the report deals with the medium-term capital programme 2019-2022 and first looks at a revision to the current approved programme. The full Capital Programme 2019-2022 was last reported at the Cabinet meeting on 25 June 2018 and is summarised in the table below.

Service Head	2019/2020	2020/2021	2021/2022
	£	£	£
Major Projects	22,630,340	2,592,420	-
Central and Community Services	2,460,000	2,360,000	2,330,000
Chief Executive	-	-	696,220
Commercial Services	795,010	464,540	-
Environment and Planning	-	-	-
Finance Services	50,000	50,000	50,000
Total	25,935,350	5,466,960	3,076,220

- 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

- Major Housing Development – Amendments of £13,435,180 have been made in 2019/20, this includes NORA Phase 4 £7,434,240; and Columbia Way £5,967,500. The final projects costs for Columbia Way £6,120,000 will be incurred in 2020/21.

For each approved Phase of the Major Housing Development project the 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 Rephasing is proposed where schemes have been carried forward to/from

2018/2019 as detailed in section 3.6, or where schemes are now not expected to be completed as originally planned in 2019/2020, 2020/21 and 2021/2022.

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 5.4.

5.2 A number of corporate capital projects are being investigated which would generate additional revenue income to support the revenue budget. Some of these projects are commercially sensitive and the capital programme has been updated but the details of these projects are attached as an exempt Appendix 3. Reports will be presented to future Cabinet meetings as necessary.

5.3 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.

5.4 The following operational schemes are proposed for inclusion in the 2019-2023 capital programme:

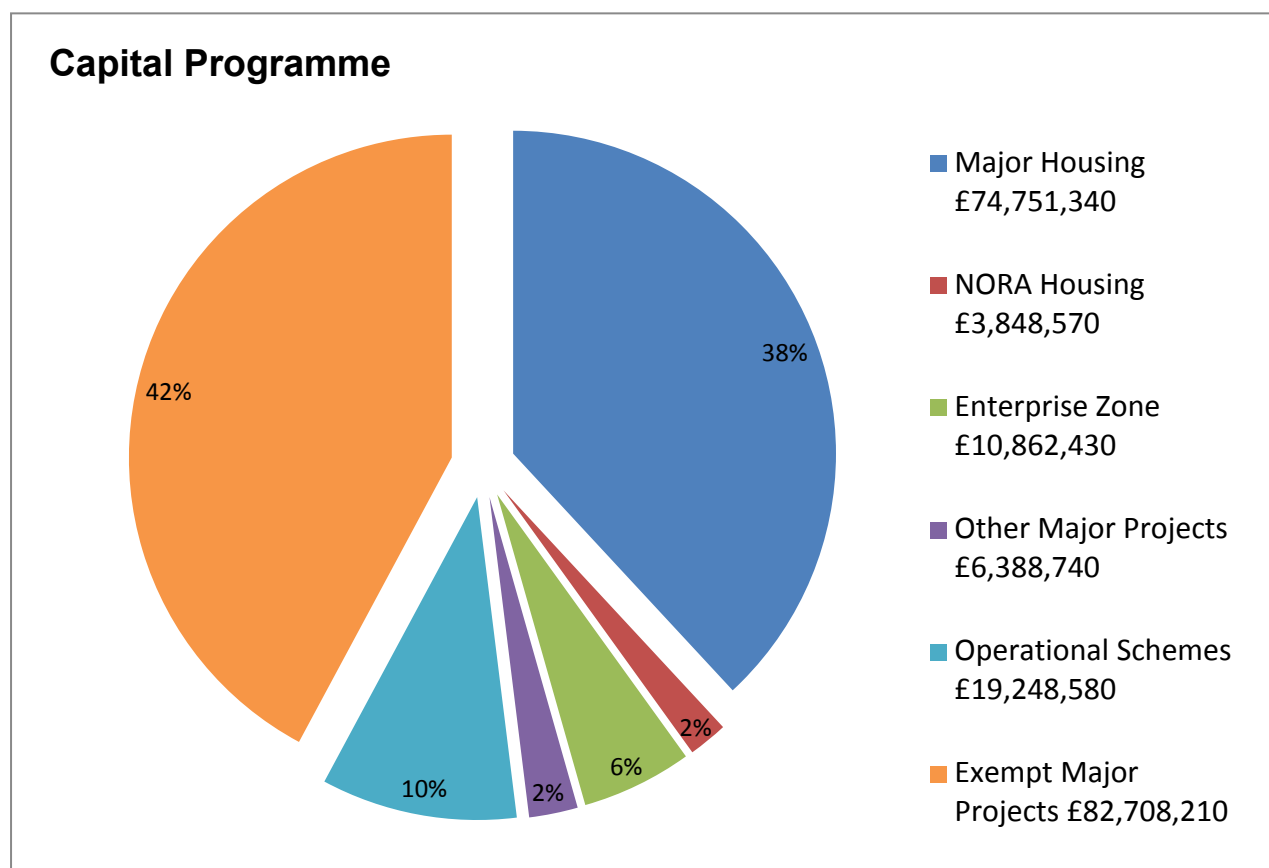
	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Funded from General Capital Resources				
Community Projects				50,000
Funded from Grants				
Disabled facilities grants				1,381,800
Adapt grant				618,200
Low level prevention grants				150,000
Funded from Reserves				
Corn Exchange internal decoration and chair refurbishment				25,000
Corn Exchange colour source lighting (not applicable for Re:Fit)		12,000		
ICT development	40,000			150,000
Lynnsport fire alarm system upgrade	15,000			
Lynnsport fire suppression	15,000			
Lynnsport replacement flooring		12,000		
Play areas replacement equipment (rolling programme)				20,000
Pool Covers (DMkt and St James)	11,000			
St James replacement plant	13,000			
St James floor/surface replacement		25,000		
Funded from Unsupported Borrowing				
Careline alarm units (rolling programme)			30,000	60,000
Corn Exchange mobile platform lift			15,000	
ICT replacement of monitors		70,000		
Lynnsport catering equipment			10,000	
Lynnsport outdoor furniture	20,000			
Lynnsport sound system			10,000	
Refuse and recycling replacement bins				68,000
St James CCTV upgrade	15,000			
Vehicle replacement				18,300
Total	129,000	119,000	65,000	2,541,300

6. Capital Programme 2018/2023

6.1 The table below summarises the revised Capital Programme 2018-2023 including all amendments, rephrasing and new bids detailed above. The detailed Programme 2018-2023 is presented at Appendix 2.

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	£	£	£	£	£
Major Projects	31,134,760	43,887,210	20,829,110	0	0
Central and Community Services	3,209,430	2,527,660	2,430,000	2,360,000	2,360,000
Commercial Services	1,917,230	2,897,140	513,540	575,800	131,300
Environment and Planning	7,500	-	-	-	-
Finance Services	118,980	50,000	50,000	50,000	50,000
Total	36,387,900	49,362,010	23,822,650	2,985,800	2,541,300

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	£	£	£	£	£
Exempt Schemes (Major Projects)	6,885,000	14,036,610	28,243,270	18,181,670	15,361,660



7. Capital Resources 2018-2023

7.1 The report to Cabinet on the 25 June 2018 updated the total capital resources available for the period 2018 to 2023. It has been possible to fund the proposed capital programme 2018-2023.

7.2 The Table below provides details of the revised estimated capital resources for the period 2018-2023, updated for amendments and rephasing detailed in sections 3 and 4 above and new bids detailed in section 5 above. Where rephasing is made between years, the funding will follow. Where external borrowing is required the borrowing costs are included in the revenue estimates. The revenue budget will be amended as part of the estimates process to reflect this position. These changes are reported as part of the Financial Plan 2018-2023 on this Cabinet Agenda.

		2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
1	Capital Programme: Operational Schemes, S106 and Other Major Projects Expenditure	9,386	7,480	3,244	2,986	2,541	25,637
1.1	SOURCES OF FINANCE						
1.2	Specific Capital Grants (Better Care Fund)	1,456	1,456	1,456	1,456	1,456	7,280
1.3	Capital Receipts Housing	150	150	150	150	150	750
1.4	Capital Receipts General	2,157	1,075	764	550	250	4,796
1.5	Capital Receipts Major Housing Land Sales	1,186	0	0	214	0	1,400
1.6	Reserves	3,182	3,229	562	288	539	7,800
1.7	Unsupported Borrowing	631	1,570	312	328	146	2,987
1.8	S106 Funds	624	0	0	0	0	624
	Total Funding	9,386	7,480	3,244	2,986	2,541	25,637
2	Joint Venture – NORA Housing						
2.1	Opening Borrowing brought forward	4,649					4,649
2.2	Prior Year Borrowing brought forward		3,646	53	53	53	
2.3	In year expenditure	3,849	0	0	0	0	3,849
2.4	In year sale	(4,852)	(3,593)	0	0	0	(8,445)
2.5	Net Borrowing Position	3,646	53	53	53	53	53
3	Major Housing Development						
3.1	Opening Borrowing brought forward	20,375					20,375
3.2	Prior Year Borrowing brought forward		26,373	16,775	5,512	(0)	
3.3	In year expenditure	20,493	33,679	20,579	0	0	74,751
3.4	Sale Receipts	(15,810)	(49,189)	(36,959)	(5,786)	0	(107,743)
3.5	Land Value to BCKLWN	1,315	7,457	5,117	274	0	14,163
3.6	Funded from Reserves		(1,546)				(1,546)
3.7	Net Borrowing Position	26,373	16,774	5,512	(0)	(0)	(0)
4	Enterprise Zone (25 Year Project)						
4.1	Opening Borrowing brought forward	902					902
4.2	Prior Year Borrowing brought forward		3,467	11,574	11,226	10,878	
4.3	In year expenditure	2,660	8,203	0	0	0	10,862
4.4	Business Rates Receipts 85% (via NALEP) - Note 2	(95)	(95)	(348)	(348)	(348)	(1,234)
4.5	Net Borrowing Position	3,467	11,575	11,226	10,878	10,530	10,530
5	TOTAL NET BORROWING POSITION	33,486	28,402	16,791	10,931	10,583	10,583
		2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000

6	Capital Receipts –Major Housing Land Sales						
6.1	Capital Receipts Major Housing Land Sales	1,315	7,457	5,117	274	0	14,163
6.2	Capital Receipts used to Fund Capital Programme (1.5)	(1,185)	(0)	(0)	(214)	0	(1,399)
6.3	Balance Transferred to Capital Reserves	130	7,457	5,117	60	0	12,764
6.4	Capital Reserves used to Fund Capital Programme (inc in 1.6)				(167)	(514)	(681)
6.5	Capital Receipts Transferred to Reserves	130	7,457	5,117	(107)	(514)	12,083

Note:

The Capital Receipts Reserve has commitments to fund costs including the share capital for West Norfolk Housing Company in relation to Private Rental Properties held on NORA Phase 4 and Columbia Way.

The corporate schemes will be funded through borrowing or the use of capital receipts reserve (to be determined).

7.4 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 is crucial.

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 Prudential Code was comprehensively updated in 2017 and these changes apply from 2018/19.

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;
- to demonstrate that treasury management decisions are taken in accordance with good professional practice and;
- local strategic planning, asset management and proper option appraisal is supported.

The key strategic change to the Prudential Code is the introduction of a requirement to formally report the Capital Strategy annually. The Capital Programme has been prepared on the basis of this strategy. The Strategy will be presented to Cabinet in March 2019. The core categories will include:

- Governance process;
- Knowledge, awareness and skills;
- Strategy (asset management, service asset planning, commercial property investment);
- Technical property (valuations, leases);
- Technical finance (sensitivity analysis, risk assessment, borrowing, depreciation and componentisation).

There has recently been a Statement released from CIPFA in relation to local authorities investing in commercial properties. In some cases these investments have been financed by borrowing. Their Statement was to remind local authorities that the Prudential Code clearly sets out the prime policy objective of a local authority's treasury management investment activities is the security of funds, and that local authorities should avoid exposing public funds to unnecessary or unquantified risk.

9.2 Within the Revenue Budget 2018-2023 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 2018-2023 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 2018/2019 is set at £31m 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 5 February 2019.

10.3 On delivery income / cost savings relating to cost reduction will be fed into the revenue budget as they are actually achieved.

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 2018-2023 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 2018-2023 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 2018-2022 report to Cabinet on 25 June 2018.

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 2018/2019 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 £4.346m are included in the programme 2018-23.</p> <p>Sensitivity/Consequences</p> <p>This funding represents 45% 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 76% of the general fund resources available over the 5 year period 2018-2023. 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 £20m plus £8m of sales receipts from the housing joint venture and £108m 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>
<p>Major Housing</p>	<p>Risk</p> <p>The impact of market prices as the scheme proceeds to</p>	<p>High</p>

Project	<p>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 has been established to hold any surplus units for rent.</p>	
Unsupported Borrowing	<p>Risk The proposed capital programme 2018-2023 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
Reserves	<p>Risk Contributions from reserves are based on actual balances as at 1 April 2018 and take into account budgeted</p>	Low

	contributions to/from reserves. 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.	
Sales Values Reduces / Costs Increase	Risk Brexit Sensitivity/consequences The Brexit situation remains fluid and affects market confidence. This could impact on sales values and cost of materials and labour. The Council will review regularly in determining how to proceed with schemes and, for example, whether to sell or rent properties through the Housing Company.	

- 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 2018-22.

13. Statutory Considerations

None

14. Consultations

Management Team

15. Access to Information

Cabinet Reports
Financial Plan 2018-2023
Financial Plan 2017-2022
Monthly Monitoring Reports 2018/2019
The Capital and Local Property Investment Fund Strategy 2019/20