

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: Portfolio Holder for Finance E-mail: cllr.chris.morley@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Carl Holland E-mail: carl.holland@west-norfolk.gov.uk Direct Dial: 01553 616549		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If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is 16-20.				

Date of meeting: 7 February 2024

CAPITAL PROGRAMME AND RESOURCES 2023-2028

<p>Summary This report:</p> <ul style="list-style-type: none"> • revises the 2023/2024 projections for spending on the capital programme • sets out an estimate of capital resources that will be available for 2023-2028 • details new capital bids that are recommended to be included in the capital programme for the period 2023-2028 • outlines provisional figures for capital expenditure for the period 2023-2028 <p>Recommendations It is recommended that:</p> <ol style="list-style-type: none"> 1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2023-2028 capital programme as detailed in the report. 2) Cabinet recommends to Council that new capital bids as set out in section 5 table 6, are to be funded from available capital resources and included in the capital programme 2023-2028 as detailed <p>Reason for Decision To report amendments, rephrasing and resources to the 2023-2028 Capital Programme.</p>

1. Introduction

- 1.1** This report presents the capital programme for the period 2023 to 2028. 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 Council faces circumstances 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.
- 1.3** This report sets out a programme for 2023-2028 that can be delivered subject to the outcomes from revised forecasts reflecting continuing changes in costs and capital receipt levels. Certain capital funds come from grants and use of reserves, a large part of funds is to come from anticipated receipts from the Major Housing Development.
- 1.4** The capital programme 2023-2028 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.

Table 1 – Units to be delivered under Major Housing Schemes.

	Units in Current Capital Programme 2024-2028
Major Housing	
Lynnport 1	96
Parkway	226
Salters Road	78
South End Road, Hunstanton	32
	432

- 1.5** 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. Supporting Delivery of the Financial Plan

- 2.1** The Financial Plan for 2023-2028 sets out the council's latest proposals for a funded budget over the medium term with an estimated shortfall in 2026/2027 requiring actions to achieve savings, repurpose reserves and generate revenue income. The Council has previously conducted a deep review of its earmarked reserves and capital programme. A programmed review of reserves was undertaken during 2023/2024 to release funds totalling £2,860,646. Reserves include amounts set aside for investment in proposals to help to meet the savings target or support the General Fund Reserve. Plans to release further earmarked reserves may impact capital projects that currently intend to be financed from reserves. Any such revisions will be reported for decision and update accordingly.

2.2 Future phases of the major housing development projects will continue to include delivery of houses for rent. The council's wholly owned local authority company 'West Norfolk Property Ltd' will hold and manage these private rented sector homes. The rental income will meet the financing costs and generate ongoing additional revenue income.

2.3 Strategic land acquisitions are also considered which have potential to provide development opportunities.

3. Capital Programme 2023/2024

3.1 This part of the report updates the Capital Programme for the current year 2023/2024.

3.2 A full updated Capital Programme of £66,716,310 was reported at the Cabinet meeting on 1 August 2023. Since that date a comprehensive evaluation of project profiles was undertaken and resulted in the following revisions to the forecast spend in 2023/2024. Unless otherwise stated, the projects below have been reprofiled to future years;

Table 2 – Summary of Changes to Capital Budget 2023/2024

Project	£
Major Projects	
Enterprise Zone	(1,143,470)
Major Housing projects reprofiling/project realignment;	
Salters Road	(3,002,920)
Alexandra Road, Hunstanton	(2,411,410)
Phase 3 – Lynnsport 1	(1,072,850)
Phase 2 – Lynnsport 4/5	(127,120)
Parkway Gaywood	(10,041,790)
Nora Phase 4	900,000
Nora Phase 5	(714,870)
Southend Road, Hunstanton	(1,273,590)
Towns Fund project reprofiling/project realignment	(505,000)
Nora remediation	(216,480)
Southgate regeneration area	(400,000)
Prosperity Fund	(20,000)
Public realm feasibility study	40,000
Local Authority Housing Fund	3,539,740
Public Conveniences	(400,000)
Re:Fit project (streetlighting)	(300,000)
Lynnsport New 3G Pitch	(900,000)
Total Major Projects	(18,049,760)
Community and Partnerships	
Community Projects (*reduced)	(38,890)
Community Safety Vehicle	(30,000)

Project	£
Total Community and Partnerships	(68,890)
Resources	
ICT Development	(108,740)
Total Resources	(108,740)
Property and Projects	
Bergen Way Industrial Estate roof replace	(250,000)
Total Property and Projects	(250,000)
Operational and Commercial	
Car Park resurfacing	(70,000)
Car Pk Multi-storey Barrier Ticket Machine	(38,130)
Mintlyn Crematorium - Car Park (*reduced)	(40,000)
CCTV control room upgrade	(121,050)
CCTV various sites	(92,460)
Christmas Lights Replacement	(187,550)
Gayton Road Cemetery Extension (*removed)	(145,800)
Parking/Gladstone Server Upgrade	(8,030)
The Walks Crazy Golf Equipment	(120,000)
Resort Services projects	(114,000)
Total Operational and Commercial	(937,020)
Leisure and Community Facilities	
DMLC - Replace Heat/Cool AHU Dance Studio (*reduced)	(3,000)
L/Sport Athletics Cage replacement & athletics lighting upgrade (*reduced)	(15,000)
L/Sport 3G LED Lighting (*reduced)	(5,000)
L/Sport Basket Ball fittings replacement	15,000
St James - Floor/Surface Replace	(25,000)
St James various refurb projects (*removed)	(175,000)
Total Leisure and Community Facilities	(208,000)
Exempt Schemes	(7,574,520)
Budget Movement 2023/2024	(27,196,930)

3.3 A summary of the monitoring position of the budget reported in the December 2023 monitoring report is shown in the table below:

Table 3 – Capital Monitoring Forecast 2023/2024

Capital Expenditure	2023/2024 Budget (Cabinet 1st August 2023)	Revised Budget December 2023/2024	Actual as at 31st December 2023	Spend Percentage
	£	£	£	%
Major Projects	51,129,190	33,079,430	21,351,472	65%
Community and Partnerships	2,324,130	2,255,240	1,820,985	81%
Resources	396,710	287,970	54,088	19%
Programme and Projects	200,000	200,000	760	0%
Property and Projects	353,500	103,500	0	0%
Operational and Commercial Services	2,835,080	1,898,060	579,033	31%
Leisure and Community Facilities	1,176,180	968,180	743,389	77%
Total Excluding Exempt	58,414,790	38,792,380	24,549,727	63%
Exempt Schemes	8,301,520	727,000	0	0%
Total Including Exempt	66,716,310	39,519,380	24,549,727	62%

3.4 Service managers have undertaken a detailed review of commitments against all current schemes, as a result budgets have been reduced where possible to reflect updated requirements. Approval is requested for amendments of £162,750 and rephasing of £4,542,240 to the 2023/2024 capital programme as summarised in the table below and detailed in section 3.5 to 3.10 and section 1 of the exempt report. The Revised Capital Programme 2023/2024 is detailed at Appendix 1 and Appendix 2.

3.5

Table 5 – Changes between Monitoring and Estimate preparation 2023/2024

	Revised Capital Programme 2023/2024 December Monitoring £	2023/2024 Amendments £	2023/2024 Rephasing (to)/from future years £	Revised Budget 2023/2024 £
Major Projects	33,079,430	0	5,244,970	38,324,400
Community and Partnerships	2,255,240	155,570	0	2,410,810
Resources	287,970	0	0	287,970
Programme and Projects	200,000	0	0	200,000
Property and Projects	103,500	0	(103,500)	0
Operational and Commercial Services	1,898,060	0	0	1,898,060
Leisure and Community Facilities	968,180	7,180	(52,230)	923,130
Total	38,792,380	162,750	5,089,240	44,044,370
Major Projects (Exempt)	727,000	0	(547,000)	180,000
Total Capital Programme	39,519,380	162,750	4,542,240	44,224,370

3.6 Major Projects;

- The main area of rephasing is the major housing sites with a collective £4,460,780 earlier being rephased to 2024/2025 being brought back to fund works that are now expected to be delivered in 2023/2024.
- Movement of £998,770 of the towns fund budgets. The main project within towns fund is the multi user community hub is brought forwards from 2024/2025 to 2023/2024.
- £121,060 has been rephased to 2024/2025 where spend is planned to be spent for the Active Travel Hub.
- £83,520 has been rephased to 2024/2025 for remediation costs that are expected to be payable in early 2024/2025.

3.7 Community and partnerships;

- central government provided additional funding for disabled facility grants (DFG's). This has resulted in the budget for the DFG's increasing by £155,570.

3.8 Property and Projects;

- £28,000 has been rephased to 2023/2024 for the sewage treatments works refurbishment which remains a statutory need.
- £30,500 has been rephased to 2023/2024 for the resurfacing of estate roads.
- £45,000 has been rephased to 2023/2024 for the works at North Promenade regarding erosion.

3.9 Leisure and Community Facilities;

- A collective movements of £45,050 has taken place, the larger of these being;
 - £160,000 has been brought forwards from 2024/2025 for the works to the Lynnsport roof.
 - £70,000 being rephased to 2024/2025 for the Lynnsport fire alarm upgrade.
 - £42,480 has been rephased to 2024/2025 for the works at the Lynnsport toilets and changing rooms.

A full breakdown is available in appendix 1.

3.10 Major Projects (Exempt);

Information regarding details within exempt projects are excluded from this report.

4. Major Projects - Major Housing Development

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

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

In order to obtain 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.

5. Capital Programme New Bids

Table 6 - schemes proposed for inclusion in the 2023-2028 capital programme

	2023/2024	2024/2025	2025/2026	2026/2027	
	£	£	£	£	
Funded from General Capital Resources					
Adapt grant				367,193	*
Community Projects				50,000	*
ICT Development				150,000	*
Funded from Grants					
Disabled facilities grants				618,200	*
Adapt grant				1,014,607	*
Low level prevention grants				150,000	*
Town Centre Replacement Stage					
Funded from Reserves					
Replacement Play Area Equipment				20,000	*
Funded from Unsupported Borrowing					
Careline-Replacement Alarm Units				60,000	*
Waste and Recycling Bins (all colours)				160,000	*
Total	-	-	-	2,590,000	

5.1 Items marked with an asterisk * above are operational items that are on a rolling requirement to maintain the current levels of service. All new items are a rolling requirement, no additional new projects have been identified.

6. Capital Programme 2024-2028

6.1 This part of the report deals with the medium-term capital programme 2024-2028 and first looks at a revision to the current approved programme.

The full Capital Programme 2023-2027 reported at the Cabinet meeting on 1 August 2023 and years 2024-2027 from this report are summarised in the table below.

Table 7 – Original Capital Programme 2024 – 2027

	2024/2025 £	2025/2026 £	2026/2027 £
Major Projects	50,282,230	31,377,810	10,979,810
Community and Partnerships	2,260,000	2,260,000	2,260,000
Resources (S151 Officer)	450,000	300,000	150,000
Programme and Projects	0	0	0
Property and Projects	0	0	0
Operational and Commercial Services	770,780	430,640	348,570
Leisure and Community Facilities	512,250	235,000	185,000
Total Excluding Exempt	54,275,260	34,603,450	13,923,380
Exempt Schemes	0	0	0
Total Including Exempt	54,275,260	34,603,450	13,923,380

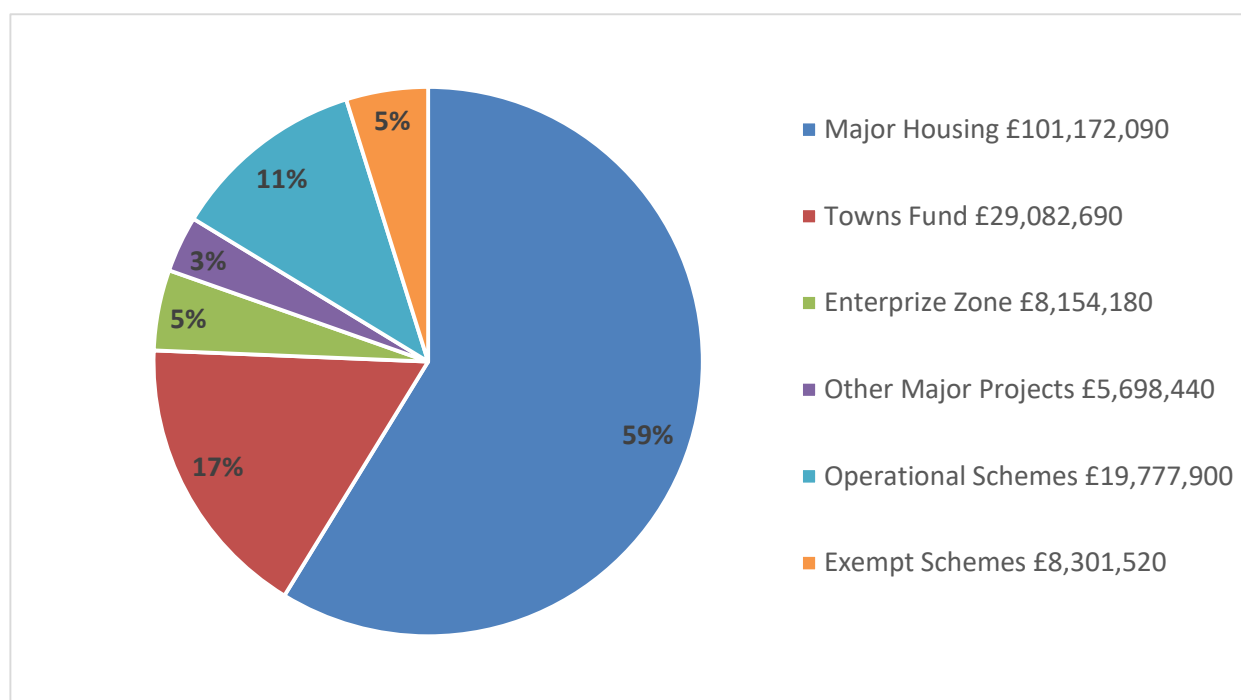
Following the detailed review of the Capital Programme, amendments have been made to some schemes to reflect updated costs and timing of works. Rephrasing is also proposed where schemes have been carried forward to/from 2023/2024 as detailed in section 3, or where schemes are now not expected to be completed as originally planned in 2024/2025, 2025/2026 and 2026/2027.

6.2 The table below supersedes the table in 6.1 summarising the revised Capital Programme 2024-2028 and includes all amendments, rephrasing and new bids detailed above in section 5. The detailed Programme is presented at Appendix 2.

Table 8 – Revised Capital Programme 2024 – 2028

	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Major Projects	48,873,120	34,104,630	22,598,520	3,746,470
Community and Partnerships	2,290,000	2,260,000	2,260,000	2,260,000
Resources	258,740	450,000	300,000	150,000
Programme and Projects	0	0	0	0
Property and Projects	353,500	0	0	0
Operational and Commercial Services	1,260,200	692,440	348,570	180,000
Leisure and Community Facilities	574,480	235,000	185,000	0
Total	53,610,040	37,742,070	25,692,090	6,336,470
Major Projects (Exempt)	547,000	0	7,574,520	0
Total Capital Programme	54,157,040	37,742,070	33,266,610	6,336,470

Capital Programme - Distribution of spend 2023- 2028



7. Capital Financing and Resources 2023-2028

7.1 The Capital Outturn report to Cabinet on the 1 August 2023 updated the total capital resources available for the period 2022 to 2027. It has been possible to fund the proposed capital programme 2023-2028. However, due to the continued risk of increases in material costs and reduced capital receipts from property sales, heightened monitoring will be ongoing and may require revision to funding sources or reprofiling and rephasing of schemes as appropriate.

7.2 The Table below provides details of the revised estimated capital resources for the period 2023-2028, updated for amendments and rephasing detailed in sections 3 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 2023-2028 on this Cabinet Agenda.

Source of Funding	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Specific Capital Grants (Better Care Fund)	1,782,807	1,782,807	1,782,807	1,782,807	1,782,807
Specific Capital Grants (Towns Fund)	1,805,830	10,653,510	6,883,430	641,730	3,140,510
Specific Capital Grants (LAHF)	2,587,740	-	-	-	-
Misc Government Grants	1,660,930	5,035,060	168,800	-	-
Business Rate Pool	1,153,190	1,820,760	-	-	-
General Capital Receipts Reserve	1,297,673	2,415,323	1,042,193	877,193	567,193
Major Housing Capital Receipts Applied	20,922,763	14,863,252	27,052,400	29,531,310	605,960
Reserves/Revenue Contributions	3,285,720	1,944,650	341,800	45,000	20,000
Unsupported Borrowing	1,723,260	540,030	470,640	388,570	220,000
Temperary Borrowings	8,004,457	15,101,648	-	-	-
Total Funding	44,224,370	54,157,040	37,742,070	33,266,610	6,336,470

7.3 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. This was developed by CIPFA as a professional code of practice to support local authorities' decision making on the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.

The key objectives of the Prudential Code are:

- Capital plans and investment plans are affordable and proportionate
- All borrowing and other long-term liabilities are within prudent and sustainable levels
- Risks associated with investment are proportionate to financial capacity

- Treasury management decisions are in accordance with good professional practice

The prudential code was revised in December 2021 and the Authority is required to formally adopt the reporting requirements in 2023-2024. One of the key changes to the Prudential Code is the explicitly stated requirement that authorities must not borrow to invest primarily for financial return, and this requirement came into force with immediate effect.

- 9.2** Within the Revenue Budget 2023-2028 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 2023-2028 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 2023/2024 is set at £86m with a maximum of 40% of the total value being held as short-term loans or variable rate loans. The revised Treasury Management Strategy, also on the agenda for Cabinet on 7 February 2024, is recommending to Council that the Operational Boundary is revised to £84m.

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 reported to the Cabinet meeting on 07 February 2024.
- 10.3** On delivery income / cost savings relating to cost management will be fed into the revenue budget as they are 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 2023-2028 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 2023-2028 if the resources are not achieved at the estimated level or at the time expected. This section has been updated to reflect the position in the Capital Programme and Resources for 2023-2028.

Source of Funding	Risk Implications and Sensitivity	Level of Risk
<p>Capital Grants</p> <p>Third Party Contributions</p>	<p>Risk 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 2023/2024 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.</p> <p>Sensitivity/Consequences This funding represents 20% of current total general fund reserve balance. 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
Capital Receipts	<p>Risk Capital receipts over the 5-year capital programme 2023-2028 represent 100% of the current general fund reserve balance. 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 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 and £105m 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
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 has been established to hold any surplus units for rent.</p>	High

Source of Funding	Risk Implications and Sensitivity	Level of Risk
<p>Unsupported Borrowing</p>	<p>Risk The proposed capital programme 2023-2028 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>	<p>Low</p>
<p>Temporary Borrowing External and Internal</p>	<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> <p>The interest rates of external loans and PWLB loans are at a higher rate due to the current Bank of England base rate.</p>	<p>Medium</p>

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 2023 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
Sales Value Reduces / Costs Increase	<p>Risk Macro-economic issues</p> <p>Sensitivity/consequences Market confidence continues to be impacted by inflation and high interest costs (following on from Brexit and the pandemic). Sales values and cost of materials and labour will require regular review in determining how to proceed with schemes and, for example, whether to sell or rent properties through the Housing Company.</p>	Medium

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 Council's Capital, Treasury Management and Investment Strategy.

13. Statutory Considerations

None

14. Consultations

Management Team

15. Access to Information

Cabinet Reports
Financial Plan 2023-2028
Monitoring Reports 2023/2024
The Capital Strategy 2024/2025
The Treasury Management and Investment Strategy 2024/2025