

5 CAPITAL PROGRAMME 2010/11 to 2012/13

5.1 Introduction

- 5.1.1 The updated Capital Programme (housing and non-housing) was approved by Full Council on 30 June 2009 as part of the Outturn report. An updated capital programme has now been included at **Appendix D**, this reflects revisions to both the General Fund (non-housing) programme (to reflect additional scheme adjustments recently agreed by Cabinet) and also future forecasts in relation to the Housing Capital Programme.
- 5.1.2 The current approved capital programme (non-housing) is fully funded, although there are elements of the programme that rely on future capital receipts being secured before the scheme can progress.
- 5.1.3 The current projections for the housing capital programme are forecasting a shortfall in funding at the end of 2012/13 of £1,473,299 based on the current level of spend. The funding assumptions and spend profile for the housing budgets will be re-appraised as part of the revised budget process to ensure that the level of spend currently identified for the coming years is actually achievable.
- 5.1.4 The Prudential system of capital finance came into force from 1 April 2004. Under the new system individual authorities must operate within 'The Prudential Code for Capital Finance in Local Authorities' (the Code). Objectives of the Code are to ensure that capital investment plans are affordable, prudent and sustainable.
- 5.1.5 Under the new system authorities are responsible for setting their own affordable borrowing limits. It allows borrowing for capital investment purposes as long as affordability can be demonstrated. The Council is currently in a 'debt free' position, having used some of the receipt received from the transfer of the housing stock in May 2006 to repay external debt and at present the Council is not intending to enter into any Prudential Borrowing to finance capital expenditure.
- 5.1.6 The impact of using capital receipts above those already assumed in the financing of the current approved capital programme, for example to finance the Housing programme in 2012/13, has also been considered within the Financial Strategy. The use of capital receipts will impact upon the amount that the Council has available for investment on a short and long term basis, with a resulting reduction in investment income to the revenue account.

5.2 Capital Programme

- 5.2.1 **Appendix D** shows the updated capital programme for 2009/10 (£4,365,129 for non housing and £3,577,123 for housing giving a total programme spend of £7,942,252). It also includes projections for the capital programme for the period 2010/11 to 2012/13. It does not include any new capital growth bids but assumes the continuation of the current housing capital schemes at the same level.

Housing Capital Programme 2010/11 to 2012/13

- 5.2.2 The housing capital programme is currently funded from grants, contributions and capital receipts from the Council's share of the preserved right to buy (PRTB) and the VAT sharing arrangement. Under the housing stock transfer agreement the Council

receives a proportion of the receipt following a right to buy disposal. The 2009/10 updated programme assumed approximately three disposals generating a total anticipated capital receipt of £195,000 in the current and future year projections, although there have been no disposals so far to date this year.

- 5.2.3 The allocation for the Specified Capital Grant has been assumed at a level of £345,000 going forward annually as per the allocation already received for 2009/10.
- 5.2.4 Assuming that the PRTB's and VAT sharing amounts continue to be earmarked for financing the Housing capital programme there is a shortfall in funding the current level of housing schemes in 2012/13 of £1,473,299, and if additional receipts from either grant funding or VAT shelter/PRTB are not forthcoming it may be necessary to reduce the housing programme in 2012/13, unless alternative funding resources are allocated eg from reserved capital receipts.

General Fund Capital Programme 2010/11 to 2012/13

- 5.2.5 There have only been minor amendments to the General Fund capital programme (non-housing) to the programme that was reported to Cabinet as part of the outturn report on 15 June 2009, and these are detailed below.
- 5.2.6 Fakenham factory extension – a report was taken to the September 2009 Cabinet meeting requesting an additional budget of £125,000 in relation to the Fakenham factory extension. This has now been approved by Full Council and increases the total scheme budget from £300,000 to £425,000, which is reflected in the updated capital programme included within this document.
- 5.2.7 Playground improvements – following the successful construction of five new playgrounds during the last financial year the Council has now been awarded an additional £100,000 from the Playbuilder fund for construction of a further two sites. This additional funding now brings the updated 2009/10 playground improvements budget up to £151,681.
- 5.2.8 Personal Computer (PC) Replacement Fund – the current ICT Strategy recommended the re-instatement of the rolling PC replacement fund, which would allow all PC's to be replaced on a four year rolling cycle. A capital budget of £20,000 per annum has therefore been made available to fund this scheme and is now included as part of the amended capital programme.
- 5.2.9 Intranet and Internet Geographic Information System (GIS) – The purpose of this intranet and internet GIS project is to provide continued access to GIS for non-PROBASS staff and to provide members of the public with improved access to information via the internet. The budget requirement for this scheme has been estimated at £20,300, the financing for which has already been identified within current revenue budgets so permission is sought to undertake a revenue contribution to capital at the end of the year to transfer the revenue funding to the capital programme to enable the scheme to progress.
- 5.2.10 For presentational and monitoring purposes the budgets for the Public Convenience Improvement Works Phase 1 (£230,000), Public Convenience Improvement Works Phase 2 (£200,000) and Mundesley Promenade Public Convenience Upgrade (£40,000) have been grouped together in the updated programme under one heading with a total budget of £470,000. This does not represent any other alteration to any of

the schemes or previously agreed budget but merely represents the fact that the programme of works have been tendered together as a package of works.

5.3 Capital Financing – General Fund

- 5.3.1 The Council does hold set aside capital receipts of £11.3million, the majority of which being the remaining balance from the transfer of the housing stock following the Council's decision to repay its debt portfolio. However, this is supporting the Council's revenue account and for every £1million which is allocated for expenditure, the revenue account would need to factor in reduced income of about £5,000 (based on the current base rate of 0.5%).
- 5.3.2 As there is currently a deficit forecast on the revenue account for 2010/11 and future years, it remains an important element of this strategy to identify revenue income and /or savings to allow a comprehensive investment programme in the Council's current assets to be undertaken over the next three years.
- 5.3.3 The Capital Strategy sets out the Council's approach and process to the deployment of capital resources in meeting the Council's overall aims and objectives. It also provides a strategic framework for the effective management and monitoring of the capital programme, within which the Council will work in formulating the strategies for individual services. The implications of the shortfall in financing will be taken into account within the updated Capital Strategy.

5.4 Coast Protection Capital Schemes

- 5.4.1 The updated Coast Protection Capital Programme was approved by Full Council on 30 June 2009 as part of the Outturn report and is attached again at **Appendix D** for information although it should be noted that there have been no further amendments since the programme was last approved back in June.

5.5 Recommendations

- 5.5.1 **Cabinet recommend to Full Council the updated General Fund capital programme as set out in **Appendix D** of the Financial Strategy document;**
- 5.5.2 **Members note the position in relation to the financing of the Housing Capital budget for future years.**