

CAPITAL FUNDING

Agenda Item 3a

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Background Papers:- Capital Programme Update Report – Cabinet 2nd June 2008
 Medium Term Financial Strategy 2008/09 to 2011/12
Financial Implications:- Detailed in the report
Equalities Implications:- None identified
Legal Implications:- None identified
Options: To accept or amend the proposed strategy for funding the Capital Programme
Risks: Insufficient funds are available to meet future capital demands

EXECUTIVE SUMMARY

Background

Following agreement of the Capital Programme in February and additional expenditure in June it is now necessary to review the funding of the programme due to the current economic climate which has resulted in: -

- (a) Croudace significantly reducing their bid for Riverside and making the revised bid subject to planning.
- (b) The number of 'right to buys' has fallen to an all-time low at around one per month.

Current Position

- (a) 2007/08 Outturn – The Capital Programme for 2007/08 had anticipated that the capital receipt for Riverside would have been received during the year; there was a shortfall of £2.42m, which has been funded from the Housing Transfer capital receipt.
- (b) 2008/09 – Assuming Riverside is not sold in this year, there is an anticipated shortfall of resources of £1.9m.
- (c) 2009/10 – 2011/12 – Commitments can currently be funded from anticipated capital receipts from the VAT Shelter income and the sale of Council Houses and, assuming a receipt from Riverside reduced to take account of increased affordable housing and anticipated market conditions, there is a surplus of anticipated resources of around £5m.

Future Demand

At this point in time £500k per annum only has been allowed for the 'Three Towns – One Vision' project and nothing has been allowed for the replacement of Bramston or for the Local Committees. £500k has been allowed for the maintenance and improvements to other Council facilities, £41k for PC replacement and £60k for the Rural Development Fund. Rickstones' replacement is still shown as taking place in 2011/12 at a cost of £1.215m. In addition there will undoubtedly be new demands identified during next year's budget process.

Conclusion

Whilst the agreed Capital Programme can be funded until 2011/12, it is very likely that new demands over the next three years will significantly outweigh the available resources. It is therefore unlikely that we will be in a position to reinvest the capital receipts that have been used.

The interest from the Housing Transfer capital receipt has already been taken into consideration when setting the Revenue budget. Therefore, for every £1m spent and not replaced, a saving on the revenue account of £55k is required year on year.

Proposals

- (a) Further options for the marketing and use of the Riverside site are considered with a view to maximising the receipt as well as affordable housing.
- (b) The capital receipt from the Housing Stock Transfer is utilised to meet the shortfall identified in the Capital Programme.
- (c) The lost interest from the capital receipt is met from within the current revenue budgets or if this is not possible, then from General Fund balances in the short term. Next year's budget process will need to address the reduced ongoing income.
- (d) A review is carried out on the Council's assets with a view to maximising future capital receipts from the disposal of surplus assets.
- (e) Future opportunities to attract external funding are maximised, including the appropriate use of the CHIP Fund.
- (f) A review of the overall position (Revenue and Capital) is carried out in October, once we are clearer with regard to the potential costs of Bramston and the Three Towns – One Vision project.

DECISION

Members approve the proposed strategy for funding the Capital Programme and meeting the additional revenue costs.

