

**Committee:** Full Council

**Agenda Item**

**Date:** 19 February 2009

**7**

**Title:** Capital Programme 2008/09 to 2011/12

**Author:** Stephen Joyce, Chief Finance Officer

Item for  
decision

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### **Summary**

1. The attached report was received by the Finance & Administration Committee on 10 February 2009. The Committee approved the recommendation.
2. The Council is required to make the final determination.
3. The Finance & Administration Committee requested officers to bring regular reports so that the position regarding borrowing could be closely monitored.

### **Recommendations**

4. The Council is recommended to approve the Capital Programme as set out in Appendix A of the attached report.

**Committee:** Finance and Administration Committee

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Toby Cowper, Principal Accountant

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## Summary

1. This report presents the Capital Programme for 2009/10 to 2011/12 to be recommended for approval to the Council on 19 February 2008. It includes all schemes put forward by policy committees in this committee cycle and proposes an approach to overall financing of the programme.
2. The report also highlights an adjustment to be made to the 2008/09 programme relating to capitalisation of pensions costs.
3. The items in the capital programme have been approved by the relevant spending committees, subject to the adjustments detailed below.
4. This report, annotated with the Committee's decision, will be submitted to the Full Council on 19 February for final approval.

## Recommendations

5. Members are requested to approve, for recommendation to Full Council on 19 February, the Capital Programme as set out in Appendix A.

## Background Papers

6. Capital Programme reports already approved (note: headings are hyperlinks):

[Community Committee](#) [appendix 1](#)  
[Environment Committee](#) [appendix 1](#)  
[Finance and Administration Committee](#) [appendix 1](#)

## Impact

|                            |                          |
|----------------------------|--------------------------|
| Communication/Consultation | None.                    |
| Community Safety           | None.                    |
| Equalities                 | None.                    |
| Finance                    | Detailed in this report. |
| Human Rights               | None.                    |
| Legal implications         | None.                    |
| Ward-specific impacts      | None.                    |
| Workforce/Workplace        | None.                    |

## Situation

7. Appendix A is a summary of all schemes approved by policy committees in this committee cycle, amended as follows:
  - To help offset the Landsbanki investment loss the DCLG have suggested that UDC should apply to capitalise pension costs. In January 2009 an application was submitted to capitalise £1.135 million.
  - On the 29 January 2009 the Finance and Administration Committee approved the substitution of the replacement of the electoral system scheme with a new document imaging system at the same cost.
  - The Head of Street Services has delayed the purchase of 8 vehicles, deferring £139,000 from the capital programme.
8. This capital programme can be financed from a combination of Government grants, and capital receipts up until the end of 2008/09. From 2009/10, it is anticipated the Council will need to take up some long-term borrowing to finance the programme of capital schemes.
9. Currently it is anticipated that the Council will need to borrow up to £0.4 million during 2009/10, £0.8 million during 2010/11 and £0.1 million during 2011/12 which will incur revenue interest costs to the General Fund of up to £46,500 per annum. The long term borrowing would be taken out over the average life of the assets purchased (approximately 10 years) at an estimated annual rate of 4%. In addition, the General Fund is required by legislation to incur a minimum revenue provision (MRP) which is calculated as a percentage of the Council's Capital Financing Requirement.

| <b>TOTAL COSTS</b> | <b>Outstanding Debt</b> | <b>Principal payment</b> | <b>Interest payable</b> | <b>Total cost per year</b> |
|--------------------|-------------------------|--------------------------|-------------------------|----------------------------|
| <b>2009/10</b>     | <b>400,000</b>          | 40,000                   | 16,000                  | 56,000                     |
| <b>2010/11</b>     | <b>1,160,000</b>        | 120,000                  | 46,400                  | 166,400                    |
| <b>2011/12</b>     | <b>1,140,000</b>        | 130,000                  | 45,600                  | 175,600                    |
| <b>2012/13</b>     | <b>1,010,000</b>        | 130,000                  | 40,400                  | 170,400                    |
| <b>2013/14</b>     | <b>880,000</b>          | 130,000                  | 35,200                  | 165,200                    |
| <b>2014/15</b>     | <b>750,000</b>          | 130,000                  | 30,000                  | 160,000                    |
| <b>2015/16</b>     | <b>620,000</b>          | 130,000                  | 24,800                  | 154,800                    |
| <b>2016/17</b>     | <b>490,000</b>          | 130,000                  | 19,600                  | 149,600                    |
| <b>2017/18</b>     | <b>360,000</b>          | 130,000                  | 14,400                  | 144,400                    |
| <b>2018/19</b>     | <b>230,000</b>          | 130,000                  | 9,200                   | 139,200                    |
| <b>2019/20</b>     | <b>100,000</b>          | 90,000                   | 4,000                   | 94,000                     |
| <b>2020/21</b>     | <b>10,000</b>           | 10,000                   | 400                     | 10,400                     |
| <b>2021/22</b>     | <b>0</b>                | 0                        | 0                       | 0                          |
|                    |                         | <b>1,300,000</b>         | <b>286,000</b>          | <b>1,586,000</b>           |

10. There is no allowance within this proposal for Additional/new capital schemes within 2009/10, 2010/11 and 2011/12.

### **Risk Analysis**

| Risk  | Likelihood | Impact | Mitigating actions  |
|---|------------|--------|---|
| Failure to identify capital spending pressures and costs accurately | 1          | 2      | Continual review of the Council's capital spending requirements and the associated financing. |

## Capital Programme 2008/09 to 2011/12

## APPENDIX A

| <b>Capital Programme 2008/09 to 2011/12 - SUMMARY</b>                  | <b>2008/09<br/>Revised</b> | <b>2009/10<br/>Original</b> | <b>2010/11<br/>Original</b> | <b>2011/12<br/>Original</b> |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | £                          | £                           | £                           | £                           |
| General Fund Capital Schemes   |                            |                             |                             |                             |
| Environmental Committee  | 522,450                    | 1,013,000                   | 423,000                     | 165,000                     |
| Community Committee  | 686,400                    | 220,000                     | 180,000                     | 150,000                     |
| Finance and Administration Committee                                   | 440,920                    | 526,000                     | 431,000                     | 20,000                      |
| Sub Total  | 1,649,770                  | 1,759,000                   | 1,034,000                   | 335,000                     |
| Housing Revenue Account Capital Schemes                                |                            |                             |                             |                             |
| HRA Capital  | 1,996,010                  | 1,886,000                   | 1,906,000                   | 1,930,000                   |
| Sub Total  | 1,996,010                  | 1,886,000                   | 1,906,000                   | 1,930,000                   |
| Additional Capital Expenditure   |                            |                             |                             |                             |
| Capitalization of pension costs 2008/09                                | 1,135,000                  | 0                           | 0                           | 0                           |
| Sub Total  | 1,135,000                  | 0                           | 0                           | 0                           |
| <b>TOTAL CAPITAL PROGRAMME</b>   | <b>4,780,780</b>           | <b>3,645,000</b>            | <b>2,940,000</b>            | <b>2,265,000</b>            |
| <b>Capital Programme 2008/09 to 2011/12 - SOURCES OF FINANCING</b>     |                            |                             |                             |                             |
| General Fund   |                            |                             |                             |                             |
| Disabled Facilities Grant  | (56,000)                   | (51,000)                    | (51,000)                    | (51,000)                    |
| Energy Efficiency Funding  | (5,000)                    | (5,000)                     | (5,000)                     | (5,000)                     |
| Planning Development Grant   | (229,000)                  | 0                           | 0                           | 0                           |
| External Borrowing   | 0                          | (400,000)                   | (800,000)                   | (100,000)                   |
| Balance to be met from Useable Capital Receipts                        | (2,494,770)                | (1,303,000)                 | (178,000)                   | (179,000)                   |
| Housing Revenue Account  |                            |                             |                             |                             |
| Major Repairs Allowance  | (1,864,246)                | (1,886,000)                 | (1,906,000)                 | (1,930,000)                 |
| Regional Housing (Capital) Pot   | (79,000)                   | 0                           | 0                           | 0                           |
| External Borrowing   | 0                          | 0                           | 0                           | 0                           |
| Balance to be met from Useable Capital Receipts (HRA)                  | (52,764)                   | 0                           | 0                           | 0                           |
| <b>TOTAL SOURCES OF FINANCING</b>                                      | <b>(4,780,780)</b>         | <b>(3,645,000)</b>          | <b>(2,940,000)</b>          | <b>(2,265,000)</b>          |
| <b>Capital Programme 2008/09 to 2011/12 - CAPITAL RECEIPTS SUMMARY</b> |                            |                             |                             |                             |
| Receipts   |                            |                             |                             |                             |
| Balance Brought Forward  | (3,383,000)                | (1,085,466)                 | (2,466)                     | (24,466)                    |
| Estimated Capital Receipts Received                                    | (250,000)                  | (220,000)                   | (200,000)                   | (180,000)                   |
| Sub Total  | (3,633,000)                | (1,305,466)                 | (202,466)                   | (204,466)                   |
| Applied  |                            |                             |                             |                             |
| Capital Receipts Applied: General Fund                                 | 1,359,770                  | 1,303,000                   | 178,000                     | 179,000                     |
| Capital Receipts Applied: HRA  | 52,764                     | 0                           | 0                           | 0                           |
| Capitalization of pension costs 2008/09                                | 1,135,000                  |                             |                             |                             |
| Sub Total  | 2,547,534                  | 1,303,000                   | 178,000                     | 179,000                     |
| <b>BALANCE AT END OF YEAR</b>  | <b>(1,085,466)</b>         | <b>(2,466)</b>              | <b>(24,466)</b>             | <b>(25,466)</b>             |