

**REPORT TO: SPECIAL POLICY & RESOURCES COMMITTEE - 19 JANUARY 2004**

**REPORT ON: CAPITAL PLAN 2003-2007 - GENERAL SERVICES & HOUSING HRA**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 27-2004**

**1 PURPOSE OF REPORT**

- 1.1 To provide elected members with background information and details of the Council's Capital Plan 2003-2007. The Capital Plan includes expenditure on the Council's service departments, such as Education, Social Work, Planning & Transportation and Housing HRA.

**2 RECOMMENDATIONS**

- 2.1 The Special Policy & Resources Committee is requested to:

- 1 approve the Council's Capital Plan 2003-2007 - General Services & Housing Revenue Account.
- 2 approve the actions as detailed in paragraph 9.2.
- 3 authorise the Director of Housing to accept offers as detailed in paragraph 9.2.2 to 9.2.6.
- 4 note the Prudential Indicators on the Capital Plan 2003-2007 as shown in Appendix 1, submitted to Finance Committee on 12 January 2004 for approval (Report 53-2004 refers).

**3 FINANCIAL IMPLICATIONS**

- 3.1 The bulk of the Council's capital expenditure in the plan will be financed by borrowing and, as such, will result in capital charges being incurred over the estimated useful life of the assets concerned. Appropriate provision will be included in the Council's future years' Revenue Budgets.
- 3.2 In some instances, the creation of a new capital asset will result in additional running costs (eg staff, non-domestic rates, maintenance etc) although these may be offset by additional income or related savings. Again, appropriate provision has been included in the Council's 3 Year Revenue Budgets for 2004/05 to 2006/07 for the revenue costs of capital projects which will become operational during the course of the current and future financial year.

**4 LOCAL AGENDA 21 IMPLICATIONS**

None

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

None

## 6 BACKGROUND

- 6.1 The Special Policy & Resources Committee meeting on 17 March 2003, approved the Capital Budget 2003/04. The Capital Plan 2003-2007, reflects the latest projected outturn for 2003/04 and incorporates any changes to future years due mainly to slippage in the 2003/04 Capital Programme.

## 7 CAPITAL RESOURCES 2003-2007 - GENERAL SERVICES

### 7.1 S94 Capital Consent

- 7.1.1 The financial year 2003/04 is the last year that the Scottish Executive will issue Section 94 (S94) capital consent figures which regulate the maximum level of borrowing that Councils can incur. From 1 April 2004 S94 capital consents are being replaced and borrowing levels will be determined within a Prudential Framework.
- 7.1.2 The Prudential Framework has been developed as a professional code of practice to support local authorities in taking decisions on capital investment. Local authorities will be required by Regulation, from 1 April 2004, to comply with the Prudential Code under Part 7 of the Local Government in Scotland Act 2003.

### 7.2 Capital Expenditure funded from Borrowing

- 7.2.1 The level of borrowing for 2004/05 to 2006/07 has been determined based on the level of expenditure that can be afforded from the capital charges included within the 3 Year Revenue Budgets 2004/05 to 2006/07 and is shown below:

	£m
2004/05	18.509
2005/06	18.062
2006/07	16.100

- 7.2.2 The level of borrowing includes some capital projects where Departments' existing Revenue Budgets will finance the capital charges, ie the revenue effect of these capital projects is neutral on the Council Tax. These projects are Camperdown Boreholes (Leisure & Arts), Replacement Office Accommodation (Social Work), Replacement Lighting Central Library (Communities) and Site 6 Multi Storey Car Park (Planning & Transportation). The total values of the projects are shown below:

	£m
2004/05	4.401
2005/06	2.026
2006/07	2.407

- 7.2.3 The Capital Plan 2003-2007 also includes borrowing for items previously leased, where the provision for leasing charges in the 3 Year Revenue Budget will now be used to fund the capital charges. The total value of the projects are shown below:

	£m
2004/05	2.470
2005/06	1.923
2006/07	0.075

### 7.3 **Capital Grants**

- 7.3.1 Alongside the introduction of the Prudential Code, the Scottish Executive has decided to award Capital Grants to specific areas. This is to ensure that, under the Prudential Code, Councils still allocate resources to these specific areas. This should have no effect on the level of borrowing as capital expenditure and resources should match.

The Capital Plan includes the following Capital Grants:

	£m
2004/05	11.681
2005/06	15.193
2006/07	3.427

The figure for 2006/07 is low, relative to previous years, as levels of Capital Grant for 2006/07 have not yet been announced by the Scottish Executive. More detailed information on the Capital Grants awarded is shown on page 3 of the Capital Plan 2003-2007.

### 7.4 **Transfer S94 Consent to fund Revenue PPP Development Costs**

In 2003/04 £789,000 S94 consent is being transferred to Revenue Grant to fund the PPP for schools development costs.

### 7.5 **Capital Receipts**

These comprise receipts from the sale of land and buildings, contributions from external parties and European Regional Development Fund (ERDF) Grants. Total net receipts over the period are estimated to be:-

	<b><u>2003/04</u></b> <b><u>£m</u></b>	<b><u>2004/05</u></b> <b><u>£m</u></b>	<b><u>2005/06</u></b> <b><u>£m</u></b>	<b><u>2006/07</u></b> <b><u>£m</u></b>
Total Net Receipts	3.483	3.505	4.245	5.499

A more detailed analysis of this income is shown on page 3 of the Capital Plan 2003-2007. Income from the sale of land and buildings has been estimated in consultation with officers from the Economic Development Department.

## 8 **CAPITAL EXPENDITURE 2003-2007 - GENERAL SERVICES**

- 8.1 Client officers were issued with guideline figures for the period 2004/05 - 2006/07 and were instructed to prepare a programme for the three year period, that did not exceed the guideline figures.
- 8.2 In addition, client officers were given the opportunity to submit projects which would require to be funded from borrowing, but where existing revenue funding has been earmarked to pay for the associated capital charges. A total of £13.302m of capital expenditure is included in the Capital Plan 2003-2007 and the corresponding adjustments will be made in future years Revenue Budgets.

- 8.3 The detailed Capital Budget for 2004/05 to 2006/07 is shown on pages 8 to 35 of the Capital Plan 2003-2007 and is summarised below:

	<u><b>2004/05</b></u> <u><b>£000</b></u>	<u><b>2005/06</b></u> <u><b>£000</b></u>	<u><b>2006/07</b></u> <u><b>£000</b></u>
Legally Committed	9,078	449	496
Not Yet Legally Committed	<u>26,550</u>	<u>37,051</u>	<u>24,530</u>
	<u>35,628</u>	<u>37,500</u>	<u>25,026</u>

## 9 HOUSING REVENUE ACCOUNT

### 9.1 Capital Resources 2003-2007

#### 9.1.1 Capital Expenditure funded from Borrowing

The level of borrowing for 2004/05 to 2006/07 has been determined based on the level of expenditure that can be afforded from the capital charges included within the 3 Year Revenue Budget and is shown below:

	£m
2004/05	11.436
2005/06	11.436
2006/07	8.436

#### 9.1.2 Capital Grants

The Scottish Executive have indicated that they will award a capital grant of £250,000 each year for 2004/05 and 2005/06 for Central Heating Initiative.

#### 9.1.3 Capital Receipts

These comprise receipts from the sale of Council houses, land and Council house loan repayments. These figures are based on the assumption that the set-aside restrictions for Housing are being abolished from 1 April 2004 (this has still to be confirmed by the Scottish Executive).

### 9.2 Capital Expenditure 2003-2007

#### 9.2.1 Background

All programmes are subject to the Capital Investment Strategy. Regular updates of level of sales and letting demand will take place prior to going to tender. If trends change significantly, this could lead to some of the locations identified in the Plan being excluded, unless the City Architectural Services Officer or City Engineer recommend investment on the basis of condition.

In line with Standing Orders, most projects have addresses shown in the estimates and these are usually shown as estate developments. The City Architectural Services Officer or City Engineer will prepare tender documents and will update the addresses by excluding sold houses and houses with an application to purchase, just prior to tender. The tender report will be approved by the Housing Committee and will give final details of addresses.

The following programmes have no addresses as yet and will be dealt with in the following way.

#### 9.2.2 Disabled Adaptations

Committee is asked to authorise the Director of Housing to identify individual addresses and, in conjunction with the Depute Chief Executive, to incur expenditure within the budgeted allowance. Only projects over £25,000 will be submitted to competitive tender. The Director of Housing, in conjunction with the Depute Chief Executive (Support Services) will have delegated authority to accept offers up to £25,000 per house.

Offers over £25,000 for disabled adaptations will be approved by Chief Officers, in conjunction with Elected Members, because of the urgency of meeting the need of individual disabled persons.

#### 9.2.3 Surveys, Urgent Works, Contingency and Fees, Pilot Projects, Urgent Roof Replacements

Surveys and fees are an essential part of assessing the condition of the housing stock and planning ahead. During the course of survey inspections, urgent works are identified. In order to reduce administrative delays, Committee is asked to authorise expenditure on urgent works up to amounts detailed in the estimates.

Committee is asked to authorise the Director of Housing to instruct the City Architectural Services Officer and City Engineer on locations for surveys and pilot projects and incur fees up to the amount included in the estimates.

#### 9.2.4 Warm Deal

Committee is asked to authorise expenditure up to £5,000 in total as the City Council's contribution to the cost of supplying insulation measures to individual Council houses as part of the above scheme.

#### 9.2.5 Laundry Equipment

Committee is asked to authorise the Director of Housing to identify locations and to incur expenditure up to £35,000 on replacement of washing machines in laundries in 2004/05.

#### 9.2.6 A detailed breakdown of the projects to be undertaken is shown on pages 40 to 56 of the attached capital budget volume.

### 9.3 Housing Revenue Account - CFCR/Planned Maintenance

In addition to Housing's Capital Programme funded from borrowing, budget provision has been included within the HRA Revenue Budget for CFCR and Planned Maintenance along with an allowance for demolitions to be funded from the Renewal & Repairs Fund. The detailed projects to be financed from the above are shown on pages 57 to 61 in the attached Volume.

**10 PRUDENTIAL INDICATORS**

- 10.1 The Prudential Code requires the Depute Chief Executive (Finance) to prepare a set of indicators that demonstrate that the Council's Capital Plan 2003-2007 is affordable and prudent. The Indicators shown in Report No 54-2003, submitted to the Finance Committee on 12 January 2004 demonstrate that the Capital Plan 2003-2007 is affordable and prudent.

A copy of the Indicators is shown as an Appendix to this report.

**11 CONSULTATION**

- 11.1 All relevant Chief Officers have been consulted in the preparation of this report.

**11 BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

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**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**12 JANUARY 2004**

## CAPITAL PLAN 2003-2007

## 1 Prudential Indicators - Capital Expenditure

## 1.1 Level of Capital Expenditure to be met from Borrowing

	2002/03 Actual £'000	2003/04 Estimate £'000	2004/05 Estimate £'000	2005/06 Estimate £'000	2006/07 Estimate £'000
Non-HRA	9,184	10,294	18,477	18,062	16,100
HRA	5,660	8,645	11,346	11,436	8,436

## 1.2 Ratio Financing Costs to Net Revenue Stream

	2002/03 Actual %	2003/04 Estimate %	2004/05 Estimate %	2005/06 Estimate %	2006/07 Estimate %
Non-HRA	7.5	7.8	7.4	7.5	7.8
HRA	29.2	29.6	30.5	31.8	33.8

## 1.3 Estimate Incremental Impact of Capital Investment Decisions on Council Tax/Rents

For Band D Council Tax

2004/05	2005/06	2006/07
nil	nil	nil

Average Weekly Housing Rents

2004/05	2005/06	2006/07
nil	nil	nil

## 2 Prudential Indicators - Treasury Management

## 2.1 Adoption of CIPFA Code of Practice for Treasury Management

YES

## 2.2 Upper Limit for borrowing that is at variable rates less investments that are variable rate investments

%

2004/05	30
2005/06	30
2006/07	30

## 2.3 Upper Limit for borrowing that is at fixed rates less investments that are fixed rate investments

%

2004/05	100
2005/06	100
2006/07	100

**2.4 Limit for 2004/05 for amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed at the start of the period**

	Lower %	Upper %
Where the periods are:-		
Under 12 months	0	10
12months & within 24 months	0	15
24 months & within 5 years	0	25
5 years & within 10 years	0	25
10 years +	50	95

**2.5 Upper limit for sums invested for periods longer than 364 days**

N/A

**2.6 Authorised Limit for external debt with limit for borrowing and other long term liabilities separately identified**

	Borrowing £000	Other £000	Total £000
2004/05	315,000	5,000	320,000
2005/06	335,000	5,000	340,000
2006/07	352,000	5,000	357,000

**2.7 Operational Boundary for external debt with limit for borrowing and other long term liabilities separately identified**

	Borrowing £000	Other £000	Total £000
2004/05	290,000	1,000	291,000
2005/06	310,000	1,000	311,000
2006/07	327,000	1,000	328,000

**2.8 Estimates of Capital Financing Requirement**

	non HRA £000	HRA £000	Total £000
2004/05	190,000	125,000	315,000
2005/06	200,000	132,000	332,000
2006/07	207,000	137,000	344,000



