

REPORT TO: POLICY & RESOURCES COMMITTEE - 9 JANUARY 2006

REPORT ON: CAPITAL PLAN 2006-2009 - GENERAL SERVICES

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 5-2006

1 PURPOSE OF REPORT

- 1.1 To provide elected members with background information and details of the Council's General Services Capital Plan for 2006-2009. The Capital Plan includes expenditure on the Council's General Fund service departments, such as Education, Social Work and Planning & Transportation. The Housing HRA Capital Plan is not included in this report and will be brought to Committee separately.

2 RECOMMENDATIONS

- 2.1 The Policy & Resources Committee is requested to:

- 1 approve the Council's General Services Capital Plan for 2006-2009 attached.
- 2 note the position for the 2005/2006 projected capital expenditure programme, as at 31 March 2006.
- 3 approve the Prudential Indicators for the Capital Plan 2006-2009, as shown in Appendix 1.

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 finance 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 may 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 will be included in the Council's future year's Revenue Budgets for the revenue costs of capital projects which will become operational during the course of the current and future financial years.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

- 6.1 The Capital Plan 2006-2009 also includes the latest projected outturn for 2005/06 and incorporates any changes required to future years programmes due mainly to slippage in the 2005/06 Capital Programme.

7 CAPITAL RESOURCES 2006-2009 - GENERAL SERVICES

7.1 Prudential Framework

7.1.1 Prudential Code Framework

The Prudential Framework has been developed as a professional code of practice to support local authorities in taking decisions on capital investment. Local authorities are required by Regulation to comply with the Prudential Code under Part 7 of the Local Government in Scotland Act 2003. The 2006-2009 Capital Plan has now been prepared in compliance with the Prudential Code.

7.1.2 Under the Prudential Code Local Authorities are obliged to introduce a system of option appraisal for capital projects and to develop asset management plans to assist in determining capital expenditure priorities.

7.1.3 Option Appraisal

Option appraisal guidelines have been developed which allow departments to consider systematically whether individual capital projects provide value for money. An option appraisal report should be completed for all projects of £1 million or above being considered for inclusion in the Council's Capital Plan. A less detailed option appraisal is required for projects between £100,000 and £1 million. A separate report is required to present the findings to Committee.

7.1.4 Asset Management Plans

An Asset Management Plan Project Team has been established within the Council comprising of officers from Economic Development, Finance and Architectural Services together with representatives from most service departments. This team has been given responsibility for the development of the Council's Asset Management Plan.

It is hoped that a final plan can be produced during 2007/08 and this will be submitted for Committee approval. The Asset Management Plan Project Team will report regularly to the Asset Management Group (comprising of Chief Officers) on the progress of the plan's development.

7.2 Capital Expenditure Funded from Borrowing

7.2.1 The level of borrowing for 2006/07 to 2008/09 has been determined based on the level of expenditure that can be afforded from the finance charges included within the Provisional 3 Year Revenue Budgets 2006/07 to 2008/09 and is shown below:

	£m
2006/07	21.237
2007/08	11.690
2008/09	11.625

- 7.2.2 The level of borrowing includes some capital projects where Departments' Revenue Budgets will fund the additional finance charges, ie the revenue effect of these capital projects is neutral on the Council Tax. These projects are, Camperdown Boreholes (Leisure & Communities), Replacement Office Accommodation (Social Work), Site 6 Multi Storey Car Park - Greenmarket (Planning & Transportation), New Laboratories (Scientific Services) and the Camperdown Play Barn (Leisure & Communities). The total capital value of these projects is shown below:

	£m
2006/07	5.984
2007/08	0.000
2008/09	0.000

- 7.2.3 The Capital Plan 2006-2009 also includes borrowing for items that were previously leased. The provision for leasing charges in the 3 Year Revenue Budget will now be used to fund the finance charges. These projects include the New Computing Equipment for Schools (Education), Waste Management Vehicles Fleet (Waste Management), Purchase of Council Computers (Information Technology) and Vehicles and Equipment (Leisure & Communities). The total capital value of these items is shown below:

	£m
2006/07	1.995
2007/08	2.020
2008/09	1.970

7.3 **Capital Grants**

- 7.3.1 Alongside the introduction of the Prudential Code, the Scottish Executive decided to award Capital Grants for 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 levels of Capital Grants:

	£m
2006/07	14.578
2007/08	9.839
2008/09	5.524

The figures for 2008/09 are estimated at this stage as levels of Capital Grant for 2008/09 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 2006-2009.

7.4 **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:-

	£m
2006/07	4.587
2007/08	3.085
2008/09	1.000

A more detailed analysis of this income is shown on page 3 of the Capital Plan 2006-2009. Income from the sale of land and buildings has been estimated in consultation with officers from the Economic Development Department.

7.5 **Capital Funded from Current Revenue (CFCR)**

There is an earmarked balance of £1.633m held in the Car Park account which forms part of the General Fund balance. The CFCR contribution is projected to be used for the Site Six Multi Storey Car Park project in 2006/07 and 2007/08.

7.6 **Tayside House**

A major project introduced in the 2006/2009 Capital Plan is the replacement office accommodation for Tayside House at North Lindsay Street. The completion date for the project is November 2008. The total cost of the project is estimated at £25.018m which will be funded by a combination of Capital Receipts and Prudential borrowing. The capital resources included in the Capital Plan are as follows:

	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Combination of Capital Receipts/ Prudential Borrowing		3,650	12,395	7,445	40
Capital Plan Borrowing	<u>150</u>	<u>650</u>	<u>400</u>	<u>270</u>	<u>-</u>
	<u>150</u>	<u>4,300</u>	<u>12,795</u>	<u>7,715</u>	<u>40</u>

The precise proportions of the Capital Receipts and Prudential Borrowing will be determined at the time when the main contracts are identified and will then be reported to Committee accordingly.

7.6 **Renewal & Repair Fund Transfer**

An amount of £0.485m has been earmarked in the Renewal & Repair Fund to finance the capital expenditure in 2005/06 on the balance of Menzieshill House Replacement works (Social Work).

8 **CAPITAL EXPENDITURE 2006-2009 (GENERAL SERVICES)**

8.1 Guideline figures were prepared for the period 2006/07 to 2008/09 based on current capital commitments and Council Plan priorities. Departments were then requested to prepare a programme for the three year period that did not exceed the guideline figures.

8.2 In addition, departments 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 finance charges. A total of £11.969m of capital expenditure is included in the Capital Plan 2006-2009 in respect of revenue funded projects and the corresponding adjustments have been made in future years Revenue Budgets.

8.3 The detailed Capital Budget for 2006/07 to 2008/09 is shown on pages 8 to 35 of the Capital Plan 2006-2009 and is summarised below:

	<u>2006/07</u> <u>£000</u>	<u>2007/08</u> <u>£000</u>	<u>2008/09</u> <u>£000</u>
Legally Committed	24,475	8,519	3,049

Not Yet Legally Committed	<u>21,077</u>	<u>28,623</u>	<u>22,545</u>
	<u>45,552</u>	<u>37,142</u>	<u>25,594</u>

9 PRUDENTIAL INDICATORS

- 9.1 The Prudential Code requires the Depute Chief Executive (Finance) to prepare a set of indicators that demonstrate that the Council's Capital Plan 2006-2009 is affordable and prudent. A copy of the Indicators are detailed in the attached Appendix 1 to this report. The Indicators demonstrate that the Capital Plan 2006-2009 is indeed affordable and prudent.

9.2 **Capital Expenditure Indicators**

9.2.1 Level of Capital Expenditure

This indicator measures affordability and gives a basic control of the Council's capital expenditure. To provide an accurate indicator of capital expenditure all netted off projects are shown gross.

9.2.2 Ratio of Financing Costs to Net Revenue Stream

This also measures affordability. The measure includes both current and future commitments based on the Capital Plan and shows the revenue budget used to fund the financing costs of capital expenditure.

Variations to the ratio implies that the proportion of loan charges has either increased or decreased in relation to the total funded from Government Grants and local taxpayers.

9.2.3 Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax

This is also a measure of affordability. It shows the relative impact of the capital programme on the Council Tax. The indicator takes into consideration the effects of self financing capital projects funded from existing Revenue Budgets, the effects of government funded projects and reflects the revenue impact of capital schemes other than financing costs. The variation in the indicators shows the incremental effect of the changes from the 2005/2008 Capital Plan to the 2006/2009 Capital Plan. The associated finance charges of the 2006/2009 Capital Plan will be contained within the Council's future years Revenue Budgets.

9.3 **Treasury Management Indicators**

The Treasury Management Indicators for 2005-2008 were reported to Committee on 12 September 2005 (Report No 531-2005). These have been updated to reflect actual expenditure for 2004/05 and projected expenditure included in the 2006-2009 Capital Plan. The figures are shown in Appendix 1.

10 CONSULTATION

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

11 BACKGROUND PAPERS

None

**DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)**

21 DECEMBER 2005

DUNDEE CITY COUNCIL

PRUDENTIAL INDICATOR	2004/05	2005/06	2006/07	2007/08	2008/09
(1). CAPITAL PLAN PRUDENTIAL INDICATORS	£ p	£ p	£ p	£ p	£ p
	actual	estimate	estimate	estimate	estimate
Capital Expenditure	£'000	£'000	£'000	£'000	£'000
General Services	46,546	42,016	51,404	39,042	25,694
Ratio of financing costs to net revenue stream					
General Services	7.4%	7.8%	7.9%	7.9%	7.8%
Net borrowing requirement					
brought forward 1 April	281,233	292,714	304,075	342,647	352,893
carried forward 31 March	292,714	304,075	342,647	352,893	358,530
in year borrowing requirement	11,481	11,361	38,572	10,246	5,637
In year Capital Financing Requirement					
General Services	7,525	10,387	32,197	5,381	759
HRA	3,874	1,151	7,139	5,679	6,000
TOTAL	11,399	11,538	39,336	11,060	6,759
Capital Financing Requirement as at 31 March					
General Services	191,262	201,649	233,846	239,227	239,986
HRA	118,686	119,837	126,976	132,655	138,655
TOTAL	309,948	321,486	360,822	371,882	378,641
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	-5.54	-1.16	-3.93	-9.41	Nil

PRUDENTIAL INDICATOR	2004/05	2005/06	2006/07	2007/08	2008/09
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000	£'000	£'000
Authorised limit for external debt -					
borrowing	318,000	319,000	358,000	368,000	374,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	323,000	324,000	363,000	373,000	379,000
Operational boundary for external debt -					
borrowing	293,000	304,000	343,000	353,000	359,000
other long term liabilities	1,000	1,000	1,000	1,000	1,000
TOTAL	294,000	305,000	344,000	354,000	360,000
Upper limit for fixed interest rate exposure					
expressed as					
Net principal re fixed rate borrowing / investments	100	100	100	100	100
Upper limit for variable rate exposure					
expressed as					
Net principal re variable rate borrowing / investments	30	30	30	30	30
Upper limit for total principal sums invested for over 364 days	N/A	N/A	N/A	N/A	N/A

Maturity structure of new fixed rate borrowing during 2005/06	upper limit	lower limit
under 12 months	-	10%
12 months and within 24 months	-	15%
24 months and within 5 years	-	25%
5 years and within 10 years	-	25%
10 years and above	-	95%