

**EXETER CITY COUNCIL**

**SCRUTINY COMMITTEE - RESOURCES  
28 JANUARY 2009**

**EXECUTIVE  
10 FEBRUARY 2009**

**CAPITAL PROGRAMME (2009/10 – 2011/12)**

**1. PURPOSE OF THE REPORT**

- 1.1 To approve the General Fund and Housing Revenue Account Capital Programmes for 2009/10 along with schemes identified for the following two years.

**2. BACKGROUND**

- 2.1 In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council is required to prepare three-year capital expenditure plans and consider the affordability of its capital investment during all the years in which it will have a financial impact on the authority.
- 2.2 The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable and in considering its programme for capital investment, the Council is therefore required to have regard to:
- Affordability, e.g. implications for Council Tax and rent levels
  - Prudence and sustainability, e.g. implications for external borrowing
  - Value for money, e.g. option appraisal
  - Stewardship of assets, e.g. asset management planning
  - Service objectives, e.g. strategic planning for the authority
  - Practicality, e.g. achievability of the forward plans

**3. AVAILABLE CAPITAL RESOURCES**

- 3.1 In considering the affordability of the Council's capital plans, the authority is required to consider all of the resources currently available to it and estimated resources for the future.
- 3.2 Together with money from the Council's own capital receipts and capital reserves, the annual capital programme is financed from Government grants, Section 106 monies, partnership funding and other external grants and contributions. If necessary, the Council may borrow to supplement these funds.
- 3.3 Under the prudential capital finance system, individual authorities are responsible for deciding the level of their affordable borrowing. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.
- 3.4 The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. A report to the Executive setting out the Council's Prudential Indicators will be presented at the February meeting along with the overall budget.

### 3.5 *General Fund Available Resources*

The Council will carry forward no unapplied General Fund capital receipts into 2009/10 as the unapplied capital receipts will be fully utilised by the 2008/09 capital programme and the Council will need to borrow in order to achieve the programme. Appendix 1 sets out the use of the resources available in respect of the General Fund.

3.6 Based upon the assumption that 70% of the Capital Programme will be spent in the financial year it is approved, it is forecast that the Council will have to use borrowing for capital purposes from 2008/09 onwards.

3.7 A borrowing requirement of £20 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The current revenue cost of borrowing is approximately £65,000 for each £1 million that is borrowed. The affordability of the General Fund capital programme is ultimately decided by the incremental impact of capital investment decisions on the Council Tax.

### 3.8 *Housing Revenue Account Available Resources*

All usable capital receipts will be utilised in 2008/09. The capital programme for 2009/10 will be funded from the Major Repairs Allowance, Revenue Contribution, any capital receipts generated in the period and use of part of the HRA working balance. Appendix 2 sets out the use of the resources available in respect of the HRA.

3.9 Based upon the medium term financial plan it is projected that borrowing will not need to commence until 2010/11 for HRA capital purposes, at which point the borrowing costs will have an incremental impact on housing rents.

## 4. **GENERAL FUND CAPITAL PROGRAMME**

4.1 The proposed capital programme is set out in Appendix 3. The table below sets out the total of new capital bids included within the three-year capital expenditure plans, for Executive to consider for approval:

Status	2009/10 £	2010/11 £	2011/12 £	Future Years £
Pre-approved schemes	14,802,530	5,965,290	3,360,210	110,000
New bids	767,600	942,000	366,000	448,000
Total General Fund Capital Programme	15,570,130	6,907,290	3,726,210	558,000

4.2 The capital programme has been set out in line with the Exeter Vision themes, in order to demonstrate how the Council's capital priorities help to contribute towards their achievement. Although a number of schemes contribute to the achievement of more than one vision theme, they have been placed under the theme to which it is considered the scheme contributes the most.

4.3 Details of a selection of new capital bids are set out below, in order to provide an indication of how the Council seeks to further its capital investment.

#### 4.3.1 *An Accessible City*

It is proposed that funding is made available to upgrade the electrical wiring system of Broadwalk House car park in order to meet health and safety objectives.

#### 4.3.2 *An Electronic City*

A range of IT capital schemes are proposed for next financial year, which will help to improve service efficiency and customer satisfaction. Through the utilisation of the latest technology, improvements in data storage, data retrieval, communication and management information will be possible.

Some major schemes for this year include upgrading the property condition database, upgrading the environmental health computer system, the corporate server replacement and continued development of the corporate web presence and intranet site.

#### 4.3.3 *A City Where People are Healthy and Active*

It is proposed that funding be made available in 2010/11 to replace the athletics track at Exeter Arena. Exeter Arena has established itself as a regional centre and is attracting over one hundred events per annum. The existing track is designed for thirty events per annum and requires annual repairs to maintain an acceptable standard.

The proposal is to install a superior track surface that will cater for over one hundred events per annum and provide up to ten years usage without any substantial repair costs, except annual maintenance and relining.

#### 4.3.4 *A City Where the Environment is Cared For*

It is proposed that funding is made available from 2010/11 to 2013/14 to improve the environmental quality of the City Centre. Key outcomes will be to enhance the city centre, support the local shops and business community and improve the pedestrian environment. Potential projects include Fore Street, the Clock Tower environs and Northernhay Place.

#### 4.3.5 *A City Where the Environment is Cared For*

Funding is requested for 2010/11 and 2011/12 to improve the environmental quality of Magdalen Road. Key outcomes will be to enhance the city centre, support the local shops and business community and improve the pedestrian environment. The need for such improvements were identified in the draft St Leonard's Conservation Area Appraisal and Management Plan.

#### 4.3.6 *A City Where the Environment is Cared For*

Other bids include funding for proposed Midi Recycling Banks to help improve recycling rates and the provision of new wheelie bins for new developments and extra bins for existing properties.

#### 4.3.7 *Achieving Excellence in Public Services*

Funding has been set aside to allow urgent works within the rolling programme of replacement fire doors and the refurbishment of communal areas throughout the Civic Centre. There will also be improvements to the storage building, roadways and

walkways at Belle Isle Nursery.

## **5. ACHIEVABILITY OF THE GENERAL FUND CAPITAL PROGRAMME**

- 5.1 In order to help improve overall delivery and monitoring of the capital programme, schemes have been placed within two categories, C1 and C2. Category C1 is for those schemes that the Council is committed to and reasonably certain of being able to deliver within the planned timescales. Conversely, Category C2 is for those schemes that the Council is committed to but are less certain of being able to deliver due primarily to factors outside of the control of the Council. It is also acknowledged that some schemes will have elements within both categories.

## **6. TEMPORARY SUSPENSION OF CAPITAL SCHEMES**

- 6.1 The Council is still waiting for further developments regarding the £5 million it has on deposit with 2 Icelandic banks. It is still unclear as to if and how much of this money is ever likely to be returned to the Council. However whatever the final outcome is, it is unlikely that any of the money on deposit in Iceland will be returned in the short term. For this reason a complete review of the Council's Capital Programme was undertaken with a view to identifying up to £5 million of capital expenditure where there is currently no actual commitment entered into. A report was subsequently presented to Executive on 25 November seeking approval for the temporary suspension of capital schemes totalling £5.285 million. For information these are shown in Appendix 5.

## **7. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

- 7.1 For 2009/10, the medium term financial plan provides for a capital programme of £5.06m. A copy of the HRA Capital Programme is attached at Appendix 4.

- 7.2 The HRA Capital Programme will be funded by:

• Major Repairs Allowance	£3.273m
• HRA Capital Receipts	£0.150m
• HRA Working Balance	£0.682m
• Other Grants and Contributions	£0.075m
• Revenue Contributions to Capital	£0.880m

## **8. RECOMMENDATIONS**

- 8.1 It is recommended that the Scrutiny Committee – Resources supports and the Executive approves:

- The General Fund capital programme for 2009-10 as set out in Appendix 3
- The HRA capital programme for 2009-10 as set out in Appendix 4

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

**Local Government (Access to Information Act) 1985 (as amended)**

**Background papers used in compiling this report:**

None