

SOUTH LAKELAND DISTRICT COUNCIL
Five Year Capital Programme 2012/13 to 2016/17

APPENDIX 1

Programme Spending by Project	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000'	Total £000's
Council Houses - Aids & Adaptations	515.0	290.0	290.0	290.0	290.0		1,675.0
Council Houses - Other Major Repairs	2,120.9	1,799.2	1,799.2	1,799.2	1,799.2		9,317.7
Housing Play Areas	20.0	20.0	20.0	20.0	20.0		100.0
Site Assembly Fund For Affordable Housing	868.3	100.0	100.0	100.0	100.0		1,268.3
Kendal Museum Improvements			602.0				602.0
Disabled Facilities Grants	446.0	446.0	446.0	446.0	446.0		2,230.0
Affordable Housing Grants (AHRG)	616.8	500.0	500.0	500.0	500.0		2,616.8
Vehicle & Plant Programme	197.0	3,031.0	868.0	329.0	1,025.0	295.0	5,745.0
IT Replacements	45.0	45.0	45.0	45.0	45.0		225.0
Carbon Reduction Programme	207.2	57.0					264.2
Public Conveniences (Upgrade And Hand Over)	500.0	500.0					1,000.0
Westmorland Shoping Centre Car Park Refurbishment	728.5	200.0					928.5
Replace Car Park Pay Machines	150.0	150.0					300.0
Other projects 2011/12 (see full list in monitoring sheet)	1,046.5						1,046.5
PROGRAMME SPENDING TOTALS	7,461.2	7,138.2	4,670.2	3,529.2	4,225.2	295.0	27,319.0

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Programme Funding by source	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000'	Total £000's
EARMARKED FUNDING:							
Disabled Facilities Grant	(226.0)	(226.0)	(226.0)	(226.0)	(226.0)		(1,130.0)
Big Lottery Grant	(57.7)						(57.7)
Other Grants & Contributions (Kendal Museum 13/14)			(300.0)				(300.0)
Flood Resilience grant	(87.9)						(87.9)
Single Capital Pot	(1,182.3)						(1,182.3)
Major Repairs Allowance (MRA)	(2,683.9)	(2,137.2)	(2,137.2)	(2,137.2)	(2,137.2)		(11,232.7)
Unallocated MRA		28.0	28.0	28.0	28.0		112.0
Nobles Rest	(66.4)						(66.4)
Second Homes Discount	(789.4)	(720.0)	(720.0)	(720.0)	(720.0)		(3,669.4)
GF Major Repairs Reserve	(123.8)						(123.8)
IT Replacement Reserve	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)		(225.0)
TOTAL EARMARKED FUNDING	(5,262.4)	(3,100.2)	(3,400.2)	(3,100.2)	(3,100.2)	0.0	(17,963.2)
GENERAL FUNDING:							
Capital Receipts	(237.0)	(250.0)	(250.0)	(100.0)	(100.0)	0.0	(937.0)
Fund of Revenue Monies for Capital Purposes	(100.0)	(100.0)	(100.0)	0.0	0.0	0.0	(300.0)
Borrowing - Vehicles	(197.0)	(3,031.0)	(868.0)	(329.0)	(1,025.0)	(295.0)	(5,745.0)
Borrowing - Unsupported short-term	(1,664.8)	(657.0)	(52.0)	0.0		0.0	(2,373.8)
TOTAL GENERAL FUNDING	(2,198.8)	(4,038.0)	(1,270.0)	(429.0)	(1,125.0)	(295.0)	(9,355.8)
PROGRAMME FUNDING TOTALS	(7,461.2)	(7,138.2)	(4,670.2)	(3,529.2)	(4,225.2)	(295.0)	(27,319.0)

SLDC Capital Bids - Scoring Criteria			
Project Ref:			
AD service area			
Contact Name / Telephone Number			
Project Location			
Project Name			
Ref:	Weighting	Criteria	Scoring
STRATEGIC			
A	7	Meets Corporate Plan priorities	Number of Priorities met (1=1, 2=3, 3=5, 4=7)
B	3	Meets Environmental / Sustainability Objectives	No (0), Yes (3)
C	15	Flagship Scheme	No (0), Yes (15)
RISK MANAGEMENT / CONTINUITY OF SERVICE			
D	5	Asset Management Plan	No (0), Yes (5)
E	15	Urgency of investment in order to meet statutory obligations (e.g Disability Discrimination Act, Health & Safety, Security)	Urgent : Year 1 (15), Year 2 (10), Year 3 (5), Later Years (0)
F	10	Avoiding future business interruption	Risk assessed as 'red' (serious or major impact and likely / very likely to occur) (10); amber (5); green' (0)
PROMOTES PARTNERSHIP / LOCALISM			
G	5	Internal 'cross-cutting' benefits	No (0), Yes (5)
H	5	External 'partnership' and Localism benefits - with public, private and voluntary sector	No (0), Yes (5)
FINANCIAL			
I	20	Spend to Save Initiative - produces revenue savings / additional income	Annual savings as % of capital cost; 1 - 5% (5), 6 - 10% (10), > 10% (15), > 15% (20)
J	10	Is part funded from either externally generated resources (e.g. grants) or specific capital receipts from disposals	% of capital cost funded 0 -19% (2), 20 - 39% (4), 40 - 59% (6), 60 - 79% (8), 80%+ (10)
K	5	Meets Value for Money Criteria, promotes 'economy, efficiency & effectiveness, e.g. increase in Council Tax revenue	No (0), Yes (5)
Total	100		

Comments		
A	Which of the Corporate Plan Priorities does the project meet? : Housing; Economic Development; Environment including Climate Change;	
B	Meets objectives of Environmental Strategy in that the project explicitly takes account of its own impact both within and outside the district	
C	Major project of importance both locally and in the wider area context - such projects to be identified in the Asset Management Plan	
D	Priorities within the Asset Management Plan are projects that 1) part of urgent 'Priority 1' maintenance, or 2) have an agreed action plan, or 3) are identified as key in the Asset Management Plan	
E	Where there are major Health & Safety issues the Capital Prioritisation Group may choose to override the priority score and recommend a project be included in the Capital Programme	
F	Please refer to the risk impact grid on the separate worksheet which should have been completed by the person completing the capital bid	
G	Projects promoting joint working - across Council services, with other agencies, the public, private & voluntary sectors	
H	External partnership and localism benefits, involving the public, private and voluntary sectors.	
I	If a score is given against this criteria, it must be supported by a financial analysis, which shows the estimated revenue savings and capital costs of the project. Where revenue savings are identified, they will also need to be included in the relevant revenue budget	
J	If a score is given against this criteria, it must be supported by a financial analysis, which shows the estimated reduction in Council Tax arising from the project.	
K	The available points have been allocated to the criteria in an attempt to 'weight' them in terms of their relative priority to the Council. (The scoring system will be reviewed in use and if changes are needed then these will be implemented)	

SCHEDULE OF SCORED CAPITAL BIDS

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Ranking	Score	Capital Bid	Total Funding Requested £000	Notes
1	61	Ferry Nab Redevelopment Phases 1, 2 & 3	1,936	
3	51	Stock Ghyll Bridge Repairs - Rydal Rd Car Park	250	
4	47	Ecclerigg Depot	150	
5=	43	Highgate Public Realm Improvements	160	
5=	43	Grange Promenade - structural repairs	250	
5=	43	Replacement of lighting system and chairs at the Coronation Hall	60	
8	41	Castle Dairy - roof repairs	250	
		TOTAL CAPITAL PROGRAMME	3,056	
		Purchasing of kerbside wheelie bins and recycling boxes	45	To fund through the Vehicle & Plant Replacement Programme.
		Windermere Cemetery Culvert Repairs	55	Funding approved from General Fund Major Repairs Reserve.
		Dog Control Orders & Signage	20	To consider funding from other resources.
		TOTAL OTHER PROJECTS	120	
<p>Other potential projects: New Road Common Caravan Site Investment Kendal Museum DDA Water Harvesting SL House</p>				

2011/12 BUDGET REPORT

2012/13 TO 2016/17 DRAFT CAPITAL PROGRAMME –

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PURPOSE OF APPENDIX

The purpose of this Appendix is to provide background to the financing of the current Capital Programme and how it might change following the Housing Transfer.

Housing Transfer - Treasury Management Options

1. Background

- 1.1. The Council's long term borrowing currently stands at £20.5m, for over 40 years, all borrowed from the Public Works Loan Board (an arm of the Treasury) to fund the Housing Decent Homes programme:

PWLB Loans	Advanced	Repayable	Loan	Rate	2010/11 Interest
			£		
2005/06 Loan	29-Mar-06	29-Sep-46	5,000,000	4.10%	205,000
2006/07 Loan	25-Aug-06	29-Mar-47	3,500,000	4.25%	148,750
2007/08 Loan	02-Aug-07	29-Sep-52	3,000,000	4.55%	136,500
2007/08 Loan	04-Jan-08	29-Mar-52	3,000,000	4.42%	132,600
2008/09 Loan	07-May-08	29-Mar-58	3,000,000	4.43%	132,900
2008/09 Loan	09-Oct-08	29-Sep-58	3,000,000	4.36%	130,800
			20,500,000		886,550

- 1.2. The Council also has long-term investments of around £13.5m invested with Investec, an external investment manager. The income on the investment varies based on national and international interest rates but is currently earning around 1.2%.
- 1.3. While the Council has a Housing Revenue Account (HRA) a proportion of the interest paid and earned by the Council is recharged there. The amount of indebtedness of the HRA is called the Capital Financing Requirement (CFR). This is the HRA capital spend which has yet to be paid for through revenue or capital sources, essentially its borrowing need. The Council calculates three different CFR:

	Basis	31/3/11
Overall GF CFR (Council net debt)	Includes all SLDC assets (including non- housing)	£22.8m
Of which:		
HRA CFR	This is the actual indebtedness of the HRA. Its historical capital spend less all resources which have been applied to pay for the spend, the residual being the borrowing need.	£7.4m
But		
Housing Subsidy CFR	Actual receipts from housing assets (mainly RTB sales) and assumed expenditure on HRA assets	£13.1m

1.4. The Housing subsidy CFR is considerably higher than the HRA CFR since the Council has used HRA revenue resources in the past to fund HRA capital expenditure rather than borrowing. Where housing grant funding has been made available, such as the Single Housing Capital Pot, the Council has spent the resources on non-SLDC housing but the Government has assumed a proportion was spent on HRA houses. The Government assumes the housing net debt is £13.1m, which is what the calculation of the levy will assume, while the Council's calculation of actual housing net debt is £7.4m, which is what the calculation of interest paid by HRA is based on.

1.5. In 2011/12 the Council budgeted that the total payments of interest will be

	2011/12 Budget
	£
P W L B Interest Existing Borrowing	886,500
P W L B Interest New Borrowing	84,000
Temporary Money Interest	2,000
Finance Lease Interest	9,400
Total Interest Payments	981,900
Income Interest-Temporary Investments	-44,800
Income Interest from Car Loans	-500
Income Investec Interest	-166,300
Total Interest Received	-211,600
Net Interest Payable	770,300
HRA share	297,000
GF share	473,300
Net Interest Payable	770,300

In addition there are fixed debt costs met by housing subsidy of £41,000 which are currently charged from General Fund to the HRA and will cease following transfer.

For the purposes of this report, the only interest that needs considering is the PWLB interest on existing borrowing and the interest from Investec, along with the fixed debt costs. This gives a net General Fund interest cost of:

	£
Interest Paid – PWLB	886,500
Less Interest Received	-166,300
Less HRA contribution	-297,000
Less HRA contribution	-41,000
Net GF cost	382,200

1.6. There is a close inter-action between methods of funding capital expenditure and revenue expenditure. This table shows the impact on revenue of a £1m capital scheme which could be funded from a variety of different sources.

Funding Options:

Funding method	Revenue Implications	Impact on General Fund
Earmarked Capital Grant	No material revenue implications	£0
Revenue Contributions	Either increase Council tax or reduce expenditure	£1,000,000

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	elsewhere in revenue to fund contribution	
Capital Receipt	Main implication due to changes in interest that could be earned if the capital receipt were invested	£10,000 pa interest foregone on investment of receipt (assuming 1% interest earned)
Borrowing	Interest to be paid on borrowing and provision made for the repayment of borrowing based on the life of the asset	£40,000 interest pa (assuming 4% on borrowing) and £100,000 Minimum Revenue Provision (assuming asset bought has life of 10 years) = £140,000 per year for 10 years

1.7. The capital programme approved in February 2011 assumed a certain level of borrowing, which is reflected in the revenue budget and the Medium Term Financial Plan. This is currently being revised and the latest version is shown at Appendix 1. Paragraph 4.4 of the main report refers to the revenue implications of the latest programme.

2. Transfer

2.1. The proposed housing transfer is due to complete early March 2012. The sale is due to generate a net capital receipt of £14.3m:

	£m
Purchase price	42.4
Less transfer costs	(3.0)
Less LSVT levy	(4.4)
Less grant to SLH	<u>(20.7)</u>
Net Capital Receipt	14.3

2.2. SLDC need to decide how to treat the receipts from the transfer. There will be some capital receipts and some revenue receipts:

Receipt	When	£	What	
Main Net Capital Receipt	March 2012	£14.3m	Capital	
RTB Receipts	£200,000 per year for 30 years (based on 4 houses pa)	£6.0m	Capital	
VAT Shelter	Years 1-5	£600,000pa	£9.6m	Capital
	Years 6-10	£540,000pa		
	Years 11-15	£780,000pa		
	Based on 50% share of total VAT shelter			
HRA Working Balance	On the approval of the Secretary of State to close the HRA, following the audit of the final HRA subsidy claim (likely to be late autumn 2012)	£0.7m	Revenue	
HRA Major Repairs Reserve		£0.25m	Revenue but can only be used for debt redemption	

2.3. The main issue for decision is the level of debt to be repaid from the main £14.3m receipt. There are a number of options – repay all debt, repay no debt or repay some debt. These options are shown in the table below:

	Before Transfer	Repay all debt (includes using investments)	Repay no debt	Neutral impact on GF
	£m	£m	£m	£m
Gross borrowing @ March 2012	20.5	20.5	20.5	20.5
Gross investments @ March 2012	-13.1	-13.1	-13.1	-13.1
Net SLDC Debt /(Investment)	7.4	7.4	7.4	7.4
Capital Receipt	0.0	14.3	14.3	14.3
Less debt repaid	0.0	-11.8	0.0	-7.8
Less premium on debt repayment	-0.9	-2.5	0.0	-1.0
Available Capital Receipt	-0.9	0.0	14.3	5.5
Debt outstanding after repayment	20.5	0.0	20.5	12.7
Investment outstanding after repayment	-13.1	-4.4	-27.4	-13.1
Net SLDC Debt /(Investment)	7.4	-4.4	-6.9	-0.4
Interest	£	£	£	£
Interest paid on borrowing	886,550	0	886,550	547,300
Interest earned on investments	-166,300	-55,856	-347,834	-166,300
Net Interest payments	720,250	-55,856	538,716	381,000
Current GF net interest budget	382,200	382,200	382,200	382,200
Additional Cost / (Saving)	338,050	-438,056	156,516	-1,200

- a) In order to repay the indebtedness of the HRA, £7.4m of the set aside usable capital receipts will need to be applied to the Capital Adjustment Account to reduce the CFR – essentially repay the HRA indebtedness. This is purely an accounting adjustment and no money would physically change hands.
- b) It is usual that if the indebtedness is repaid through capital receipts, the physical debt is repaid. In this case the Council would need to use some investments (part of the capital £14.3m capital receipt) to repay debt but at the end of the exercise it would be left with investments of £4.4m, no debt and a reduction in the revenue budget of £438,000. There is also a facility to use the usable capital receipts to pay for the redemption premium on the debt repayment. Currently this is £2.5m, but is expected to reduce before March 2012.
- c) If no debt is physically repaid, all debt interest will fall on the General Fund so the revenue budget will increase but the whole receipt of £14.3m would be available for capital investments. Initially the net interest payable by GF would increase by £156,500 but this would increase as the capital is spent on projects. This option is not recommended.
- d) To have a neutral impact on the GF interest budget it is necessary to repay £7.8m of debt which would leave £5.5m available to fund the capital programme.

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- 2.4. These figures do not take account of the impact of the VAT shelter and the RTB receipts, which must be used for capital purposes nor the revenue implications of the HRA working balance and HRA Major Repairs Reserve. These figures assume the capital receipt is invested – as the receipt is spent the revenue savings will reduce.
- 2.5. The figures in paragraph 2.3 include the payment of premiums on the early repayment of debt. Premiums are due where interest rates have fallen since the loan was taken out. This is because the PWLB will only be able to lend the money to a new borrower at a lower rate than they were expecting from us. Because interest rates are at such a low level, the premiums are around 10% of the balances:

PWLB Loans	Advanced	Repayable	Loan	Rate	Premium
					@ 15/8/11
			£		
2005/06 Loan	29-Mar-06	29-Sep-46	5,000,000	4.10%	340,087
2006/07 Loan	25-Aug-06	29-Mar-47	3,500,000	4.25%	342,417
2007/08 Loan	02-Aug-07	29-Sep-52	3,000,000	4.55%	515,214
2007/08 Loan	04-Jan-08	29-Mar-52	3,000,000	4.42%	424,366
2008/09 Loan	07-May-08	29-Mar-58	3,000,000	4.43%	484,744
2008/09 Loan	09-Oct-08	29-Sep-58	3,000,000	4.36%	440,022
			20,500,000		2,546,850

Premiums are payable when the loans are repaid. There is a possibility that premiums will fall in the future as interest rates rise again. If it was expected that interest rates would rise within a couple of months it may have been worthwhile running the loans for a few months to avoid some of the premium payments but the current interest rates of interest are unlikely to recover over the next couple of years significantly and for each year the loans run, interest has to be paid at the current rates. If only some of the debt is repaid, the debt with the highest interest will be repaid first.

- 2.6. Negotiations are still proceeding with South Lakes Housing and many estimates are still to be confirmed, especially the amount of the pension fund deficit, the timing and value of receipts under the VAT shelter, the timing and value of Right to Buy receipts and the value and timing of the write off of any premium paid on redemption of debt. However, some assumptions are necessary to prepare both revenue and capital budgets. It is therefore proposed the following assumptions are used:

Receipt	When	£	What	Proposed Budget Assumption
Main Net Capital Receipt	March 2012	£14.3m	Capital	Receipt is used to repay debt to ensure neutral interest & debt impact on General Fund budget (currently estimated as £7.7m + premium). Remaining £5.5m used in capital programme instead of currently programmed borrowing from 2012/13 onwards. No borrowing in capital programme except to fund vehicles & plant.
RTB Receipts	£200,000 per year for 30 years	£6.0m	Capital	Assume will be used to fund capital programme but do not anticipate receipt in setting programme due to uncertainty, only include in programme as

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					realised.
VAT Shelter	Years 1-5	£600,000pa	£9.6m	Capital	Assume available to fund capital programme from 2013/14 onwards, always applied one year in arrears.
	Years 6-10	£540,000pa			
	Years 11-15	£780,000pa			
HRA Working Balance	On the approval of the Secretary of State to close the HRA, following the audit of the final HRA subsidy claim (likely to be late autumn 2012)		£0.7m	Revenue	Add to General Reserve
HRA Major Repairs Reserve			£0.25m	Revenue but can only be used for debt redemption	Use to repay borrowing

These assumptions have been applied in preparing the Capital Programme set out in Appendix 5

SOUTH LAKELAND DISTRICT COUNCIL

APPENDIX 5

Five Year Capital Programme 2012/13 to 2016/17 Proposed additional projects with Funding

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000'	Total £000's
Proposed projects							
Ferry Nab Redevelopment Phases 1, 2 & 3		1,050.0	886.0				1,936.0
Stock Ghyll Bridge Repairs - Rydal Rd Car Park		250.0					250.0
Ecclerigg Depot		150.0					150.0
Highgate Public Realm Improvements		160.0					160.0
Grange Promenade - structural repairs			250.0				250.0
Replacement of lighting system and chairs at the Coronation Hall		60.0					60.0
Castle Dairy - roof repairs			250.0				250.0
Replace borrowing in current Capital Programme (Appendix 1)	1,664.8	657.0	52.0				2,373.8
Total proposed expenditure	1,664.8	2,327.0	1,438.0	0.0	0.0	0.0	5,429.8
HOUSING TRANSFER RECEIPT 2012/13 £5.5m net	(1,664.8)	(2,327.0)	(838.0)	(670.2)			(5,500.0)
VAT SHELTER			(600.0)	(600.0)	(600.0)	(600.0)	(2,400.0)
Total possible Resources from Housing Transfer	(1,664.8)	(2,327.0)	(1,438.0)	(1,270.2)	(600.0)	(600.0)	(7,900.0)
Balance of Resources available	0.0	0.0	0.0	(1,270.2)	(600.0)	(600.0)	(2,470.2)