

## APPENDIX D

### CAPITAL FINANCING OF CENTRAL BEDFORDSHIRE ICT TRANSITION COSTS

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#### Background

The transitional costs budget approved originally approved by the Shadow Council for establishing Central Bedfordshire included elements of cost in respect of ICT that is correctly treated as capital expenditure and which could be funded from capital resources (capital receipts or borrowing), rather than revenue reserves, which is the source of funding for other transition costs. In addition, some of this expenditure is primarily “invest to save” expenditure in respect of enhancement of systems rather than transition.

#### Capitalised ICT Transition Costs – 2008/09 Outturn Position

As the closure of accounts has progressed the actual outturn position on 2008/09 ICT Transition Costs has been ascertained and reviewed. This analysis has indicated that the ICT expenditure in 2008/09 that is capital in nature, and which can be financed from capital resources, is just over £3.671 million. This expenditure is summarised below:

<b>Capitalised ICT Transition Costs – 2008/09</b>	
<b>Description</b>	<b>£</b>
Income Management System	6,513
Various Software licences	18,460
Citrix Operating Systems & Access Software	470,008
Network Provision	9,122
Data Storage & Servers	1,007,790
Vmware Operating System	77,797
SAP Software & Integration	105,919
Cisco Equipment and Software (Telephony)	772,905
Microsoft Software Licences	784,807
Document Access Software & Content Management system	45,044
Symantec Anti-virus software	231,383
Call Centre Hardware & Software	141,400
<b>Total</b>	<b>3,671,148</b>

This expenditure will need to be financed by the use of Mid Bedfordshire capital receipts in 2008/09 – of the three demised authorities, only Mid Bedfordshire has a sufficient level of capital receipts carried forward to undertake this course of action.

Further financing of ICT capital expenditure associated with transition in 2009/10 could be undertaken by use of either capital receipts or borrowing, dependent on the most advantageous option to the authority.

Financing around £3.671 million from capital receipts in 2008/09 has a limited financial impact in the medium term, the revenue impact being lost investment interest. At an estimated interest rate of 2%, the reduction in interest would be around £73,000 per annum. Of more significance is the potential impact in the longer term of having used capital receipts that will no longer be available, requiring the use of borrowing, with the resultant Minimum Revenue Provision and interest consequences associated with this.

Recommendation 2 of the report to the Executive consequently recommends that the Executive approves funding in 2008/09 of £3.671 million from Mid Bedfordshire usable capital receipts in respect of ICT capital expenditure previously included in the revenue budget for the Transition Costs associated with implementing Central Bedfordshire Council.