

Report to: **Cabinet**

Date: **17 November 2004**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Capital Programme 2005/06 to 2008/09**

Purpose of report: **To provide Cabinet with an update on the preparation of the Capital Programme for 2005/06 to 2008/09 including the mid-term review of 2004/05.**

RECOMMENDATIONS

The Cabinet is recommended to:

- 1. note the position on preparation of the 2005/06 Capital Programme ; and**
 - 2. approve the revised 2004/05 programme following the annual mid-term review.**
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1. Financial Appraisal

1.1 This report reflects a number of significant financial issues. First, the mid-term review of the currently approved programme indicates that some £9m of planned spend in 2004/05 will now be rephased to (mainly) 2005/06. In addition the whole of the current programme to 2007/08 will be some £0.9m less than originally planned. Second on the basis of the current resource projections through to 2008/9, there will be a major mismatch between resources available and the current programme plus new bids. The new bids reflect some significant cost items in areas of significant emerging priorities (e.g. the Bexhill to Hastings link road, the Hastings and Rother post-16 review of education). Thirdly, as a result, there will need to be a significant reprioritisation of the future programme to ensure a balanced position. Finally, a review of the future resource assumptions is underway, as is usual at this time.

2. Introduction

2.1 The Capital and Property Strategy Group (CAPS), on behalf of the Deputy Leader and Deputy Chief Executive and Director of Corporate Resources, is taking a lead role in preparing the four year capital programme and reviewing the current year for consideration by the Cabinet at the appropriate time. The results of the mid-term review, plus the progress made to date on the future programme are contained within this report.

3. Mid-term review and Committed Programme

3.1 The mid-term review is a new initiative and has provided a stringent assessment of the current programme in order to make any necessary revisions relating to changes in deliverability, circumstances, priority, cost or phasing. This exercise has provided a much more robust starting point from which to assess future risks as the total liability to the County Council arising from its committed programme has been fully determined.

3.2 The review proposes significant changes in the phasing of the programme with some £9m of the current year programme being rephased mainly to 2005/06 (see Appendix A) but overall, the review proposes a reduction of £874,000 over the life of the current programme.

3.3 The key cost proposals, over the life of the current programme as a result of the mid-term review are:

		Saving
•	Removal of St. Mark's House scheme	-£640,000
•	Increases in Education schemes:	
	-Ticehurst	£216,000
	-Wallands	£204,000
	-Pevensey & Westham	£349,000
	-Other increases (net)	<u>£ 81,000</u>
		£850,000
•	Less reductions	
	-Secondary Schools Specialist Rooms	-£349,000
	-Feasibility Studies	<u>-£735,000</u>
		-£234,000
	Total Saving	<u>-£874,000</u>

3.4 The revised current programme, set out in Appendix A, represents the starting point for the production of the 2005/06 to 2008/09 capital programme. While currently approved schemes will have some priority status, the process will need to consider new or changing priorities as well as the latest view on resource availability. In addition a number of significant schemes in the current programme are heavily dependent on attracting significant external funding. These will need to be reassessed.

4. Resources

4.1 The initial planning assumptions for likely resources for 2005/06 to 2008/09 reflect those underpinning the current approved programme; with the exception that for 2008/09 it is assumed that a similar level of new resources will be available to that already assumed for 2007/08. This is set out in Appendix B. The key points to note are:

- It assumes contributions from revenue to capital of some £2.3m per year for five years (i.e. £11.5m in total);
- It assumes a certain level of 'supported' borrowing, recognising that because of the 'floor' mechanism, the Council will not necessarily receive the proper support for the resulting debt charges, for the medium term; and
- The initial resource assumptions do not as yet include any new 'unsupported' borrowing which the Council could choose to take out. (This adds some 10 pence to the revenue debt charges per annum for every £1 of capital borrowed).

4.2 I am currently undertaking a review of the available capital resources, including capital receipts, and the outcome of this will be reflected in the resources planning assumptions in later reports to the Cabinet. It is clear, however, that the revised current programme leaves very little available for new bids over the next 4 years and (as was the case when the original programme was approved in February) it is inevitable, therefore, that considerable reprioritisation will be required to accommodate emerging priorities such as, for example, the Bexhill and Hastings Link Road.

5. Approach to Prioritisation

5.1 Given the very limited resources, the Capital and Property Strategy Group intend to focus attention on the top three priority categories and given careful consideration in each case to:

- Key capital investment themes arising out of key policy steers (as per the approved Corporate Asset Management Plan);
- Timing of delivery and the potential to phase across financial years;
- What could be achieved with less resources; and

- Consequences of non-delivery (e.g. failure to meet statutory obligations / risk of legal action / cost of alternative minimum actions necessary).

6. Bids for New Starts

6.1 A summary of new bids for new starts and rolling programmes from departments, over and above the revised current programme, against general resources, within each priority is attached at Appendix C. The value of new investment bids over the four year period falling into the top four priority categories amounts to £134m, (i.e. £76.6m education, £18.6m Social Services, £27.4m Transport and Environment, and £11.4m for CRD). Over in the next 4 years these bids exceed available resources by some £111m. Given the immense pressure on the programme from new bids on top of currently approved schemes, the view has been taken that bids having a lower priority would not be presented this year. Bids will be subjected to challenge by the Capital and Property Strategy Group and this work is continuing.

7. Consequences

7.1 In the light of the heavy demand on resources, the critical appraisal of the content and size of both new bids and 05/06 starts (including rolling programme) will be continued in order to ensure the highest priority bids are included in the programme which will be considered by Cabinet later in the budget cycle.

8 Conclusion and Reasons for Recommendations

8.1 There is a significant challenge in producing a balanced and resourced programme for period 2005/06 – 2008/09. The work of CAPS will continue over the next 2 months to meet this challenge and produce recommendations for Cabinet later in the budget cycle.

8.2 Part of establishing the future programme requires a clear view of the progress of current schemes. It is recommended that Cabinet approve the rephrased 2004/05 programme to form a secure foundation for developing the future plan.

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