

Report to: **Cabinet**

Date: **27th January 2004**

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

Title of report: **Capital Programme 2004/05 to 2007/08**

Purpose of report: **To provide Cabinet with an update on the preparation of the Capital Programme.**

RECOMMENDATIONS

Cabinet is recommended to note the:

- 1. resourcing position for the 2004/05 Capital Programme and the estimated position for the following 3 years;**
 - 2. schemes recommended for inclusion in the draft Capital Programme for the period 2004/05 to 2007/08;**
 - 3. draft prudential indicators for the period 2002/03 to 2006/07 resulting from the proposals for capital investment contained within this report.**
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1. Financial Appraisal

1.1. The report sets out the financial position in the short and medium term for capital investment and the schemes recommended for inclusion in the Capital Programme. The resultant revenue consequences have been built into the medium term financial plan.

2. Introduction

2.1. 2003/04 has seen the abolishment of Credit Approvals and the introduction of a new funding regime in 2004/05 for capital. This is based on the affordability of the proposed investment plans as demonstrated by a series of self imposed prudential indicators. The government no longer determines the amount the Council borrows but continues to support some borrowing through revenue support grant.

2.2. The Capital & Property Strategy Group has taken the lead role in preparation of the four year Capital Programme, which is now nearing completion. The Lead Member for Corporate Resources is a member of the group. The prioritisation model agreed by Cabinet in July 2002 has again been used (Annex A). This report sets out progress to date made by the group and the latest position.

3. Resources

3.1. Following the announcement of supported borrowing in December the resource position has now become reasonably certain. The main highlights are:

- Supported capital element (the successor to Basic Credit Approvals) is approx £24m in 2004/05 and in 2005/06. This is higher than prudently planned for and is largely due to:
 - i) A successful Local Transport Bid of £11.9m in total.
 - ii) The inclusion in the SCE of some of the resources for the New Deal for Schools condition and modernisation funding (£3.5m). This had been previously awarded as a Supplementary Credit Approval. The inclusion of this in the SCE gives the Council greater freedoms about how this funding is used.
 - iii) Funding from the Government for investment in schools has been awarded at a level of £1.9m. At this point last year there was little information about how such funding would be awarded in the future. In addition, funding for the Schools Access Initiative has been awarded for both 2004/05 and 2005/06 at a level of £0.8m

- The introduction of the capital programme reserve which injects much needed additional resources into the programme

3.2. In summary, the estimated total resources for the overall capital programme for the four years to 2007/07 is £137m. Excluding scheme specific resources and the future committed programme from new starts in 2003/04 and earlier, the estimated general resources for new starts in 2004/5 to 2007/8 is £81.7m; with £21.9m available in 2004/5. Annex B shows the latest resource assumptions for planning purposes

3.3. The committed programme i.e. capital spending arising from previous years programmes is £23 million over the next four years.

3.4. The current proposed four year programme is shown at Annex C. It should be remembered that while all schemes on the original list are shown, some have been reduced or rephased from the original project appraisal proposals. Annex D contains a complete listing of all schemes i.e. schemes shown in the committed programme or financed from scheme specific resources. Annex E contains the draft prudential indicators arising from the proposed capital programme. These are set on an annual basis and are a requirement of the new Local Government Act 2003.

3.5. Throughout the four year period of the programme it is recommended to support schemes from general resources that are of a priority 3 level or higher and as an exception the County Archive as a priority 4. In this specific case, however, the scheme would only go ahead if the significant external contributions hoped for actually materialise. Although not all resources identified will be used, it is recommended that some resources be held back to:

- Provide a buffer zone against the failure to secure all the capital receipts expected;
- Build capacity into the programme for new schemes arising in the future which meet emerging priorities;
- Protect the programme against unplanned expenditure which cannot be accommodated within the existing budgets.

3.6 In terms of policy direction the proposed programme includes the following:

- Meeting new school places in the prioritised areas and supporting NDS initiatives.
- Maintaining significant internal investment to help achieve related PSA targets viz a viz rights of way and the non-principal road network.
- A new Lewes Library.
- Adequate provision for the replacement of core back office systems (known as the CBOSS project).
- Significant contribution to the cost of the building maintenance backlog and continuation of some contribution to disabled access to public buildings.
- Maintaining investment in home adaptations to enable social services clients to remain in their homes.
- A significant programme to re-configure children's residential services. This, however, is dependant on a substantial external grant bid before it could actually go ahead.
- Fully meeting the LTP award for related programmes but maintaining, in addition, investment in life expired street lighting equipment.

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