

Report to: **Cabinet**

Date: **15 November 2005**

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

Title of report: **Capital Programme 2006/07 to 2010/11**

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

RECOMMENDATIONS

Cabinet is recommended to:

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

1.1. The mid-term review has confirmed that some £9.3m of spend will be rephased to later years. There remains a significant mismatch between the bids for future years and the resources likely to be available to fund them. As a result, there will need to be a significant reprioritisation of the future programme.

2. Mid-Term Review and Committed Programme

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 the lead in preparing the draft four year capital programme and reviewing the current year for consideration by Cabinet.

2.2. The 2005/06 budget cycle saw the introduction of the '2+3' model. This was a change in emphasis from previous years and, for the first time, a two year, fully resourced, capital programme was set (the '2' of the '2+3'). In addition this approach considered the full investment needs of the authority over the medium term and highlighted a significant excess of ambition over likely resources for 2007/08 onwards (the '3' of the '2+3').

2.3. The mid-term review was initiated last year as a stringent reassessment of the current programme in order to make any revisions relating to deliverability, priority, cost or phasing. This then forms a firm basis for setting the future programme, one in which the liabilities arising from the current programme (and the schemes due to start in 2006/07) have been robustly examined.

2.4. The review confirms the significant changes in the phasing of the programme as reported in the regular monitoring reports with some £9.3m being rephased to later years (mainly 2006/07). The most significant of these by value are:-

▪ Tideway school rationalisation	£500,000
▪ CBOSS financial systems	£1,300,000
▪ Planning blight / part 1 claims	£1,000,000
▪ Bexhill / Hastings link road	£900,000

2.5. Overall the review shows a reduction of £4.3m over the life of the programme due to:

▪ Removal of Hailsham Primary Places bid (2006/07 to 2009/10)	-£3,827,000
▪ Hastings secondary school reorganisation (2005/06 to 2008/09)	-£600,000
▪ Reduction in Part 1 claims	-£1,000,000
▪ Reduction in the cost of the depot rationalisation	-£175,000
▪ Increased cost of Peacehaven school extension	£1,250,000

2.6. The revised programme resulting from the review is set out at Appendix A and remains fully funded. This will underpin the production of the 2006/07 to 2010/2011 programme.

3. Resources

3.1. The initial planning assumptions reported to Cabinet in February 2005 for the likely level of resources for 2006/07 to 2010/2011 are being updated. In previous years, notifications of 'supported borrowing' have been regarded as resources and been reflected in the overall programme. It has become abundantly clear that as a consequence of being a 'floor' authority the County Council does not actually receive any support for these allocations. The amount of borrowing that can be undertaken to support the capital programme is now determined solely by what can be afforded in the revenue budget rather than these allocations of so called 'supported borrowing'. This issue also fundamentally questions whether the Council should be bidding for any funding stream which is awarded in the form of a so called "supported borrowing allocation".

3.2 In this context, in respect of the link road, the development phase (i.e. 2005/06 to 2006/07) is fully funded but Cabinet have indicated that LTP spend in 2006/07 may need to be adjusted if Government fail to provide some support. The full additional build costs etc – currently estimated at some £47m after 2006/07 represents a significant addition to the excess ambition in the last 3 years. This still assumes 50% of the cost is met by grant.

3.3 All available capital resources, including capital receipts are being reviewed. The outcome of this review will be reflected in the resource planning assumptions in later reports to Cabinet. It is clear that the revised programme leaves little scope for additional new bids over the next 4 years. In addition, against the backdrop of a tightly constrained revenue budget, there is limited opportunity to increase the revenue funding for additional borrowing costs or other types of revenue support for the capital programme. Consequently, considerable reprioritisation is needed to bridge the gap between the aspirations shown in the bids (some of which meet critical service investment needs) and the likely level of resources available.

4. Bids for new starts

4.1. The total bids for new starts and rolling programmes from departments exceed the available resources by over £100m. Given the pressure on the programme from these bids on top of the currently approved programme, bids having lower priority will not be considered this year. Bids continue to be subjected to challenge by the CAPS group to ensure that only bids of the highest priority are included in the programme.

Sean Nolan
Deputy Chief Executive & Director of Corporate Resources

CONTACT OFFICER: Richard Hemsley Tel. 01273 481820