

## CAPITAL PROGRAMME

### 1 SUMMARY

- 1.1 This report reviews the current Capital Programme, seeks approval to the Capital Strategy for 2004/05 and considers the initial position regarding prudential borrowing.

### 2 BACKGROUND

- 2.1 As part of the Budget Strategy each year the Council agrees a Capital Programme for the coming financial year and the following two years. The programme covers all General Fund services and housing. The programme shows anticipated resources and the programme of expenditure.
- 2.2 The Council is required to produce an Annual Capital Strategy to show that the Authority has taken a strategic approach to the setting of the Capital Programme. Other key documents and strategies feed into the Capital Strategy. These include the Corporate Plan/ Best Value Performance Plan, the Asset Management Plan and the Housing Business Plan.
- 2.3 The Capital Programme agreed in the Budget Strategy should be based on the agreed Capital Strategy.
- 2.4 Prudential borrowing is the proposed new basis for Local Authorities to borrow for capital projects. It replaces the current system of allocation from the Government known as credit approvals. It is intended to grant more freedom to the Council in that an authority will be able to determine its own level of future borrowing. A key aspect in establishing the new system will be compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) prudential borrowing guidelines.

### 3 CONSIDERATION

- 3.1 Appendix A outlines a revised Capital Programme based on the budget strategy agreed earlier this year. The programme has been updated with new information principally following the closure of accounts for 2002/03. Key items to note are as follows:-

Line	Item	Change
2	IT requirements	Available budget in 2002/03 brought forward into 2003/04.
9	Land Rover	Decision taken to defer purchase in 2002/03 and re programme in 2003/04

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15	Car Park patrol vehicle	Vehicle replacement was originally in 2003/04 but put back to 2004/05. Following an accident the vehicle was replaced in 2003/04.
19	Leisure Contract Commitments	Works undertaken over the financial years 2002/03 and 2003/04.
22	Disability Discrimination Act	Discussions continuing on the priority for these works. Budget for 2002/03 now shown in 2003/04. See later item in this report.
26	West Street, Rochford (37 – 39)	Payment of funds linked to CPO process. Funds now moved into 2003/04
29	Holt Farm School Crossing (Essex County Council)	Works undertaken. Awaiting invoice from ECC. Funds now shown in 2003/04.
31	Downhall/London Road Junction (Essex County Council)	Works undertaken. Awaiting invoice from ECC. Funds now shown in 2003/04.
34	Additional CCTV	Works now shown in 2003/04
35	Playspaces	Unable to undertake works in 2002/03 now shown in 2003/04
36	Cherry Orchard Jubilee Country Park	Grant monies used in 2002/03 and Capital Programme provision carried forward into 2003/04.
39	Sweyne Park	Budget for outstanding items carried forward to 2003/04.
60	Basic credit approvals	Now removed from 2004/05 and 2005/06 following introduction of prudential borrowing.
62	Town Centre Regeneration Reserve	Revenue reserve now shown in revenue account.
70	Housing Capital Receipts	New estimates.

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74	Overall Balance on the Capital Programme	Programme currently is overdrawn although it is expected to be corrected by slippage and additional capital receipts.
89	Conversion of properties	Available budget in 2002/03 carried forward to 2003/04.
111	LASHG	Removal of £300,000 provision plus underspend in 2002/03 carried forward to 2003/04.
112	Private sector renewal grants	Available budget in 2002/03 carried forward to 2003/04
115	Credit approvals	Now removed from 2004/05 and 2005/06 following the introduction of prudential borrowing.

#### **4 CAPITAL STRATEGY**

- 4.1 Appended to this report at Appendix B is the draft Capital Strategy for submission to Go East by the end of July. The strategy is the expression of the basis for the authority's capital investment. It must reflect the corporate decision-making process, corporate priorities and links with all other strategies and plans. Members will see that the Capital Strategy includes the proposed usage of prudential borrowing.

#### **5 PRUDENTIAL BORROWING**

- 5.1 At the moment capital expenditure is financed by capital receipts from the sale of assets and credit approvals issued by the Government. These credit approvals will end when the new system of prudential borrowing is introduced.
- 5.2 The basic principle of the new system is that Local Authorities will be free to invest in new capital spend so long as their capital spending plans are affordable, prudent and sustainable. CIPFA has produced a prudential code that sets out the indicators that Local Authorities must use and the factors they must take into account to demonstrate that they have fulfilled this objective.
- 5.3 The aim is for the new legislation to be in force from 1 April 2004. However, there is the possibility of some delay as there are many issues that the Government has to address to make the new system fit in with current accounting conventions, subsidy rules and miscellaneous legislation currently affecting capital.

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- 5.4 Capital investment is a critical part of the budget strategy in that we will be unable to deliver existing services or respond to new demands without it. In future the decisions to invest will be based on the budget strategy and whether it is affordable and represents a prudent and sustainable level of capital investment.
- 5.5 This Council currently sets its budget within a three-year budget strategy which integrates revenue and capital and has projected levels of resources including Council Tax levels. In agreeing our budgets on this basis we are well ahead of many other Local Authorities as the prudential code emphasises that this is the form that must be in place.
- 5.6 The prudential code stresses that the decisions relating to capital are far wider than the financial programme and that capital investment must have regard to:-
- Option Appraisal.
  - Asset Management Planning.
  - Strategic Planning for the Authority
  - Achievability of the Forward Plan.
- 5.7 When dealing with affordability the prudential code sets out a number of specific indicators. Members will know that the revenue implications of borrowing will be met from either the General Fund or the Housing Revenue Account. In looking at affordability the impact of borrowing cannot be viewed in isolation. In line with the way that the existing budget strategy is considered, all budget issues, including prudential borrowing, need to be brought together to form a complete picture. Included in the list of key items that need to be considered will be:-
- The finalisation of the detailed legislation essential to introduce prudential borrowing.
  - Corporate aims and objectives.
  - Cost increases facing the Council including salaries and pension costs.
  - The basis for the distribution of general Government support and in particular decisions relating to floors and ceilings.
- 5.8 At the moment the future consideration for the use of prudential borrowing is being restricted to the funding for the new Park Sports Centre. The reason for this is that in agreeing to the new centre the capital costs could either be met by Holmes Place or the Council. As the Council has the ability to borrow at a much lower rate than Holmes Place it makes economic sense for the Council to undertake any borrowing for the scheme.
- 5.9 Further announcements by the Government will be monitored for the outstanding detailed changes in relation to prudential borrowing and work will be undertaken to identify the prudential indicators applicable to Rochford. A future report will be made as part of the coming budget process.

**6 ADDITIONAL ITEMS FOR THE CAPITAL PROGRAMME**

- 6.1 There are a number of items, which are not shown in the detailed capital programme. Firstly the use of prudential borrowing will be included on approval of the final scheme, the introduction of the legislation and the agreement to the prudential indicators.
- 6.2 Members will be aware that consideration is currently being given to the future of office accommodation. The scheme is being developed on the basis of being self-financing. This will be included within the capital programme following approval to any scheme.
- 6.3 Bids made to Thames Gateway are not included within the programme. Following approvals of any final scheme by Thames Gateway and this Council they will be included.

**7 IMPLICATIONS**

- 7.1 The Capital Strategy the resultant Capital Programme and prudential borrowing have the potential to impact on all corporate objectives and revenue budgets.

**8 RECOMMENDATION**

- 8.1 It is proposed that the Committee **RESOLVES**
- (1) To agree the revised Capital Programme.
  - (2) To agree the Capital Strategy.
  - (3) To note the progress in relation to prudential borrowing.

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**Background Papers:**

None

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