

## **SCRUTINY COMMISSION - 27<sup>TH</sup> JANUARY 2003**

### **REPORT OF THE DIRECTOR OF RESOURCES**

#### **CAPITAL PROGRAMME 2003/04 TO 2005/06**

#### **Purpose of Report**

1. This report provides information on the proposed capital programme for 2003/04 and the draft programmes for the Education and Transport main programmes for 2004/05 and 2005/06.

#### **Background**

2. Reports detailing the capital programme are being considered by each Scrutiny Committee. The comments of these committees will be considered by this Commission.
3. The Cabinet will consider the results of the Scrutiny process at its meeting on 4<sup>th</sup> February 2003 prior to consideration of the Capital Programme by Council on 19<sup>th</sup> February 2003.

#### **Government Resources**

4. The announcements of the Single Capital Pot (SCP) and other information on capital allocations were made in the middle of December.
5. The majority of the SCP has been allocated according to needs, on the traditional formula basis. However 5% of the total resources (known as the discretionary element) has again been allocated by the regional government offices, following assessment of service plans and council's capital strategies and asset management plans.
6. The allocation of this discretionary element of the SCP has resulted in an allocation of £741,000 to the County Council, which represents a considerable improvement compared with 2002/03, this continues, however, to be below average for English Counties. The increased allocation is mainly due to an improved assessment of service delivery for Transport, as reflected in the Annual Progress Report to the Department of Transport.

7. The table shown below compares these resources for 2003/04 with those of the previous year.

	ACG*	SCA#	Grant	Sub Total	Resources B/fwd & Other Inc.	Total 2003/04	2002/03^ for comparison
	£000	£000	£000	£000	£000	£000	£000
Education	7,643	5,138	5,689	18,470	3,563	22,033	11,762
Transportation	14,630	776	276	15,682		15,682	12,974
Social Services	412			412		412	650
Environmental, Protective And Cultural Services (EPCS)	71			71		71	105
<b>Total</b>	<b>22,756</b>	<b>5,914</b>	<b>5,965</b>	<b>34,635</b>	<b>3,563</b>	<b>38,198</b>	<b>25,491</b>

\* (Annual Capital Guideline)

# (Supplementary Credit Approval)

^ Excludes resources b/fwd from previous year

8. Basic programmes for 2003/04 for Education and Transportation are presented in line with these resources in Appendix A.

9. The ACG for EPCS and Social Services together with the discretionary element of the SCP have been added to capital receipts to provide the estimated total of available discretionary resources.

### **Resources provided for Education**

10. The resources cover basic need provision, a new specific allocation to support the expansion of popular and successful schools and specific allocations in respect of NDfS Condition and Modernisation, the Schools Access Initiative and Nursery Grant. Targeted capital funding is also included for the ongoing project to replace the special schools in Melton.

11. The resources set out in the table above exclude the following schools capital allocations:-

- schools devolved capital (£7.792m)
- seed challenge (£0.715m)

The devolved capital resources show an increase compared with 2002/03, e.g.

- 1200 place secondary school will receive £88,000 rising to £100,000 in 2005/06
- 240 place primary school will receive £21,000 rising to £23,000 in 2005/06

12. In addition, it is expected that £3m of funding from the New Opportunities Fund will be provided over three years commencing with design work in the current year, for the enhancement of sporting facilities within schools.

13. A bid for funding under the DfES Targeted Capital Fund (£3.44m) has been submitted in respect of a scheme to replace existing special needs provision in the Hinckley area with an area special school. The overall scheme cost is £4.3m. Decisions upon the allocation of this fund are not expected until March. If this bid is unsuccessful this will release resources of £860,000 for the two years 2003/04 and 2004/05 to meet needs identified in the Asset Management Plan (AMP).
14. No specific reserve schemes have been included due to the difficulty of delivery of expanded programmes of this nature. If slippage arises within the minor works programme, then priority will be given to accelerating smaller value projects identified within the AMP.
15. Provision has been set aside in 2003/04 to initiate forward design for the replacement of two of the five 'Intergrid' secondary schools within the County as a result of revised advice on the remaining life of these buildings from structural engineers. The DfES will be consulted on the whole issue of this potentially significant commitment against future year resources.

### **Resources provided for Transportation**

16. The increase in resources compared with 2002/03 partly reflects a more positive assessment of the 2001/02 Annual Progress Report on delivery of the Local Transport Plan and a revised formula for maintenance.
17. The programme presented is based upon block allocations notified in the LTP settlement adjusted for recovery of projected excess payments of £0.418m which will feature in a report on the second review of capital payments. Given the limited time available since the settlement was announced no details of schemes are provided. Details of individual projects to be undertaken from within the various blocks will be subject to approval by the Cabinet.
18. The Rearsby bypass has been provisionally accepted as a major scheme, subject to the completion of the relevant statutory procedures and final approval by Ministers. Due to the notification of the increased cost of the scheme, further discussions will be held with GOEM regarding additional funding. The resources include a provisional sum of £0.5m for a start on the project.
19. The Department of Transport requires a re-appraisal of the proposed bypass of Earl Shilton in accordance with the latest guidance on major highway schemes in view of the concern over the significant increase in cost (£3.67m).
20. The settlement does not include any specific resources to replace street lighting columns, however, resources in the form of PFI credits are being made available in response to bids from authorities. This option will be explored but previous experience in Leicestershire has shown that PFI in this field did not provide value for money, therefore the discretionary programme provides a limited sum to continue the replacement of the most corroded columns

## **Programme supported from Discretionary Resources**

21. The net discretionary resources available for 2003/04 total £6.88m. This is shown below. The earmarked provisions consisting of disposal costs (£145,000) and risk management (£50,000) have been deducted in line with previous practice.

<b>Estimated Resources</b>	<b>£000</b>
Capital Receipts	5,102
SCP Discretionary element	741
ACG Social Services/EPCS	483
Unsupported Credit Approval - P.S.A.	550
DEFRA Grant – Waste Disposal	887
E Government Grant	200
Industrial Properties Trading Reserve	300
Heritage Lottery Fund/Emda/English Heritage - Bosworth Battlefield development	312
Sub Total	8,575
Less earmarked expenditure	-195
Less Capital receipts c/fwd	-1,500
Total Allocated	6,880

22. The figure of resources allocated £6.88m is based on £1.5m being retained as a contingency for 2003/04 and to reflect a much reduced estimate of receipts in 2004/05. This will sustain a more consistent level of spending.
23. These discretionary resources have to cover all the capital investment requirements of all services including supplementing the main Education and Transportation programmes where necessary.
24. Programmes presented in Appendix B include commitments brought forward from 2002/03 as a result of slippage identified in the second review of capital payments, which will be reported to this committee at a future meeting.

## **Issues arising re 2003/04 Programme supported from Discretionary Resources**

### **Highways, Transportation and Waste**

25. Priority has been given to street lighting column replacement referred to earlier, contribution to flood alleviation measures and additional structural maintenance to offset the transfer of revenue spend into capital.
26. Significant investment is required in waste disposal to meet recycling targets. The authority has been successful in obtaining grant from DEFRA for the expansion of the Whetstone and Loughborough civic amenity sites. The allocation also incorporates the PSA bid, which proposes further measures to increase household waste and composting. If the bid is approved, support for the capital element will carry Unsupported Credit Approval (a normal credit approval but without revenue support being reflected in RSG).

## **Social Services**

27. Priority has been given to the refurbishment of the recently acquired property in Market Harborough as a replacement for the Blaby Children's Home.

## **Community Services**

28. Significant expenditure is required to fund the replacement of both Broughton Astley and Measham libraries due to major problems with the current buildings. The development of the Battlefield Visitor centre is dependent upon substantial external funding.

## **Resources**

29. Provision has been made to refurbish and convert redundant farm buildings in Gilmorton and expand the industrial units at Earl Shilton, these projects being financed from the surplus within the industrial properties trading account.

### **Revenue Implications**

30. The revenue implications for the proposed 2003/04 programme, excluding debt charges, totals £0.723m and relate mainly to waste management and e-government. These have been reflected in the 2003/04 revenue budget proposals where necessary. Capital expenditure financed from borrowing using credit approvals will result in ongoing loan repayments, however, these are taken into account in the calculation of RSG.

### **Future Programmes ( 2004/05 and 2005/06)**

31. It is likely that 2004/05 will see the introduction of a new prudential system for capital. This is a significant development. Detailed controls on borrowing will be scrapped. It means that the County Council will be free to borrow to finance capital so long as the resulting financing and running costs are affordable in terms of the revenue budget. The Government will continue to support a level of capital spending through capital or revenue grant, mainly for Transport and Schools.
32. This puts the onus on the Authority to think more strategically about the role of capital finance. Hitherto capital has tended to be considered separately from revenue. Now it will be necessary to consider them together. The key will be forward planning to determine the affordability of proposals. Project appraisal is important to help judge competing demands for resources both in terms of capital projects and judging capital against revenue, as they are effectively competing for the same resources.
33. Clearly the new system presents an opportunity for achieving priorities where previously shortage of capital was a major obstacle e.g. Libraries review. Obviously this is not a 'free lunch'. The resulting capital financing costs will reduce the capacity for revenue developments, within a given level of council tax.
34. Given the significant change, no provisional programmes are presented for 2004/05 and 2005/06 except for Government supported Education and Transportation programmes shown in Appendix C. It is intended to devise draft programmes in the

early part of 2003/04 incorporated into a medium term financial plan which covers both revenue and capital expenditure.

### **Recommendation**

Members are requested to consider the report and any response they wish to make to Cabinet.

### **Equal Opportunity Implications**

The recommended programme includes specific provision for access for disabled people and improved access to schools.

### **Background Papers**

Letter from ODPM - Notification of Single Capital Pot - 13/12/2001

Letter from DfES - Capital Investment in Schools 2003/04 - 19/12/2002

Letter from GOEM - 2003/04 Local Transport Capital Expenditure Settlement - 10/12/2002

Letter from Department of Health - Personal Social Services - Annual Capital Guidelines 2003/04 - Dec 2002

Letter from ODPM - EPCS - Annual Capital Guideline 2003/04 - 10/12/2002

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Commission Rpts/DJP/Resources - Capital