



programme and associated capital strategy. Local authorities are required to have regard to the current editions of this code by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) Regulations 2003 [SI 3146].

- 1.3 This report presents the proposed additions and funding to the five year capital programme from 2025/26. The funding of the draft capital programme is still subject to the final Local Government Funding Settlement that is received in February, the provisional settlement received in December has been reflected within this report.
- 1.4 Capital investment plans are an integral part of the budget framework and of the financial planning process. The capital programme was put together taking account of the Council's financial position, intervention and the Improvement and Recovery Plan (IRP), which are all underpinned by the need to reduce borrowing and the cost of borrowing on revenue budgets, especially the General Fund.
- 1.5 The capital programme was reviewed at length as part of the 2024/25 budget setting process and was approved by full Council on 28<sup>th</sup> February 2024. The review achieved the following objectives:
  - Reduced capital expenditure to focus on existing contractual commitments, fulfilling statutory services and public safety requirements
  - Reduced reliance on borrowing for the General Fund and for the HRA with any new borrowing requiring Commissioner approval.
- 1.6 Following on from the 2024/25 review, the capital programme now rolls forward a year. Additions to the capital programme in 2025/26 are to fall within one of the following four categories:
  - Health and Safety: to enhance safety standards or mitigate potential health and safety risks.
  - Return on investment proposals linked to MTFS savings.
  - Essential and non-avoidable maintenance and replacement of assets linked to cost avoidance.
  - Other additions that demonstrate benefits may be approved on a case by case basis.

## **2. Recommendations**

For the reasons set out in this report, the Cabinet is recommended to:

- a) Note the proposed new capital projects in line with the 2025/26 stipulations and criteria as set out in table 3 (appendix B).
- b) Approve in principle the proposed financing of the additions to the capital programme as set out in table 4 (appendix C).
- c) Note the draft capital programme of £316.718m over the 5 year period from 2025/26 to 2029/30 as set out in table 4 (appendix C).
- d) Approve the implementation of the Governance Improvements section (paragraph 4.5)

## **3. Commissioner's Comments**

4. Commissioners endorse the capital programme as recommended in the report. Approval of the capital programme does not lead to release of the funds, which will be subject to approval of a business case (as per the HM Treasury Green Book, 5 case model). It is also important that in the next phase of development of the business cases, there is transparency on the identified health and safety capital needs for Thurrock, underpinned by a clear evidence base. proposal – the rationale and evidence for the recommendations

#### 4.1 Asset Portfolio

The table below shows the Councils current asset portfolio.

**Table 1 Asset portfolio at 31 March 2023 (2023/24 accounts pending).**

Asset Type	£'000
Council dwellings	913
Other land and buildings	125
Infrastructure assets	257
Assets under construction	10
Community assets	10
Vehicles, plant and equipment	16
Purfleet Regen assets	81
Heritage assets	1
Assets held for sale (historic value)	2
<b>Total</b>	<b>1,415</b>

#### 4.2 Overview of Current Capital Programme

4.2.1 The current capital programme totals £331.299m over the five year period 2024/25 to 2028/29 and is summarised in table 2 below and in **Appendix A**.

**Table 2 Summary Capital Programme & Funding 2024/25 - 2028/29**

Directorate	2024/25 Budget	2025/26 Budget	2026/27-2028/29 Budget	Five Year Total
	£m	£m	£m	£m
Adults and Health	0.553	2.137	2.100	4.790
Children's Services	1.774	24.875	7.500	34.149
Corporate Services	1.606	1.963	5.893	9.462
Place	15.882	36.158	28.758	80.798
Housing Revenue Account	38.599	35.545	127.956	202.100
<b>Total Capital Programme</b>	<b>58.414</b>	<b>100.678</b>	<b>172.207</b>	<b>331.299</b>

Financing - General Fund	2024/25 Budget	2025/26 Budget	2026/27-2028/29	Five Year Total
	£m	£m	£m	£m
Prudential Borrowing	5.628	5.213	2.130	12.971
Capital Receipts	0.856	2.498	5.893	9.247
Reserves	0.000	0.000	0.000	0.000
Government Grants	12.356	55.455	36.228	104.039
Other Grants	0.574	0.288	0.000	0.862
Developer Contributions (S106)	0.401	1.679	0.000	2.080
<b>Total General Fund Financing</b>	<b>19.815</b>	<b>65.133</b>	<b>44.251</b>	<b>129.199</b>

Financing - Housing Revenue Account	2024/25 Budget	2025/26 Budget	2026/27-2028/29	Five Year Total
	£m	£m	£m	£m
Prudential Borrowing	23.566	16.085	50.664	90.315
Capital Receipts	1.890	9.340	38.532	49.762
Reserves	11.339	10.120	38.760	60.219
Government Grants	1.804	0.000	0.000	1.804
<b>Total Housing Revenue Account Financing</b>	<b>38.599</b>	<b>35.545</b>	<b>127.956</b>	<b>202.100</b>

<b>Total Financing</b>	<b>58.414</b>	<b>100.678</b>	<b>172.207</b>	<b>331.299</b>
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### 4.3 Additions to the Programme

4.3.1 The following proposals in table 3 below have been submitted for inclusion in the capital programme. Details of the costs and funding are also attached at **Appendix B**. These proposals total £16.529m in 2025/26 and £29.735m over the five year period.

**Table 3**

Name of proposal	Five Year Cost
<b>1) Fleet Renewal</b>	<b>£7.532m</b>
There is a need to replace a variety of vehicles to upkeep the current fleet, which will ensure continuity of services and minimalised disruption due to breakdown or repair. The majority of the current fleet was purchased in 2017/18 and a five year viable economic lifespan is assumed. Vehicles are used to provide front line services so downtime can result in the need to hire replacement vehicles at additional cost.	
<b>2) Education Case Management System</b>	<b>£0.150m</b>

An additional resourcing requirement is requested to fully implement the new Education Case Management system. Initial resourcing requirements have been impacted by several restructures across the Council leading to this request.

**3) Carriageway Maintenance**

**£4.750m**

The unclassified road network has experienced a surge in deterioration over the last five years, as identified by the DfT National Indicator Reporting Tool. The proposal is to roll out a targeted treatment programme to improve the indicator rating as well as to improve road safety. A five year approach is proposed to move to a pro-active approach rather than reactive. This is also anticipated to have a mitigating effect on complaints from the public and compensation claims, as well as reducing future ad-hoc maintenance costs and disruption to the road network.

**4) Carriageway Micro Surfacing**

**£2.250m**

A five year programme to renew the micro surface overlay to various unclassified roads is proposed. Currently there are long standing issues arising from defects, largely due to water erosion leading to unevenness and thus making the roads more hazardous, leading to complaints and compensation claims plus ongoing reactive works instructions.

**5) Car Park Pot Holes**

**£0.051m**

A three year programme to repair pot holes in car parks is proposed, to maintain car park surface area, minimise claims against the council for damage or due to trips and falls, and to minimise against reactive expenditure.

**6) Orchard Road Footbridge**

**£2.750m**

The footbridge provides key links over the C2C railway in South Ockendon. The structure is in a critical condition and needs to be refurbished or replaced to avoid incidents or reactive repairs. It is proposed to replace all or part of it due to associated risks around failure and to minimise potential disruption.

**7) Thameside Condition Survey Improvement Works**

**£0.152m**

This funding is required to carry out improvement works following a condition survey carried out at the theatre in May 2024. There is a need to carry out urgent works to ensure health and safety compliance.

**8) Household Waste Recycling Centre**

**£0.050m**

This is to refurbish for weighbridge a container to use to recycle household waste. The cost is necessary to achieve an MTFs saving (PLA 07).

**9) Stanford Le Hope Station**

**£11m**

An amount of £11m is proposed to support completion of this scheme. This is a holding sum at draft budget stage.

**10) Grangewaters**

**£0.050m**

A one-off amount of £50,000 has been requested to fund development of facilities at the site to improve footfall and generate income in line with the MTFs savings proposal (CS 02),

**11) General Contingency**

**£1.000m**

It is prudent for the Council to set aside a general contingency provision in the event certain projects require additional funding where estimates may differ from actuals. Scrutiny will be applied prior to the release of any contingency funding to test the robustness of any claim.

4.3.2 The proposals and changes as the programme is rolled forward one year take us to a position whereby the capital programme totals £316.718m as laid out in table 4 below and as detailed in **Appendix C**.

**Table 4 Summary Capital Programme & Funding 2025/26 - 2029/30**

Directorate	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	Five Year Total
	£m	£m	£m	£m	£m	£m
Adults and Health	2.137	0.700	0.700	0.700	0.700	4.937
Children's Services	22.924	0.500	0.500	0.500	0.500	24.924
Corporate Services	2.663	2.383	2.355	1.605	0.000	9.006
Place	52.927	26.656	6.893	5.590	4.880	96.946
Housing Revenue Account	48.372	59.663	44.548	14.129	14.193	180.905
<b>Total Capital Programme</b>	<b>129.023</b>	<b>89.902</b>	<b>54.996</b>	<b>22.524</b>	<b>20.273</b>	<b>316.718</b>

Financing - General Fund	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	Five Year Total
	£m	£m	£m	£m	£m	£m
Prudential Borrowing	21.737	8.828	2.998	2.110	1.400	37.073
Capital Receipts	2.498	1.933	2.355	1.605	0.000	8.391
Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Government Grants	54.449	19.478	5.095	4.680	4.680	88.382
Other Grants	0.287	0.000	0.000	0.000	0.000	0.287
Developer Contributions (S106)	1.680	0.000	0.000	0.000	0.000	1.680
<b>Total General Fund Financing</b>	<b>80.651</b>	<b>30.239</b>	<b>10.448</b>	<b>8.395</b>	<b>6.080</b>	<b>135.813</b>

Financing - Housing Revenue Account	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	Five Year Total
	£m	£m	£m	£m	£m	£m

Prudential Borrowing	23.866	37.493	27.940	2.250	2.193	<b>93.742</b>
Capital Receipts	12.448	10.331	4.849	0.000	0.000	<b>27.628</b>
Reserves	11.523	11.640	11.759	11.879	12.000	<b>58.801</b>
Government Grants	0.535	0.199	0.000	0.000	0.000	<b>0.734</b>
<b>Total Housing Revenue Account Financing</b>	<b>48.372</b>	<b>59.663</b>	<b>44.548</b>	<b>14.129</b>	<b>14.193</b>	<b>180.905</b>

<b>Total Financing</b>	<b>129.023</b>	<b>89.902</b>	<b>54.996</b>	<b>22.524</b>	<b>20.273</b>	<b>316.718</b>
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4.3.3 The Government announced in the Autumn Budget 2024 that the baseline funding for highways maintenance would increase by £500m. The funding requirement within the draft capital programme has been based on the up to date information where Thurrock has been allocated an additional £985k as part of the national £500m increase and this has been included within the Dft Block Maintenance capital budget for 2025/26 and within this capital programme update. This has increased the Block Maintenance programme from £2.834m to £3.819m within the capital Programme.

4.3.4 At the meeting on 9<sup>th</sup> October 2024 Cabinet approved the report titled 'Housing Development – Garage Sites' which proposed development of Council Houses across sites that are currently used for garages, to construct affordable housing. This proposal carried a total capital cost implication of £19.6m which was funded 50% (£9.8m) via housing 'Right to Buy' receipts and 50% through Prudential Borrowing. As this proposal is approved it is therefore included in the HRA capital programme and funding from 2025/26.

#### 4.3.5 Education Capital

Information has yet to be received from the Department for Education on the 2025/26 capital funding allocations for both sufficiency of school places and special educational needs. This information will be included in the final capital programme report being presented to Cabinet in February 2025.

### 4.4 Monitoring and Reporting

4.4.1 Following approval at Council in February 2024, the budget position and all variances are reported quarterly to SLT and Cabinet. This includes any agreed changes and re-profiling. A deep dive of the capital position was carried out at period 6 2024/25, which was reported to Members at the December 2024 Cabinet meeting as part of the Quarter 2 Outturn report.

### 4.5 Governance arrangements of the Capital Programme

4.5.1 Within this report there is the opportunity to remind project managers and members of the importance of good governance around the management of the capital programme. The following requirements are to be enforced within the management of the capital programme for the year ahead and, for new bids, these criteria must be met before funding is made available:

- I. A robust business case is needed for all new capital projects. (Please contact your finance business partner for support in completing the business case). Release of funding and approval is contingent on the receipt of a robust business case, which is TM Treasury compliant and covering any health and safety issues.
  - II. The project manager must be in a position to begin the project, within the agreed timeframe, having managed all preparatory procedures including the selection of a contractor, where necessary, via the appropriate procurement route;
  - III. The project must adhere to the capital 'rules' governing what constitutes capital expenditure (please contact your finance business partner for clarification if necessary);
  - IV. the project must address the Councils corporate objectives and have member approval.
- 4.5.2 With regard to project slippage, full justification for slippage is required in order to allow budgets to be carried forward into future years. Steps will be put in place to challenge managers to justify the reasons for requesting project slippage.

#### **4.6 Revenue Implications of the Programme**

- 4.6.1 The revenue implications of the additions to the capital programme are that the proposals will require Prudential Borrowing to fund the projects. The borrowing will incur interest charges based on average interest rates that will be reflected in the revenue monitoring position. Alongside this, from the second year of borrowing there will also be capital charges in the form of Minimum Revenue Provision (MRP). This is the charge to revenue that is made when paying off the principal sum of the borrowing, and represents the way the cost of the capital expenditure is written back to revenue over the life of the asset.
- 4.6.2 Any General Fund capital expenditure which is not fully funded from available capital resources (i.e. capital receipts, capital grants, developer contributions and direct funding from revenue) gives rise to a borrowing need.
- 4.6.3 HRA capital expenditure falls outside the MRP requirements. Instead, the HRA adopts a depreciation method for writing down assets over their lifespan. This depreciation cost is set-aside in a reserve. The HRA is charged interest costs annually in proportion to the HRA's share of the Capital Financing Requirement (CFR).
- 4.6.4 Table 5** shows the estimated cost of the proposed additional borrowing in respect of the General Fund capital programme, alongside the cost of the existing capital programme. This shows the MRP and the forecast (estimated) interest. The charges increase as the incremental impact takes effect. These costs have been reflected in the 2025/26 MTFS draft budget.

#### **Table 5 Summary of revenue implications of the general fund capital programme**



Unsupported Schemes	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
MRP Existing Schemes	8,510	8,499	8,916	8,838	8,977
MRP New Schemes	-	1,426	1,480	1,535	1,593
<b>Total MRP</b>	<b>8,510</b>	<b>9,925</b>	<b>10,396</b>	<b>10,375</b>	<b>10,98470</b>
Interest Existing Schemes *	9,000	9,405	9,828	10,270	10,733
Interest New Schemes *	530	1,063	1,063	1,063	1,063
<b>Total Interest</b>	<b>9,530</b>	<b>10,468</b>	<b>10,891</b>	<b>11,333</b>	<b>11,096</b>

\* estimated interest costs interest rates over the period (equates to an average 4.5%, but rates applied each year reflect current economic forecasts)

4.6.5 The Council is in the process of reviewing s106 payments and the treatment of s106 balances that the Council holds. The outcome of this review will be reflected in the monitoring of the capital programme during 2025/26. This will include the revenue implications.

#### **4.7 Reasons for Recommendations**

4.7.1 Capital funded proposals must be affordable within the Council's revenue budget. The Council is required, under the CIPFA Prudential Code, to agree a capital strategy that is both prudent and sustainable. Although Thurrock has a reduced capital programme after the rationalisation that took place as part of the 2024/25 capital programme review, there is still the need to carry out essential works and maintenance to preserve infrastructure, to carry out necessary health and safety work, or to invest in capital that delivers associated revenue benefits, as outlined in section 1.6 of this report.

#### **4.8 Impact on corporate policies, priorities, performance and community impact**

4.8.1 The capital programme delivers investment in Thurrock through maintenance of existing infrastructure, as well as necessary enhancement or additions if these deliver a cost avoidance benefit. The programme also delivers Health and Safety benefits and compliance.

#### **5 Alternative options considered**

5.1 The Council is required by statute and as set out in the Prudential Code for Capital Finance in Local Authorities, 2021 Edition, to agree the capital programme and associated capital strategy. Therefore, no alternative options have been considered as viable alternatives.

#### **6 Consultation**

6.1 There has been full engagement with the Executive Directors and their teams in preparing the preparation of the draft programme and the commissioners have been consulted on the proposals.

6.2 The proposals have been consulted upon as part of the final budget setting process.

## 7 Financial Implications

7.1 These are set out in the main body of this report.

7.2 Existing agreed capital budgets are based on the reported position as at quarter 3 2024 and are subject to review as part of the quarterly monitoring exercise. Any future budget adjustments including yearend carry forwards, will be reported to Cabinet as part of the Revenue and Capital out-turn reports.

7.3 In terms of the overall position and 2025/26 changes:

- Appendix C for the period 2025/26 to 2029/30 gives a proposed total capital programme of £316.718m
- New capital bids total £29.735m (Appendix B) and when deducted from the proposed programme gives a net of £286.983m of existing project expenditure rolling forward into the updated programme.

Implications Verified by:

Mark Terry, Capital Finance Manager

Date 20 January 2025

## 8 Risk Implications

8.1 Capital projects require careful management to mitigate the potential risks that can arise. Effective monitoring, management and mitigation of these key risks is a key part of managing the capital strategy, which are set out below.

8.2 Capital Projects risk will form part of the risk register once the JCAD risk management system is in place and any Corporate/Operational risks will be monitored by the service going forward.

RISK DESCRIPTION & CONSEQUENCE	MITIGATIONS	RISK STATUS
<b>Programme slippage</b> There is the risk that the programme timelines will slip meaning that projects are not delivered on time and therefore the benefits associated with the capital investment is not realised. Some of these risks are concerned with contractor delivery timelines.	The capital programme is robustly monitored through the financial year with a quarterly reporting cycle in place and deep dives carried out at key points and as necessary. Contract management measures are in place to oversee project delivery. There is also the need to strengthen the role of programme managers to ensure, as far as	<b>AMBER</b>

	possible, that projects are delivered on time.	
<b>Affordability</b> The Council is required by regulation and under the CIPFA Prudential Code, to agree a capital strategy that is both prudent and sustainable and so affordable in the constraints of the balanced budget requirements.	The capital programme has been subject to the constraints of the improvement and recovery plan and approved by the commissioners. The revenue cost of the capital programme is clearly reflected.	AMBER
<b>Health and Safety risk</b> Failure to maintain the Council's capital base leading to health and safety risks and possible legal, financial or reputational impact.	Health and Safety is one of the criteria whereby bids for 2025/26 were approved. The capital programme has been implemented with known health and safety concerns being addressed.	AMBER
<b>Maintenance costs</b> Failure to maintain the Council's capital base can lead to assets requiring higher maintenance costs or reduced efficiency.	Bids that avoid future revenue costs and that carry other risk implications if assets are not maintained have been considered on this basis.	AMBER
<b>Cost of Borrowing</b> The programme commits resources to capital schemes which require funding through borrowing. These borrowing costs are forecast but are subject to change and may incur additional costs.	The Council operates a managed debt portfolio approach to mitigate against interest rate risk in the future and has access to Government funding through the Public Works Loan Board. Discussions with MHCLG on the Council's overall level of debt take place periodically with Commissioner oversight. The Council has a specialist treasury management service internally which assesses risk and seeks to mitigate any adverse movements, for instance through drawing fixed rate borrowings.	AMBER
<b>Availability of Funding</b> There is the risk that funding assumptions are not borne out which becomes greater in later years of the programme where there may be more uncertainty around future levels of available funding to support the programme.	Procurement only commences once funding is in place. Funding assumptions are based on current information and are monitored on an ongoing basis. Projects are managed in line with available budget.	GREEN

Implications Verified by:

Kelly McMillan, Chief Risk Advisor  
Date 15 November 2024.

## **9 Legal and Governance Implications**

9.1 Pursuant to Part 1 of the Local Government Act 2003 the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. These require the capital programme and Capital Strategy to be agreed by the Council.

9.2 The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council's constitution and in particular with the Contract Procedure Rules and Financial Regulations.

9.3 In the capital programme where funding has been provided subject to conditions, these must be strictly complied with in order to avoid any risk of repayment of the monies.

Implications Verified by:

Helen Nicol, Assistant Director Legal & Governance  
Date 18 November 2024

## **10 Equality and Diversity Implications (including the public sector equality duty)**

10.1 There are no direct diversity implications noted in this report. Revisions to the capital programme will continue to ensure that essential services and public safety are maintained.

10.2 Individual projects will be subject to Community & Equality Impact Assessments to inform their development.

Implications Verified by

Natalie Smith, Head of Community Development  
Date 14 November 2024

## **11 Other Relevant Implications**

12 Inevitably with any capital projects there are likely to be procurement implications, which will be considered when approval is sought for particular schemes.

**13 Background Documents**

N/A



**Relevance Check**

**Budget Reduction/Service Area:**

**Service Lead**

**Date:**

In what ways does this Budget reduction have an impact on an outward facing service? How will the service feel different to your customers or potential customers?

N/A

If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service that you provide?

N/A

Is a Customer Impact Assessment needed? No