

METROPOLITAN BOROUGH OF KNOWSLEY

To: The Mayor and Members of the Council

Meeting: 3 March 2010

Wards Affected: All

Portfolio Areas: All

Non-Key Decision

REPORT OF THE BOROUGH TREASURER, THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

CAPITAL PROGRAMME

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to advise the Council of the level of capital resources available for 2010/11 and future years and to propose a Capital Programme.
- 1.2 The Council's Constitution requires the Cabinet to recommend its annual budget proposals to a full meeting of the Council. This report sets out a number of specific recommendations relating to the overall Capital Programme which the Cabinet agreed on 10 February 2010.
- 1.3 The Cabinet also resolved that the Cabinet Member with Portfolio for Finance and Information Technology should finalise the Cabinet's proposal for a Capital Programme for 2010/11 and future years, and submit it to the Council meeting on 3 March 2010 after undertaking further consultations as appropriate with Cabinet Member colleagues. It is therefore anticipated that the Cabinet's proposals in that regard will be presented to the Council at the meeting.

2. RECOMMENDATIONS

Members of the Council are recommended to:-

- (a) approve the 'passporting' of Government block allocations to the relevant service areas as discussed in section 4.3 of this report;
- (b) note the position on capital receipts in 2010/11 as discussed at paragraph 4.6 of this report;

- (c) endorse the proposed new start schemes totalling £8.783m as detailed in paragraph 5.2 of this report; and,
- (d) consider the Cabinet's final proposals and any alternative proposals to be presented at the meeting for a fully funded Capital Programme for 2010/11 and future years.

3. BACKGROUND

- 3.1 There are a range of capital resources available to fund the Council's Capital Programme for 2010/11 and future years. This report identifies those resources and provides details of proposed capital schemes. In addition, proposals for additional schemes arising from the Portfolio budget preparation process are identified for consideration for funding from available capital resources.
- 3.2 The proposed Capital Programme has been prepared in line with the Council's Capital Strategy, which is designed to ensure that the Council's strategic priorities can be delivered. It outlines the process for the approval of capital projects and demonstrates a robust and transparent approach. It includes the use of a capital investment outline which sets out the details, impact and alignment to priorities of any given capital scheme. For information, a copy of the Council's Capital Strategy is attached at Appendix A.

4. 2010/11 CAPITAL RESOURCES

- 4.1 The total capital resources available to Portfolios in 2010/11 are shown in the table below and are detailed in Appendix B (i). These include the rephased resources discussed in the 2009/10 Budget Monitoring report elsewhere on this agenda. It should be noted that the majority of these resources are already committed against schemes in the existing Capital Programme:-

Para. Ref.	Source of Funding	£m
4.2	Existing 2010/11 Capital Programme Resources (brought forward)	80.753
4.3	Revenue Supported Borrowing	1.896
4.4	Capital Grant Allocations	13.759
4.5	Other Resources (including Revenue and Reserves)	0.000
4.6	2010/11 Capital Receipts (£2.5m forecast receipts fully allocated to Stockbridge Village Project)	0.000
	Total Resources Allocated to Portfolios	96.408

4.2 Existing 2010/11 Capital Programme Resources

This figure reflects previously approved rephasing of resources into 2010/11. All of these resources are already allocated to fund existing schemes. Details across Portfolios are shown in Appendix B. The final Capital Programme will be phased in detail over three years to provide a clear plan for capital scheme investment.

4.3 Capital Block Allocations 2010/11

4.3.1 The Government provides capital funding to local authorities in two main ways:-

- Revenue Supported Borrowing (£1.896m in 2010/11) – this is approval to borrow a specified amount of money for which the Government will fund the repayment costs; and,
- Capital Grant Allocations (£13.759m in 2010/11) – this is provided to the Council as a lump sum and therefore removes the need to borrow (see section 4.4 below).

4.3.2 In December 2007, the Government announced a three-year Local Government Financial Settlement relating to the financial years 2008/09, 2009/10 and 2010/11, which is consistent with the three-year period of the Comprehensive Spending Review 2007 (2008 to 2011). The announcement of three-year allocations gave some certainty and allows the Council to effectively plan its capital investments in the short to medium-term. To date, the Government has not yet announced any details regarding the future allocation of resources beyond 2010/11 (the final year of the current settlement period).

4.3.3 Knowsley's supported borrowing allocations total £1.896m in 2010/11, across a range of service blocks as shown in the table below:-

Service Block	2010/11 £m
Education	0.648
Transport	1.204
Children's Social Services	0.044
Total	1.896

4.3.4 The total supported borrowing allocations have decreased over the three-year period. This is mainly due to the reduction in supported borrowing for Education to £0.648m by 2010/11. However, the Council will continue to receive significant investment from the Government for education through the Building Schools for the Future programme and direct capital grants.

- 4.3.5 These supported borrowing allocations are given to the Council as a 'Single Capital Pot.' This means that the Council is allowed by law to spend these capital resources in any service area (with the exception of the Education Block, for which the Department for Children, Schools and Families has specific powers).
- 4.3.6 Although the Government has made the move to a 'Single Capital Pot', there is still an element of control built into the allocation and spending process. This is because the allocations made by individual Government Departments are representative of the level of expenditure that Government policy and Council submitted plans determine should be made within respective service blocks. Authorities choosing to apply allocations to different services face the prospect of future year allocations being reduced. It is therefore suggested that the Council should approve the allocations to Portfolios in line with the service block allocations detailed in the table in 4.3.3 above. Portfolios should however ensure that allocations of this funding clearly relate to the Council's overall priorities.
- 4.3.7 From 2011/12 onwards, supported borrowing allocations will be subject to the Government's funding plans and policies. It is expected that future capital allocations and grants will reduce significantly as the Government seeks to reduce the national debt and fund the recession package put into place in 2008. The Council will continue to ensure that decision makers are aware of the need for Knowsley to receive a fair share of available capital resources.

4.4 *Capital Grant Allocations 2010/11*

- 4.4.1 As highlighted in paragraph 4.3.1 above, one of the key mechanisms for supporting local authority capital expenditure is capital grants. These are provided for specific service purposes and tend to be tightly ringfenced. The capital grant allocations already announced for 2010/11 total £13.759m for Knowsley and are shown in the table below:-

Financial Year	2010/11 Amount £m
Department for Children, Schools and Families	8.858
Department for Food and Rural Affairs	0.096
Department of Health	0.275
Department for Transport	2.485
Department for Communities and Local Government	2.045
Total	13.759

- 4.4.2 During 2010/11, the Council may receive additional specific grant allocations, which have to be used for specific service purposes. These allocations will be reported to Members as part of the capital monitoring and new start approval procedures.

4.5 *Other Resources (including Revenue and Reserves)*

The Council can use other resources to contribute towards capital schemes, including reserves set aside for specific purposes, contributions from partners, or contributions from revenue budgets. As shown above, there are currently no new revenue resources identified within the Capital Programme at this stage.

4.6 *Capital Receipts*

4.6.1 During the budget setting process for 2009/10, it was forecast that £4.000m of capital receipts would be realised during 2009/10 through land and property sales during the year. During 2009/10, this full amount was set aside for future allocation to the Stockbridge Village Regeneration Programme. The recession and the resulting falling land and property prices and demand for housing land have all impacted on the ability to achieve capital receipts at the level initially estimated.

4.6.2 As a result, the level of capital receipts available from 2009/10 is now expected to be £1.143m. The latest estimate for capital receipts arising in 2010/11 of £2.500m is therefore also required to be set aside to fund the planned expenditure in Stockbridge Village. Even after that commitment, there will be a remaining shortfall of £0.357m to be found from 2011/12 capital receipts to ensure that the full funding of £4.000m is available to the Stockbridge Village Programme. Full details are set out in Appendix B (ii).

4.6.3 As part of the Council's Land and Property Plan, it is envisaged that a number of Council-owned assets will be earmarked for disposal. Potential receipts from these sales could be affected by falling property prices and market demand from investors such as housing developers. The Asset Management service will consider all of these factors when making proposals for the optimum time to market any assets for sale.

4.7 *Local Area Agreement Reward Grant*

4.7.1 The Comprehensive Spending Review announced a third round of reward for Local Area Agreements and that the total amount to be spent on Performance Reward Grant will be at least £340 million. The first payment of related grant will be in 2010/11. However, the Government has not yet confirmed the basis for allocations to individual local authorities and so the amount that Knowsley will receive is not known.

4.7.2 Further Reward Grant is expected to be allocated in 2011/12 and 2012/13. A working group involving Government Departments, Government Offices, the Local Government Association, and local authorities has been set up to design a method of distributing this funding and the outcome of a consultation exercise is awaited to provide the detail on how the amounts payable for 2011/12 and 2012/13 will be calculated.

4.8 *Prudential Borrowing*

- 4.8.1 The Prudential Code for Capital Finance in Local Authorities provides freedoms to undertake additional borrowing over and above the supported borrowing levels announced by the Government. The control of capital spending is now centred on the affordability of the revenue consequences of that capital spending, i.e. the financing of debt and depreciation of the asset. Any scope to increase the amount the Council borrows will need to be assessed against the financial constraints currently forecast in the Council's Medium-Term Financial Plan reported elsewhere on this agenda.
- 4.8.2 In line with the Council's Capital Strategy, any schemes to be considered for prudential borrowing will be subject to a full appraisal to ensure that specific and adequate funding has been identified for the full repayment period. This can be either through an "invest to save" approach, where the investment will release sufficient revenue funding, or where alternative revenue sources have been identified to repay the borrowing over the life of the asset. Affordability and borrowing requirements will also have regard to the Council's Treasury Management Strategy (see report elsewhere on this agenda).

5. **PROPOSED PORTFOLIO CAPITAL SCHEMES 2010/11**

- 5.1 As in previous years, the Capital Programme is reported for approval at the beginning of the financial year alongside the revenue budget. During the forthcoming year, each Portfolio Holder will receive regular updates on available capital resources and planned expenditure for their Portfolios.
- 5.2 The Council is asked to recommend to the Council that new start schemes totalling £8.783m be approved, to be funded from the available capital resources identified in section 4 above. These schemes are listed in the tables below and overleaf:-

Portfolio and Scheme	2010/11 £m
Children and Family Services	
Modernisation	0.117
New Pupil Places	0.325
Access Initiative	0.207
Devolved Formula Capital	1.091
Extended Schools	0.175
Harnessing Technology	0.707
Children's Centres	0.056

Portfolio and Scheme	2010/11 £m
Health and Social Care	
Building Maintenance and Development	0.026
Adaptations for People with Disabilities	0.050
Information Technology Strategy	0.070
Mental Health Schemes	0.129
Regeneration, Economy and Skills	
Decent Homes for All	1.195
Sustainable Access	0.628
Support for Economic Regeneration	0.090
Strategic Highway Network	2.087
Safety and Security of Neighbourhoods	0.734
Forward Planning	0.150
Market Renewal and Affordable Housing Options	0.850
Neighbourhood Delivery	
Waste Performance Grant	0.096
TOTAL PROPOSED NEW START SCHEMES	8.783

6. CAPITAL INVESTMENT - REQUESTS FOR CONSIDERATION AS PART OF THE 2010/11 BUDGET PROPOSALS

- 6.1 In compiling their 2010/11 capital programmes, Portfolio Holders have considered a number of capital investment proposals identified by Executive Directors. The proposals are shown in the table below followed by an outline of each proposed scheme. Capital Investment Outlines for all of the proposed schemes can be accessed on the Council's Intranet and are available in hard copy on request from the Borough Treasurer.

Portfolio and Scheme	Total
	£m
Leisure, Community and Culture	
Green Space Strategy Minor Works	0.090
Mill Dam Park, North Kirkby	0.600
Webster Park, South Kirkby	0.025
Regeneration, Economy and Skills	
Aids and Adaptations Programme (includes £0.075m relating to Health and Social Care)	0.325
Minor Improvement Programme (Leisure, Community and Culture Buildings)	0.334
Total	1.374

6.2 At this stage, there are no available capital receipts to fund the investments identified above. However, there remains scope to consider the allocation of revenue resources to fund these schemes, or the use of prudential borrowing as described in section 4.8 above. Any final proposals presented at the Council meeting will have to propose the extent to which these additional schemes can be incorporated into the Capital Programme in 2010/11.

6.3 *Leisure, Community and Culture*

6.3.1 Green Space Strategy Minor Works (£0.090m)

This allocation would fund a range of minor infrastructure works at locations across the Borough. The sites were identified in the Draft Green Space Strategy as potential sites for Green Flags or areas where improvement was required. The works are as follows:-

- Eaton Street Recreation Ground in Prescot - £0.030m;
- Halewood Park - £0.020m;
- Delaware Crescent Kirkby Allotment - £0.020m; and,
- Stadt Moers Park, South Huyton and Whiston - £0.020m.

6.3.2 Mill Dam Park, North Kirkby (£0.600m)

Mill Dam was banded "very poor" in the Draft Green Space Strategy. Infrastructure works costing a total of £0.600m are required to rectify the health and safety issues on the site. It is estimated that the works would avoid additional costs of £0.028m per annum in insurance claims.

6.3.3 Webster Park, South Kirkby (£0.025m)

Webster Park was branded "poor" in the Draft Green Space Strategy. Infrastructure works costing a total of £0.025m are required to rectify the health and safety issues on the site. It is estimated that the works would avoid additional costs of £0.040m per annum in insurance claims.

6.4 *Regeneration, Economy and Skills*

Aids and Adaptations Programme (£0.325m, including £0.075m relating to Health and Social Care)

This represents a contribution towards the cost of disabled facility grant adaptations undertaken by Knowsley Housing Trust to ensure that sufficient investment levels are maintained within rented properties.

The funding would also provide minor adaptations to privately owned homes for people with disabilities enabling them to continue living within the community.

It is likely that this full amount will be a recurring capital pressure in future years if backlogs in provision are to be avoided.

6.5 *Regeneration, Economy and Skills*

Leisure, Community and Culture Buildings – Improvement Works (£0.334m)

Minor works are necessary to make improvements to the Council's Leisure, Community and Culture buildings. This will ensure that the Council meets statutory requirements and that the facilities remain available for use by the public. The investment is needed in 2010/11, although ongoing investment in future years is also likely to be required.

7. TOTAL PROPOSED CAPITAL PROGRAMME 2010/11

- 7.1 The 2010/11 proposed Capital Programme (excluding the additional investment of £1.374m identified in section 6 above) totals £89.536m. The Programme and the proposed funding sources are detailed in Appendix B and Appendix C. Capital Investment Outlines for all of the proposed schemes can be accessed on the Council's Intranet and are available in hard copy on request from the Borough Treasurer.

7.2 There remain a number of other potential capital pressures facing the Council over the coming years. Further details regarding these capital pressures will be brought to the attention of the Council if and when they emerge. Investment areas may include:-

- Neighbourhood Regeneration;
- Job Evaluation/Single Status;
- Land and Property Priority Schemes;
- Town Centre Developments; and,
- Environmental Initiatives and Improvements.

8. RESOURCE IMPLICATIONS

8.1 Financial

8.1.1 The detailed financial implications are set out in the body and appendices of this report. In summary (as shown in the table below), the Council has capital resources of £96.408m in 2010/11 (see paragraph 4.1 above for a full analysis). If approval is given for the proposed Portfolio new start schemes totalling £8.783m, the Council would be setting a Capital Programme totalling £89.536m.

8.1.2 Unallocated resources of £6.872m relate to specific Government grants for capital projects which are still in the planning stages and therefore the budget is not yet included within the Capital Programme. These grants are ringfenced to services within the Children and Family Services Portfolio. Proposals for their allocation will be brought to the relevant Portfolio Holder in due course.

8.1.3 Forecast capital receipts for 2010/11 are fully allocated to the Stockbridge Village Regeneration Programme, with a required commitment against 2011/12 capital receipts of £0.357m to ensure that the full allocation of £4.000m is available as previously agreed. There are therefore no available receipts in 2010/11 to fund any pressures arising.

Summary Capital Programme and Resources	£m	£m
Capital Programme		
Rephasing – previously approved	80.753	
New Starts – use of block allocations	1.853	
New Starts – others	6.930	
Total Capital Programme		89.536
Funded By:		
Borrowing	32.024	
Previously Allocated Capital Receipts	9.746	
Grant	44.755	
Revenue and Reserves	2.051	
Other (e.g. partner contributions)	0.960	
Total Programmed Funding		89.536
Resources Not Yet Programmed		
Specific Capital Grant		6.872
Total Capital Resources		96.408

8.2 Human

There are no direct human resource implications as a result of this report.

8.3 Information Technology

There are no direct information technology implications arising as a result of this report, although it should be noted that investment in the information technology infrastructure of the Council is an appropriate use of capital expenditure.

8.4 Physical Assets

The Council's Capital Strategy contains direct links to the Directorate Asset Management Plans and the Corporate Property Plan. The use of capital resources should therefore be consistent with these plans. When capital allocations are proposed, direct reference should be made to these documents in order to ensure that the investment and the impact on the Council's physical asset stock is appropriate.

9. RISK ASSESSMENT

- 9.1 Much of the significant investment in Council facilities in recent years has been underpinned by the application of capital receipts. The reduction in the availability of land and the impact of the falling demand and land prices will impact on the extent to which the Capital Programme can continue to be financed from this source. The actual capital receipts in 2010/11 may vary from the estimated resource, and there is therefore a risk that this value may not be actually realised, or that slippage in timing could lead to cash flow implications. To mitigate this risk, robust monitoring of the capital receipts position will be undertaken on a frequent basis.
- 9.2 An additional risk relates to the extent to which the Single Capital Pot is effectively ring-fenced due to the allocations being made by the various Government Departments. Any use of resources outside of the blocks for which they were allocated could result in reduced future year allocations. In particular, the Department for Children, Schools and Families has powers to withdraw the current allocation, if it is utilised for purposes other than which it was allocated.
- 9.3 Re-phasing of capital spending into future years is often required due to a number of reasons including extended development or procurement timescales to ensure value for money, adverse weather conditions or over-ambitious spending profiles. Where the funding is time-limited, this can be a significant risk to the Council as grant funding may be withdrawn or clawed back. It is therefore vital that close monitoring and profiling of capital scheme spending and construction is undertaken as part of the operational management of the schemes. Project and programme managers have a key role to ensure that slippage in construction timescales does not jeopardise funding or leave the Council open to additional risk. A more robust monitoring approach will be undertaken from 2010/11 including a detailed profiling of approved capital schemes and programmes over a three-year period.

10. IMPACT ON POPULATION GROUPS

There are no direct implications for any specific population groups as a result of this report.

11. COMMUNICATIONS ISSUES

This report is prepared as part of the Council's 2010/11 budget-setting process, and, subject to the Council's eventual approval, its contents will form the basis for the approach to monitoring the Capital Programme during 2010/11.

12. CONCLUSIONS

12.1 This report outlines the current position in relation to capital resources and the Council's overall capital programme for 2010/11, including the following key points:-

- The Council has total capital resources of £96.408m available in 2010/11;
- The proposed 2010/11 Capital Programme totals £89.536m, including new starts of £8.783m which Portfolio Holders have recommended should be added to the Capital Programme;
- This leaves available resources of £6.872m which are ringfenced to the Children and Family Services Portfolio;
- There are no unallocated capital receipts, and a commitment against future capital receipts of £0.357m relating to the Stockbridge Village Regeneration Programme to ensure that the full allocation (approved in March 2009) of £4.000m is available; and,
- Capital investment options of £1.374m have been identified during the budget setting process and any final proposals presented at the Council meeting will have to propose the extent to which these additional schemes can be incorporated into the Capital Programme for 2010/11 and future years. At this stage, there are no available capital resources to fund these pressures.

12.2 There remains scope to consider the allocation of revenue resources to fund the capital investment options, or the use of prudential borrowing as part of any final proposals presented at the Council meeting.

12.3 The Capital Strategy attached at Appendix A allows for prudential borrowing to be undertaken for invest to save schemes, and other schemes where the repayment costs are affordable and can be met from revenue budgets.

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Borough Treasurer

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Chief Executive

EXECUTIVE DIRECTORS

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Appendices:-

Appendix A	Capital Strategy
Appendix B	Capital Programme and Resources
Appendix C	Detailed Capital Programme

Background Documents:-

2010/11 Portfolio Budget Proposal Reports – December 2009

Available on Sharepoint Site:-

Capital Investment Outlines – 2010/11 New Starts

KNOWSLEY METROPOLITAN BOROUGH COUNCIL

CAPITAL STRATEGY

1. INTRODUCTION

- 1.1 Effective capital investment is essential to the delivery of the Council's priorities and capital assets are a key resource contributing to the prosperity and well-being of the Borough. For over 10 years, the Council has operated a rolling Medium-Term Financial Plan, supported by a Capital Strategy. This integrated planning strategy incorporates the use of capital and revenue resources, and has allowed Knowsley to redistribute and recycle funds to ensure that service priorities are met. Wherever possible, the Council also operates on 'invest to save' principles, which allows capital investment to be directed towards modernisation and efficiency projects, thereby improving the Council's capacity to manage future spending.
- 1.2 The Capital Strategy sets out the approach to capital investment by providing a framework for the allocation and management of capital resources within the Council. This ensures that the effectiveness of capital resources is maximised by allocating funding to those programmes and schemes that will contribute most to the achievement of the Knowsley Partnership's strategic objectives and goals within the Sustainable Communities Strategy and the Council's Corporate Plan. The key drivers of the Capital Strategy are set out in Section 2 below.
- 1.3 As well as being an integral part of the planning process aimed to deliver high quality services and value for money, the Capital Strategy is also intrinsically linked with the Property and Asset Management Plans, and is designed to support the priorities emerging from this wider view of facilities and assets across the Borough.
- 1.4 One of the main challenges to be met when managing capital investment is the achievement of maximum value for money from scarce capital resources, whilst ensuring the most effective and efficient improvement on performance is obtained and that the Council's and its partners priorities are met.
- 1.5 As part of the Council's Budget Strategy, the Service Review Programme is also challenging the way services are delivered, and how those services can be made more accessible. In addition, the further development of an approach to sharing facilities will be pursued with a view to achieving more efficient service delivery. It is anticipated that, via the Service Review Programme, revenue savings may be accrued through use of fewer sites and that surplus assets could be

released to provide capital resources for future investment. An effective Capital Strategy will underpin the implementation of the service review implications and other components of the Budget Strategy.

2. KEY DRIVERS OF THE CAPITAL STRATEGY

2.1 The Capital Strategy is designed to:-

- Provide a process for evaluating and prioritising capital investment on the basis of its contribution towards the achievement of the council's key priorities;
- Maximise resources available for capital investment;
- Facilitate joint and cross-cutting working;
- Establish a clear framework for managing and monitoring the capital programme; and,
- Optimise the existing asset base.

2.2 Evaluation Process

2.2.1 In order to establish a set of parameters for evaluating a capital scheme for funding approval, it is necessary to set out the key principles for capital investment:-

- Capital investment should be consistent with the Council's vision of "improving people's lives";
- All capital investment should support the key outcomes of the Council and, where appropriate, be interlinked with the Council's Property Plan;
- Capital investment should preserve, maintain or create an asset that is fundamental to Knowsley Council and its partners' outcome delivery; and,
- All capital investment plans should be affordable and demonstrate value for money.

2.2.2 Capital Investment Outline

- (i) It is important capital investment is made based on a robust evaluation process which ensures that investment is directed to schemes, projects and programmes which contribute to the Council's and its partners' priorities, provide value for money, and are subject to a rigorous risk assessment. To achieve this, all capital schemes are subject to

evaluation using the **Capital Investment Outline**. This document is used to capture the information required to assess a capital investment proposal against the required criteria and is approved by either an Executive Director in consultation with a Portfolio Holder or the Cabinet (depending on the value of the scheme). The full completion of this document for proposed schemes is mandatory, as it allows for the evaluation of the scheme in line with corporate aims and objectives and Council priorities.

- (ii) The form can be found on the Council's Intranet. A link is provided at the end of this document and a hard copy is available on request from the Borough Treasurer. A table is presented at Annex A to this Strategy which provides guidance for the completion of each section within the document. Should service managers have any queries or need support with the process or reporting requirements, the Finance Manager in each Directorate will be able to assist.

2.2.3 Post Evaluation Process

A detailed evaluation should be undertaken of all major capital schemes completed during the financial year to assess the impact of the capital investment. This evaluation should highlight lessons learnt, assess whether the capital scheme met its objectives, and consider whether value for money was achieved. This is an area for further improvement and a user-friendly evaluation process is currently in development. This will combine the best practice currently in place across the Council with national best practice.

2.3 Knowsley Partnership Priorities

- 2.3.1 The Sustainable Community Strategy provides a 15-year vision for residents, businesses and agencies working in Knowsley. The Strategy is about agreeing common issues and priorities for Knowsley and identifying where a difference can be made to people's lives by working differently and together. The Strategy identifies the priorities for action and where resources and effort should be targeted to bring about the vision of "Knowsley - the Borough of Choice".
- 2.3.2 This Strategy provides the strategic framework for Knowsley Council to deliver real improvements on the ground for local people and in local neighbourhoods. The Council aims to optimise resources and achieve these objectives by seeking out and allocating capital funding in accordance with its priorities. In order to be considered for funding, individual projects must demonstrate contribution to the objectives of the Sustainable Community Strategy.

2.4 Maximising Resources for Capital Investment

- 2.4.1 The Council's capital programme is resourced from a number of different sources. These include resources from Central Government, external funding providers and those resources generated locally. As current capital resources are limited, a greater emphasis will need to be placed on proactively seeking additional funding and working in partnership to lever in additional resources in order to fully support the Council's and the Knowsley Partnership's priorities. The main current sources of capital funding are outlined below.

Government Supported Borrowing

- 2.4.2 This is approval from the Government to borrow to fund capital expenditure, and the borrowing costs, i.e. repayment and interest costs will be funded through Government grant. This is a significant source of capital funding for the programme and comes in block allocations via the 'Single Capital Pot'. This means that the Council is allowed to spend these capital resources in any service area. However, even though the Government has made the move to the Single Capital Pot, there is still a significant element of control built into the allocation and spending process, particularly within the Department for Children, Schools and Families allocation, where funding is earmarked for specific areas.
- 2.4.3 The blocks in which the Government issues supported borrowing approvals tend to reflect Central Government policy delivered at a local level. During the past few years, the Council's policy has been to direct this funding to the places intended, e.g. education, transport, health and social care. This policy has been instigated to mitigate the consequences of spending an allocation from one block on another service which could result in reduced future allocations for the specific block. However, even where allocations are passported in this way, the use of the funding should still clearly contribute to the overall Council priorities.

Government Grants

- 2.4.4 The Government also gives capital support in the form of grants. These tend to be for specific purposes and therefore are used to support spending programmes for which they are approved. These are the Council's preferred form of Government support for capital and should be sought where possible.

Prudential Borrowing

- 2.4.5 In the absence of specific external funding, prudential borrowing provides a potential source of finance for capital projects. The Council will positively investigate opportunities provided by the freedom to procure capital investment financed by prudential borrowing where plans are sustainable, prudent and affordable. This will be particularly the case in the current economic downturn as funding is scarce. Any prudential borrowing will be in line with the requirements of the Council's Treasury Management Strategy.
- 2.4.6 Previously, the Council has had a policy of using prudential borrowing only for capital schemes classed as 'invest to save', whereby the investment not only generates savings to pay for itself over time, but will also generate future resources to be reinvested in priority services. Due to the economic climate, this policy is now widened so that any schemes are considered which meet the requirement of affordability and have an identified revenue stream to repay the borrowing costs over the life of the asset. A full appraisal will take place to ensure that sufficient revenue exists to repay the cost of borrowing.

Capital Receipts

- 2.4.7 Capital receipts arise from the disposal of a Council owned asset, e.g. land or buildings. The re-investment of capital receipts is not restricted other than receipts from the sale of school playing fields. The main challenges for Knowsley in relation to capital receipts are the availability of assets to dispose of and optimising the sales values achieved. Capital receipts should be viewed as a last resort for funding given the low levels of resource available and should only be used where opportunities for external support do not exist. Consideration should be given to using such funds with a short-term pay-back period.
- 2.4.8 The Council assumes that all receipts are a corporate resource, other than those mentioned above in relation to school playing fields, and will be allocated to areas of need and priority in accordance with this Strategy. Wherever possible, the Council will also consider using capital receipts to finance short term assets, leaving borrowing to finance the longer term assets. This will therefore assist in matching loan duration with estimated asset life.

Other Grants and Contributions

- 2.4.9 This includes funding such as Lottery, European and partner or developer contributions. The Council actively seeks external funding in these forms and has a good track record in attracting such funding.

Revenue Contributions

2.4.10 This is another source of funding within the programme and comes from within Council Portfolios' revenue budgets. However, given the increasing pressure on the Council's revenue budget, this area of funding will continue to be limited.

2.5 Working in Partnership and Cross-cutting Service Delivery

2.5.1 Knowsley recognises the need to work in a more joined-up manner, not only internally across Council Directorates, but also in conjunction with external organisations and the wider community. The Council works alongside a number of external bodies in order to secure capital funding to further its objectives. The Council also sees itself as a catalyst for change, using its own resources to encourage other funders to contribute to the public facilities that meet the needs of its residents.

2.5.2 The Council places emphasis on the need to take a more cross-cutting approach towards thematic issues, which focus on breaking down any existing barriers between service providers. The Council will seek to use its existing partnership base to build upon relationships with organisations to maximise the use of resources. Knowsley's key partners include:-

- The Knowsley Partnership;
- The Health and Social Care sector, including in particular close working relationships with NHS Knowsley;
- Merseyside Police;
- Merseyside Fire and Rescue Service;
- The local business community, including the Knowsley Chamber of Industry and Commerce;
- Voluntary sector and community organisations;
- Merseytravel;
- The Education sector (including Knowsley Community College, Diocesan Authorities, Connexions, the Learning and Skills Council and Further and Higher Institutions);
- Registered Social Landlords; and,
- Other local authorities.

2.6 Rules for Capital Expenditure

- 2.6.1 The Council's Constitution sets out the procedures to be followed in respect of capital expenditure. Expenditure on a capital scheme is subject to the procurement rules contained within Contract Procedure Rules as is any other Council expenditure. Parts 4 and 7 of the Financial Procedure Rules (see link below) deal specifically with the management of capital expenditure including:-

Part 4

- Definitions
- Annual Capital Programme
- Monitoring and Reporting Arrangements
- Variations

Part 7

- Variations in Contracts
- Payments to Contractors on Account
- Breaches in Contracts

- 2.6.2 The Financial Procedure Rules can be viewed in detail by looking in the Council's Constitution which is available on the Intranet. A link is attached at the end of this document.

2.7 Monitoring and Managing the Capital Programme

- 2.7.1 The Council's Capital Programme is underpinned by a robust and transparent audit trail from approval to spending and reporting. Depending upon the estimated costs of a project, there are various ways in which approval can be given (please refer to the Council's Financial Procedure Rules for guidance). Once projects have been approved, they are closely monitored by project officers and finance officers to ensure that outputs/outcomes are being delivered and that expenditure is being committed appropriately in line with the Council's Constitution. Investment appraisal is a continuous process from the decision to invest to an ongoing evaluation of the value added from the investment.
- 2.7.2 Capital programmes and projects are monitored in the first instance within each Directorate. The Capital Programme allocated to each Directorate is the responsibility of the relevant Executive Director. Individual schemes will be allocated to a senior officer whose responsibility it is to ensure that the project is managed in accordance with the Council's "Right Track" methodology and delivered on time and within budget and that any variances are reported to Members in accordance with Financial Procedure Rules.

2.7.3 The overall Capital Programme is reported to the Cabinet at key stages throughout the year. The reports comprise of a summary of spending to date, commitments to date, an updated available resources position and any slippage. The report forms the basis for decision-making with regard to allocation of future resources on a three-year rolling programme.

2.7.4 The table below shows the key reporting dates in the life cycle of a capital scheme:-

Month	Activity
September - December	The potential capital scheme is identified as part of the budget setting process. A Capital Investment Outline is produced to ensure that the investment meets the priorities of the Council.
March	The scheme is approved as a “new start” as part of the Council’s Capital Programme (contained within the budget proposals considered by the Council).
Monthly	Up to date spending positions and any rephasing requirements are reported on a monthly basis as part of the budget monitoring reports to the Portfolio Holder.
July, October and January	Up to date spending positions and any rephasing requirements are included within the quarterly consolidated Capital Programme Monitoring Reports.
April – June	Capital spending on the scheme for the financial year ended 31 March is reported as part of the Final Accounts and Statement of Accounts process.

2.8 Existing Asset Base

2.8.1 The efficient use of assets is a necessary component of effective service delivery and therefore a strategy must exist for ensuring appropriate resources are in place to meet optimum expenditure requirements. In addition to the capital monies for large-scale new build within the Borough, sufficient provision should be made for the upkeep and maintenance of the Council’s existing asset portfolio, within the framework of the Directorate Asset Management Plans.

2.8.2 The Capital Strategy and asset management planning between them set out the requirements for capital investment for the Council. The former links capital investment to service priorities and the latter identifies the cost of asset maintenance, among other things.

- 2.8.3 The Council has recently transferred the function of operational asset management into the Corporate Resources Directorate. This provides the opportunity for existing assets to be managed as part of the Council's overall resources. Developments and improvements will be made to ensure that the existing asset base is optimised in pursuit of the Council's objectives and also that the investment required to maintain existing assets is provided for.

Links to further documents:-

Capital Investment Outline link:-

[Financial Management Service/Accountancy/Capital](#)

Financial Procedure Rules link:-

[Knowsley.gov.uk/Your Council/About your council/Constitution/Part4 section 6](#)

ANNEX A - Guidance for Completion of the Capital Investment Outline	
Section	Guidance
1. Project Title	The name by which the project will be known and a clear description of what will be provided.
2. Responsible Officer	The Officer who will lead the project and ensure that all necessary consultation and monitoring are undertaken.
3. Description of Project and Purpose of Investment	A description of the project and an explanation of what the investment will be used for and why it is required.
4. Proposed Outputs/Outcomes/Impact on Service Delivery	Details of planned outputs/outcomes and impact on service areas and key priority performance indicators.
5. Links to Strategies and Plans	How does the scheme fit with the Directorate Asset Management Plan? What is its relationship to other Strategies, Plans and the Council's priorities?
6. Savings and Efficiencies	Will the scheme lead to any savings or efficiencies? Include details. (Figures should be added to section 9)
7. Timetable	Proposed timetable, setting out timescales and any specific deadlines for both works and cash flows, including receipt of any resources
8. Capital Cost and Funding Sources	Estimate of total capital costs, including land acquisition, construction costs, any plant, equipment or other fitting costs, any fees, legal charges or compensation.
9. Contingency Levels	Detail the amount and percentage of Contingency that has been included within the Capital Cost and the reasons for the levels. (Minimum contingencies are required of 12.5% for refurbishment work and 10% for all other projects. These figures are minimum levels and individual circumstances should be assessed to ensure adequate contingency levels are included. (Only in exceptional circumstances can contingencies not be included and specific agreement from the Executive Director of Corporate Resources and Director of Regeneration and Neighbourhoods is required.)
10. Annual Revenue Costs & Implications	Estimate of all ongoing revenue costs, including revenue implications for other Portfolios (include part year effect
11. Environmental Assessment	Estimate of carbon footprint including energy consumption
12. Exit Strategy	Provide details of exit strategy if revenue costs are funded by time-limited funding
13. Risk Management	Identification of all potential risks and mitigating action.
14. Communication Issues	Who needs to be informed of the schemes and will any consultation be undertaken. The timescales for this communication should also be added.
15. Linkage to Priorities	Reference to the relevance of the scheme to Council and Partner strategic priorities
16. Importance to Government and Partners	What is the nature and what are the sources of the drivers of the scheme – are there any legislative or demographic drivers?
17. Member and Community Expectations	Are there specific stakeholder expectations in place?
18. Comments from Other Directorates	The lead officer should liaise with other directorates. Comments should be sought on the following areas: Impact on other service areas; Financial – Capital, Revenue and others (e.g. VAT and Insurance); Human Resources – Staffing and Training; Estates – Ownership and Maintenance; Legal – Conveyancing, Contracts and Legal powers; Planning; Information Society Technology; Grounds Maintenance.

CAPITAL PROGRAMME

	Previously Approved Rephasings £m	New Starts £m	Capital Receipts / Revenue Allocation £m	Total Capital Programme £m	Supported Borrowing £m	Other Borrowing £m	Capital Receipts £m	Capital Grant £m	Revenue and Reserves £m	Other £m	Total Capital Resources £m
Regeneration, Economy and Skills	9.083	5.734		14.817	1.204	2.616	1.745	8.476	0.604	0.172	14.817
Health and Social Care	0.566	0.275		0.841				0.613	0.090	0.138	0.841
Children and Family Services	39.907	2.678		42.585	5.154		4.030	31.969	1.132	0.300	42.585
Leisure, Community and Culture	27.436			27.436		23.050	0.250	3.561	0.225	0.350	27.436
Neighbourhood Delivery	0.052	0.096		0.148			0.012	0.136			0.148
Corporate and Customer Services	0.000			0.000							0.000
Finance and Information Technology	0.000			0.000							0.000
Leaders	0.066			0.066			0.066				0.066
Corporate & Council Wide - Stockbridge											
Village Regeneration	3.643			3.643			3.643				3.643
TOTAL	80.753	8.783	0.000	89.536	6.358	25.666	9.746	44.755	2.051	0.960	89.536
See Notes Below		1									
UNALLOCATED CAPITAL GRANTS - ringfenced to Children and Family Services											6.872
UNALLOCATED CAPITAL RESOURCES											0
TOTAL CAPITAL RESOURCES											96.408

Notes:-

1 *Subject to approval.*

APPENDIX B (ii)**2010/11 AVAILABLE CAPITAL RESOURCES**

	Date Approved	£m
Opening Balance – 1 April 2009		0.371
2009/10 Capital Receipts		
(Revised Estimate – 31 December 2009)		1.320
Less Committed Allocations:-		
Construction Procurement Team	04/03/2009	(0.061)
Essential Facilities Maintenance	04/03/2009	(0.310)
Activity Base for People with Disabilities	17/06/2009	(0.250)
Purchase of 34 Hillingden Avenue, Halewood	24/06/2009	(0.090)
Returned from Portfolios during 2009/10		0.163
Receipts Available in 2009/10		1.143
Estimated Capital Receipts 2010/11		2.500
TOTAL AVAILABLE RECEIPTS		3.643
Allocations Approved in 2009/10:-		
Stockbridge Village Regeneration	04/03/2009	4.000
TOTAL APPROVED ALLOCATION		4.000
COMMITMENT AGAINST 2011/12 CAPITAL RECEIPTS		0.357

DETAILED CAPITAL PROGRAMME

	Previously Approved Rephasing £m	New Starts £m	Total Capital Programme £m
Regeneration, Economy and Skills			
Neighbourhood Regeneration	0.042		0.042
Economic Development	4.806		4.806
Housing	3.561	2.045	5.606
Highways	0.674	3.689	4.363
Regeneration, Economy and Skills Total	9.083	5.734	14.817
Health and Social Care			
Interim Support Service	0.138		0.138
e-SAP	0.090		0.090
Aids and Adaptations		0.050	0.050
Building Maintenance	0.098	0.026	0.124
Forward IT Strategy		0.070	0.070
Mental Health Schemes	0.240	0.129	0.369
Health and Social Care Total	0.566	0.275	0.841
Children and Family Services			
Modernisation	2.123	0.117	2.240
Targeted Capital Primary Fund	31.056		31.056
Devolved Formula Capital	2.942	1.091	4.033
Children's Centres		0.056	0.056
New Pupil Places	0.596	0.325	0.921
Access Initiative	0.194	0.207	0.401
Extended Schools	0.138	0.175	0.313
Harnessing Technology	0.554	0.707	1.261
Early Years Capital Grant	0.942		0.942
Computers for Pupils	0.680		0.680
City Learning Centres	0.217		0.217
School Travel Plans	0.066		0.066
ISPP	0.017		0.017
Aiming High for Disabled Children	0.052		0.052
Jubilee Drive Children's Centre	0.300		0.300
Halewood Family Centre Re-Location	0.030		0.030
Children and Family Services Total	39.907	2.678	42.585
Leisure, Community and Culture			
Our Place	2.561		2.561
Leisure Facilities Strategy	24.046		24.046
Activity base for people with disabilities	0.800		0.800
Green Flag Parks	0.025		0.025
Scotchbarn	0.004		0.004
Leisure, Community and Culture Total	27.436	0.000	27.436
Neighbourhood Delivery			
St Mary's Churchyard	0.012		0.012
Waste Efficiency Grant		0.096	0.096
Waste Infrastructure	0.040		0.040
Neighbourhood Delivery Total	0.052	0.096	0.148
Leader's			
Ward Walkabout	0.066		0.066
Leader's Total	0.066	0.000	0.066
Corporate & Council Wide - Stockbridge Village Regeneration	3.643		3.643
TOTAL	80.753	8.783	89.536

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