

METROPOLITAN BOROUGH OF KNOWSLEY

To: The Mayor and Members of the Council

Meeting: 7 March 2012

Wards Affected: All

Portfolio Area: All

Non-Key Decision

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

CAPITAL PROGRAMME – 2011/12 MONITORING UPDATE AND FUTURE YEARS

1. PURPOSE OF THE REPORT

- 1.1 This report presents an update on the Council's Capital Programme and the current level of expenditure against the planned delivery profile for 2011/12.
- 1.2 This report also advises the Council of the level of capital resources available and a revised Capital Programme for 2012/13 and future years.
- 1.3 The Council's Constitution requires the Cabinet to recommend its annual budget proposals to a full meeting of the Council. This report advises Members of a number of specific recommendations relating to the overall Capital Programme which the Cabinet considered on 22 February 2012 and which will therefore be used to inform the Cabinet's budget proposals.

2. RECOMMENDATIONS

Members of the Council are recommended to:-

- (a) Note the revised Capital Programme for 2011/12 of £54.452m as discussed in paragraph 4.1.3 of this report;
- (b) Note the capital expenditure to date of £39.334m and the expected impact on the delivery of the approved capital programme as set out in paragraph 4.1.4 of this report;

- (c) Note the position on capital receipts as discussed at section 5.4 of this report;
- (d) Endorse the Cabinet's decision to allocate £0.757m of available revenue resources to the Stockbridge Village Regeneration Programme in 2011/12 in order to release future capital receipts for commitment to new priorities as discussed at paragraph 5.4.2 of this report;
- (e) Note Portfolio Holders' decisions to approve new starts in 2012/13 and future years under £1m of £3.218m as discussed in paragraph 6.1.1 of this report;
- (f) Endorse the Cabinet's decision to add new schemes over £1m and totalling £2.897m to the Council's 2012/13 Capital Programme as set out in paragraph 6.1.2 of this report; and,
- (g) Endorse the Cabinet's revised three-year Capital Programme of £82.704m, of which £54.452m is programmed for completion in 2011/12 as noted in section 6.1.4 and detailed in Appendix A of this report.

3. BACKGROUND

- 3.1 There are a range of capital resources available to fund the Council's Capital Programme. This report provides a summary of the resources available to fund capital expenditure, and of the programme of capital schemes.
- 3.2 The Capital Programme has been prepared in line with the Council's Capital Strategy (available on request from the Borough Treasurer), 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.
- 3.3 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 Council's Property and Asset Management Plans, and is designed to support the priorities emerging from this wider view of facilities and assets across the Borough.

4. 2011/12 CAPITAL PROGRAMME

4.1 *Rephasings and Adjustments to the 2011/12 Capital Programme*

- 4.1.1 The approved Capital Programme reflects a number of adjustments arising from the 2011/12 monitoring position as reported to individual Portfolio Holders during January 2012. Overall adjustments to the 2011/12 Programme of £1.161m have been agreed by Portfolio Holders including new starts below £1m, minor adjustments relating to realignment of funding arrangements, and a small number of rephasings where capital expenditure planned for 2011/12 is not expected to be fully achieved by 31 March 2012. Full details of all adjustments are available on request.
- 4.1.2 On 14 December 2011, the Cabinet approved the total investment of £12.991m in the Kirkby Town Centre Regeneration Programme. Of this total, the capital element equates to £12.489m, and this amount has now been added to the Capital Programme (phased as £0.120m to be spent in 2011/12, £6.774m in 2012/13 and the balance of £5.595m in 2013/14).
- 4.1.3 Following these adjustments, the revised Capital Programme for 2011/12 is £54.452m.
- 4.1.4 Expenditure against the 2011/12 Programme at 31 December 2011 was £39.334m, which represented 72% of the revised Programme. While the balance of the Programme is still forecast to be spent by the end of the year, it is important that Portfolio Holders continue to monitor progress to minimise delays in planned expenditure and to reduce the need for further rephasing of the 2011/12 programme into future years.

5. 2012/13 CAPITAL RESOURCES

- 5.1 The range of capital resources available to the Council in 2012/13 are set out below.

5.2 *Existing Capital Programme Resources*

This funding reflects the approved rephasing of resources into 2012/13 and all of these resources are already allocated to fund existing schemes. Details across Portfolios are shown at Appendix A. The final Capital Programme is phased over three years to provide a clear plan for capital scheme investment.

5.3 *Capital Block Allocations 2012/13*

5.3.1 The Government now provides capital funding to local authorities only through capital grant allocations. Supported borrowing allocations (i.e. approval to borrow a specified amount of money for which the Government would fund the repayment costs) have ceased from 2011/12.

5.3.2 Capital grants are provided for specific service purposes and tend to be tightly ringfenced. There has been an overall reduction in grant allocations for 2012/13 compared to 2011/12. The capital grant allocations announced to date for 2012/13 total £5.382m for Knowsley and are shown in the table below:-

Government Department	2011/12 Amount £m	2012/13 Amount £m
Department for Education	2.989	2.491
Department of Health	0.521	0.531
Department for Transport	2.319	2.360
Total	5.829	5.382

5.3.3 During 2012/13, the Council may receive additional specific grant allocations 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.

5.4 *Capital Receipts*

5.4.1 As part of the Council's Land and Property Plan, a number of Council-owned assets may be earmarked for disposal. Potential receipts from these sales could be affected by low property prices and reduced market demand from investors such as housing developers. The Asset Management service will therefore consider all of these factors when making proposals for the optimum time to market any assets for sale. It is likely that the only significant capital receipts arising in 2012/13 will be generated from the sale of land to Tesco as part of the ongoing Kirkby Town Centre Regeneration Programme. The use of those receipts has been agreed through previous Cabinet decisions. As such, it is prudent not to include an estimated available capital receipts amount for allocation in 2012/13. The position will be closely monitored and reported back to Members if receipts become available for allocation.

5.4.2 As part of the arrangements for funding the Stockbridge Village Regeneration Programme, a total of £0.757m remained to be funded from future capital receipts. As explained above, the level of capital receipts has been affected by the ongoing downturn in economic conditions and, rather than maintain this pressure on future receipts, the Cabinet has agreed to address the matter now using alternative

resources, so that any future unallocated receipts can all be treated as uncommitted. The Cabinet therefore agreed to allocate £0.757m of the revenue resources identified as being available in 2011/12 (as reported in the 2011/12 Budget Monitoring report elsewhere on this agenda) to the 2011/12 Capital Programme.

5.5 *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.

5.6 *Prudential Borrowing*

5.6.1 The Prudential Code for Capital Finance in Local Authorities provides freedoms to undertake additional borrowing over and above the resources 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 Strategy reported elsewhere on this agenda.

5.6.2 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 should also have regard to the Council's Treasury Management Strategy (discussed elsewhere on this agenda).

6. 2012/13 CAPITAL PROGRAMME

6.1 *New Start Schemes – 2012/13 and Future Years*

6.1.1 New start schemes in 2012/13 and future years totalling £3.218m have been approved by the individual Portfolio Holders and will be funded from the capital grant block allocations identified in section 5 above and other Portfolio resources. These schemes are summarised below and full details are available on request.

- *Children and Family Services Portfolio (£1.236m)* - New Pupil Places funding of £0.955m to resource new build schemes which may be needed to address additional pupil numbers and decommissioning of school spaces due to the new Primary Learning Centres. There are also new starts for Devolved

Formula Capital of £0.281m to fund building work and improvements in schools;

- *Regeneration, Economy and Skills Portfolio (£0.830m)* - Integrated Transport Block funding of £0.718m which includes schemes to improve the road environment through the introduction of road safety, bus priority, walking and cycling schemes. The Council has also received additional Transport resources of £0.112m to be used for further infrastructure improvements; and,
- *Health and Social Care Portfolio (£1.077m in 2012/13 and £0.075m in 2013/14)* - £0.125m for Aids and Adaptations for minor adaptations costing less than £1,000 for people with disabilities. The Council has also received resources for Personal Social Services of £0.877m for which proposals will be brought to the Cabinet Member with Portfolio for Health and Social Care in due course. A revenue contribution to the Programme of £0.075m in both 2012/13 and 2013/14 for Aids and Adaptations has also been approved.

6.1.2 On 22 February 2012, the Cabinet approved two further schemes of £2.897m, where total gross expenditure individually exceeds £1m. The two new start schemes in question are shown below. Capital Investment Outlines for the schemes are available on request from the Borough Treasurer.

New Capital Schemes over £1m (approved by the Cabinet):-

Scheme	New 2012/13 Allocation £m	Description
Schools and Children's Centre Minor Improvement Work	1.255	For minor improvement of buildings and equipment at schools and children's centres.
Highways Capital Maintenance	1.642	This block contains a programme of measures by which the Council fulfils many of its statutory functions as Highway Authority. It includes the capital maintenance of the Borough's roads and bridges.
Total	2.897	

6.1.3 These schemes will also be funded from the 2012/13 capital grant block allocations identified in section 5 above, and results in the full allocation of these resources.

- 6.1.4 The new start schemes of £6.115m in total increase the Council's total Capital Programme to £82.704m, with expenditure phased as shown in Appendix A.
- 6.1.5 The expenditure and funding phased for 2012/13 totals £22.312m (as summarised in Appendix A). Detailed programmes have been presented to individual Portfolio Holders, and Capital Investment Outlines for all of the proposed schemes are available on request either electronically or hard copy from the Borough Treasurer.

7. RESOURCE IMPLICATIONS

7.1 Financial

- 7.1.1 The detailed financial implications are set out in the body and Appendix A of this report.
- 7.1.2 The revised Capital Programme of £82.704m is summarised below:-

Portfolio	2011/12 £m	2012/13 £m	2013/14 £m	TOTAL £m
Children and Family Services	15.295	6.270	0.00	21.565
Health and Social Care	0.493	1.361	0.075	1.929
Leisure, Community and Culture	14.700	2.272	0.020	16.992
Neighbourhood Delivery	0.455	0.076	0.000	0.531
Regeneration, Economy and Skills	10.642	3.727	0.250	14.619
Stockbridge Village Regeneration Programme	12.747	1.832	0.000	14.579
Kirkby Town Centre Regeneration Programme	0.120	6.774	5.595	12.489
TOTAL	54.452	22.312	5.940	82.704

- 7.1.3 It is important that Portfolio Holders continue to monitor progress against their individual Capital Programmes to minimise delays in planned expenditure and to reduce the need for further rephasing of the 2011/12 programme into future years. Opportunities to re-prioritise capital funding on a cross-Council basis should also be actively considered during the monitoring process.

7.2 Human Resources

The human resource implications arising from individual schemes will be considered as part of the ongoing budget monitoring process for each Portfolio.

7.3 Information Technology

The information technology implications arising from individual schemes will be considered as part of the ongoing budget monitoring process for each Portfolio.

7.4 Physical Assets

The majority of Capital Programme schemes have direct implications for the Council's physical assets, and these will be considered as part of the ongoing budget monitoring process for each Portfolio.

8. RISK ASSESSMENT

- 8.1 It is important to provide forecasts of capital expenditure which are as accurate as possible. Failure to follow such an approach could mean that funding is not invested effectively, as it might be possible to secure a better return on Council resources which are not immediately required to pay for capital projects.
- 8.2 In addition, forecasts which indicate that a scheme will be fully delivered in a given period may lead stakeholders to raise their expectations to a level which cannot actually be met by the Council. These stakeholders should therefore be given a clear understanding of the time to be taken in delivering each project, and this can also be achieved by effective forecasting.

9. IMPACT ON POPULATION GROUPS

This report has no direct impact on any particular population group. However, the delivery of the Council's Capital Programme has a direct impact on the physical environment and the Borough's assets which should provide a positive impact on those residents and businesses in the area.

10. COMMUNICATIONS ISSUES

- 10.1 Capital Investment Outlines for all the new start schemes are available on request in either a paper copy or electronic format from the Borough Treasurer.
- 10.2 The impact of any decisions on the treatment of resources will be reported to Portfolio Holders as part of the ongoing monthly budget monitoring updates.

11. CONCLUSIONS

The Cabinet has agreed a revised Capital Programme of £82.704m, of which £54.452m is planned to be spent in total in the current year, with a further £22.312m planned for in 2012/13 and £5.940m in 2013/14.

SHEENA RAMSEY
Chief Executive

JAMES DUNCAN
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CHIEF OFFICERS

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Appendices:-

Appendix A - Analysis of Capital Programme

Background Papers:-

Portfolio Capital Monitoring Briefings
Capital Strategy

ANALYSIS OF CAPITAL PROGRAMME										APPENDIX A		
<u>Capital Programme</u>	Approved 3 Year Programme	Actual spend	Rephasings / Adjustments			Proposed New Schemes			Revised Programme			
Expenditure	Cabinet 14 December 2011	@ 31 December 2011	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Children and Family Services	19.168	11.296	(0.611)	0.517			2.491		15.295	6.270		21.565
Health and Social Care	0.627	0.109	(0.134)	0.284			1.077	0.075	0.493	1.361	0.075	1.929
Leisure, Community and Culture	16.597	11.841	(0.137)	0.512	0.020				14.700	2.272	0.020	16.992
Neighbourhood Delivery	0.531	0.219	(0.076)	0.076					0.455	0.076		0.531
Regeneration, Economy and Skills	11.838	4.145	(0.203)	0.184		0.328	2.472		10.642	3.727	0.250	14.619
Stockbridge Village Regeneration Programme	14.579	11.724							12.747	1.832		14.579
Kirkby Town Centre Regeneration Programme			0.120	6.774	5.595				0.120	6.774	5.595	12.489
TOTAL	63.340	39.334	(1.041)	8.347	5.615	0.328	6.040	0.075	54.452	22.312	5.940	82.704

ANALYSIS OF CAPITAL RESOURCES										APPENDIX A cont'd		
Resources	Approved 3 Year Programme		Rephasings / Adjustments			Proposed New Schemes			Revised Programme			
	Cabinet 14 December 2011		2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	Total
	£m		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Borrowing - Supported	3.847		(0.316)	0.316					2.816	1.031		3.847
Council Borrowing - Unsupported	15.502		(0.532)	0.512	0.020				13.515	1.967	0.020	15.502
Use of the Council's Capital Receipts	5.667			1.474	3.595				2.979	4.162	3.595	10.736
Capital Grants from external sources	33.536		(0.334)	0.586		0.263	5.965		30.676	9.090	0.250	40.016
Use of Revenue contributions	0.787		0.074	0.076			0.075	0.075	0.861	0.151	0.075	1.087
Use of Capital Reserves	2.005		0.037	1.072		0.065			2.032	1.147		3.179
Other Portfolio resources	1.996		0.030	4.311	2.000				1.573	4.764	2.000	8.337
TOTAL	63.340		(1.041)	8.347	5.615	0.328	6.040	0.075	54.452	22.312	5.940	82.704

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