

REPORT TO: CABINET
DATE: 5 AUGUST 2010
SUBJECT: TRANSFORMATION PROGRAMME
REVIEW OF THE CAPITAL PROGRAMME
**WARDS
AFFECTED:** ALL WARDS
REPORT OF: Bill Milburn
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**EXEMPT/
CONFIDENTIAL:** NO

PURPOSE/SUMMARY:

To provide Members with an update of uncommitted schemes in the Capital Programme.

REASON WHY DECISION REQUIRED:

To allow Members to consider the potential impact of the uncommitted capital schemes on the Council's overall budget position for 2011/12.

RECOMMENDATION(S):

Cabinet is requested to:-

- i) note the report ;
- ii) determine if any of the uncommitted capital schemes identified in Annex A should be approved, abandoned or deferred for further information
- iii) due to the need to make specific time bound decisions, 6 individual Capital Programme reports (A to F) have been appended to this report for Cabinet's consideration following the resolution of point ii) above.

KEY DECISION: Yes

FORWARD PLAN: Yes. Individual Capital Programme reports have been identified within the Forward Plan.

IMPLEMENTATION DATE: Following the expiry of call-in period for this meeting.

ALTERNATIVE OPTIONS:

To continue with all uncommitted schemes. Should all uncommitted schemes progress there will be no resultant revenue savings.

IMPLICATIONS:**Budget/Policy Framework:**

Financial: Financial impacts are identified within Annex A

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources:				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton Funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: The Capital Programme schemes identified are not contractually committed. However, costs have been incurred in bringing these scheme to their current state of preparation, both by Sefton Council and others, for which the Council may be liable

Risk Assessment: N/A

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

All Departments have been consulted.

Detailed consultation has taken place with the Finance department's Capital Group

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy		√	
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Background

1. Members will recall that at the Cabinet meeting on 8 July 2010, the Chief Executive agreed to provide an update of uncommitted schemes in the capital programme to the next Cabinet meeting. It was the intention that this information would allow Members to consider which Capital schemes should be allowed to progress, together with those that may be abandoned so as to assist in reducing the Revenue impacts in 2011/12 and onwards.
2. Officers from all departments have been involved in drawing up the attached Annex A, which details those Capital schemes currently uncommitted. (An A3 printout of this Annex will also be available at the Cabinet meeting). In these circumstances uncommitted means that the schemes have not been contractually committed for completion. All schemes have been previously included with the Council's Capital programme and allowance for them made with the Medium Term Financial Plan (MTFP).
3. Cabinet will be aware that the new Government is reviewing all Capital Programmes / Grant funding and has already stopped some major schemes e.g. Building Schools for the Future (BSF). Contact has been made with the Council by a number of funding bodies indicating that there is a strong potential for reductions or claw-backs where schemes have not yet been contractually committed. Indeed, these reductions/claw-backs of funding have also occurred for schemes which have been committed e.g. £93,000 reduction of CABA/SeaChange funding for Southport Cultural Centre.

Potential for Saving

4. Within Annex A the uncommitted Capital schemes have been sorted into service areas, i.e.
 - Children's Services
 - Corporate Services
 - Environmental
 - Health & Social Care
 - Leisure & Tourism
 - Regeneration
 - Safe Stronger Communities, and
 - Technical Services

and, as far as possible, the funding source of each scheme has been identified as either,

- Ring fenced grant
 - Non-ring fenced grant
 - Prudential Borrowing
 - Unringfenced supported borrowing.
5. In relation to each funding source, the potential impact of abandoning a scheme would be,

Ring fenced grant - Deletion of these schemes would require the return of the Grant to Government - the works specified would therefore not be completed and there would be no revenue saving to Sefton Council

Non-ring fenced grant - Deletion of these schemes would not require the return of Grant to Government. However, Government normally require a report in relation to the Grant which would include an explanation as to why the Grant had not been utilised for the purpose intended. The capital works currently specified against the Grant would not be completed and Sefton Council could use the one-off funding to support expenditure elsewhere, this could result in revenue savings to the Council.

Prudential Borrowing - Deletion of these schemes would result in revenue savings equal to ~8.5% of the total prudential borrowing required to fund the identified capital scheme.

Unringfenced supported borrowing - Deletion of these schemes would result in revenue savings equal to ~8.5% of the total supported borrowing required to fund the identified capital scheme.

Brief comments are provided within Annex A related to both the financial and service impacts of the identified capital schemes.

6. Abandoning any particular capital scheme may result in abortive costs, either directly to the Council or to 3rd parties who may seek to recover those costs from the Council.
7. The Southport Cultural Centre has not been included in Annex A as a formal letter of appointment has been issued to the contractor, with extensive enabling works and purchase of materials already undertaken. This scheme is considered as committed by NWDA and CABE/SeaChange. Final agreement has been reached with the contractor over the outstanding contract terms. Any decision to abandon this scheme at this time would result in costs of over £4.8m to Sefton Council (viewed against an overall cost to Sefton, for completing the scheme, of £7.7m) which would leave the building habitable but unsuitable for its established use.
8. Cabinet is therefore requested to consider the uncommitted capital schemes identified in Annex A and determine if any of schemes should be approved, abandoned or deferred for further information.
9. Due to the need to make specific time bound decisions, 6 individual Capital Programme reports (A to F) have been appended to this report for Cabinet's consideration, following their resolution of paragraph 7 above.

- A. Southport Indoor Market
- B. Southport Cycle Town Work Programme 2010/11
- C. Youth Capital Fund - Proposed Schemes 2010/11
- D. Proposed Demolition of Balliol House, Bootle
- E. Kew Woods School, Southport - Proposed Two Storey Classroom Extension
- F. Proposed Replacement Netherton Activity - Tenders