

REPORT TO: Cabinet
Council

DATE: 2nd September 2010
2nd September 2010

SUBJECT: Capital Programme Review

WARDS AFFECTED: All

REPORT OF: Bill Milburn
Strategic Director – Communities

CONTACT OFFICER: Bill Milburn
0151 934 4191

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To provide Members with further details of the uncommitted Capital Programme to allow Cabinet to determine which of the uncommitted capital schemes identified in Annex 1 - 46 should be approved or abandoned.

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.

RECOMMENDATIONS:

Cabinet is requested to:-

- i) note the report,
- ii) recommend to Council which uncommitted capital schemes identified in Annex 1 - 46 should now be approved for completion or abandoned to support the Council's overall budget position for 2011/12.

Council is requested to agree which uncommitted capital schemes identified in Annex 1 - 46 should now be approved for completion or abandoned to support the Council's overall budget position for 2011/12.

KEY DECISION: Yes.

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

IMPLEMENTATION DATE: Immediately following the expiry of the “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 impacts are identified within Annex 1 - 46

Financial:

| | 2008/9 £ | 2009/10 £ | 2010/11 £ | 2011/12 £ |
|---|-------------|--------------|--------------|--------------|
| CAPITAL EXPENDITURE | | | | |
| Gross Increase in Capital Expenditure | | | | |
| Funded by: | | | | |
| Sefton Capital Resources | | | | |
| Specific Capital Resources | | | | |
| REVENUE IMPLICATIONS | | | | |
| Gross Increase in Revenue Expenditure | | | | |
| Funded by: | | | | |
| Sefton funded Resources | | | | |
| Funded from External Resources | | | | |
| Does the External Funding have an expiry date? Y/N | | | | |
| 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 schemes to their current state of preparation, both by Sefton Council and others, for which the Council may be liable.

Risk Assessment: A number of Capital Programme schemes relate to statutory or other responsibilities which if unfulfilled may present liabilities for the Council.

Asset Management:

A number of the Capital Programme schemes have direct, or indirect, impacts upon the future use or disposal of the Council's assets.

CONSULTATION UNDERTAKEN/VIEWS

All Departments have been consulted.

Detailed consultation has taken place with the Finance department's Capital Group
FD Number - 490

CORPORATE OBJECTIVE MONITORING:

| Corporate Objective | | Positive Impact | Neutral Impact | Negative Impact |
|----------------------------|---|------------------------|-----------------------|------------------------|
| 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

Report to Cabinet 5 August 2010 *"Transformation Programme - Review Of The Capital Programme"*

Background

1. At the meeting held on 4 August 2010, Cabinet considered a report entitled "*Transformation Programme - Review of the Capital Programme*" and resolved:

That

- (1) the Chesterfield High School 14 to 19 Diploma Scheme (£135k) to be funded from specific resources be included in the Children, Schools and Families Capital Programme 2010/11;
 - (2) the sum of £2m in respect of the Targeted Capital Fund – Special Educational Needs Scheme, to be funded from specific resources be included in the Children, Schools and Families Capital Programme 2010/11 and the Strategic Director - Children, Schools and Families be requested to submit a report to a future Cabinet meeting on the revenue savings to be achieved from the inclusion of this scheme in the Capital Programme;
 - (3) the Overview and Scrutiny Committee (Performance and Corporate Services) be requested to undertake a review of the Asset Management Plan and in particular the revenue savings made from capital investment in schemes and a report on the review be submitted to a future Cabinet meeting;
 - (4) officers continue to progress the remaining uncommitted capital schemes in the Annexe to the report which will receive ring-fenced grant monies;
 - (5) the remaining uncommitted capital schemes in the Annexe to the report which do not have ring-fenced grant monies be reviewed at the next Cabinet meeting.**
2. At the same meeting Cabinet also approved 6 individual Capital Programme reports to go forward for contractual commitment, i.e.:

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

and agreed that the Merseyside Sub Regional Choice Based Lettings Scheme one-off set-up costs be met from existing provision in the Housing Capital Programme approved by the Council on 8 July 2010.

3. Since the production of the last report further consideration has been given to the Disabled Facilities Grant (DFG) / Specified Capital Grant (SCG) and this is now considered to be "Ring-fenced" and has therefore been removed from the remaining uncommitted Capital Programme.
4. Members will also recall that after approving £2m from the Targeted Capital Fund - SEN scheme (resolution (2) in paragraph 1 above) there was an implied balance of £0.54m of non-ringfenced capital grant remaining. Unfortunately, the original figure given for TCF SEN did not reflect that this grant had been reduced, by £0.658m, as part of the announcements following the Government's Emergency Budget. The resulting £0.118m difference in funding can be accommodated by rephrasing the planned expenditure on smaller, approved schemes into 2011/12. This proposal will not be detrimental to the schemes concerned.

5. The remaining uncommitted Capital Programme schemes are attached as Annex 1 - 46 and Cabinet are requested to determine which of these schemes should now be approved for completion or abandoned to support the Council's overall budget position for 2011/12.
6. Each Annex outlines the scope of the scheme, its funding source and the impacts of abandoning the scheme. Members have already agreed that Ring Fenced schemes should go forward to formal contract and completion. In relation to other funding streams Members are advised that the financial impacts of abandoning each scheme would be:

Non-ring fenced grant - Deletion of these schemes should 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. However, Government have recently attempted a number of "*claw-backs*" of non-ringfenced grants, these "*claw-backs*" may be subject to challenge and this may impact upon our ability to utilise these grants for other purposes.

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.

Members should also be aware that 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.