

REPORT TO: Cabinet
Council

DATE: 3 March 2011

SUBJECT: Capital Programme

WARDS AFFECTED: All

REPORT OF: John Farrell - Interim Head of Corporate
Finance and ICT
Bill Milburn - Strategic Director Communities
Charlie Barker - Strategic Director Social Care
and Wellbeing
Peter Morgan - Strategic Director Children,
Schools and Families

CONTACT OFFICER: Mike Martin –Strategic Finance Manager
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To consider the formulation of the capital programme as part of the budget setting process for approval by Council. The report also includes some recommendations to change the Constitution for approval by Council that will improve accountability and management of the capital programme.

REASON WHY DECISION REQUIRED:

The recommended capital programme must be approved by Cabinet as part of the budget setting process.

RECOMMENDATION(S):

Cabinet is requested to:-

- a) Approve the revised phasing of the ongoing Capital Programme as shown in Annex A;
- b) Approve the inclusion of the Leisure and Tourism capital schemes, funded from specific capital resources and outlined in paragraph 2.4, in the 2010/11 capital programme;
- c) Recommend to Council that the proposals outlined in section 3 to change the Scheme of Delegation in the Constitution be made;
- d) Confirm that the allocations detailed in paragraph 4.5.1 are utilised by the relevant service, with proposals for their use reported in line with the Constitution;
- e) Note the approval by the Environment Agency of the Regional Coastal Monitoring Programme 2011/16 as outlined in paragraph 4.6.11;
- f) Refer the report to Council for approval.

Council is requested to :-

- a) Approve the Capital Programme;
- b) Approve the inclusion of the Leisure and Tourism capital schemes, funded from specific capital resources and outlined in paragraph 2.4, in the 2010/11 capital programme;
- c) Approve the recommended changes to the Scheme of Delegation and the Constitution as outlined in section 3 of the report;
- d) Confirm that the allocations detailed in paragraph 4.5.1 are utilised by the relevant service, with proposals for their use reported in line with the Constitution;
- e) Approve the inclusion of the North West Regional Monitoring Strategy in the capital programme at a cost of £879,000 in 2011/12, fully funded from Environment Agency grant and that future years' allocations will be included as and when final confirmation is received from DEFRA.

KEY DECISION: Yes

FORWARD PLAN: Yes

IMPLEMENTATION DATE: Following Council on 3 March 2011

ALTERNATIVE OPTIONS:

To not approve the capital programme may prevent progress of capital schemes.

IMPLICATIONS:

Budget/Policy Framework: The revenue implications of the ongoing schemes presented in this report can be contained in the draft Base Budget for 2011/12, which is the subject of a separate report on the agenda.

Financial: See above

Legal: The report includes some recommended changes to the Council's Constitution. These have been formulated in conjunction with the Head of Legal Services and the Strategic Asset Management Group.

Risk Assessment: Delivery of certain schemes in the programme for example, those of a health and safety nature will reduce that level of risk to which the Council may be exposed.

Asset Management: Approval of the capital programme will enable the delivery of the Council's Asset Management Plan.

CONSULTATION UNDERTAKEN/VIEWS

Strategic Asset Management Group

Head of Legal Services (LD00060/11)

The Interim Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report.

FD 674/2011

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

www.local.communities.gov.uk/finance/1112/capitalgrant

Letter from Department for Education: Local Authority Allocations – 13 December 2010

Letter from Department for Transport: Local Transport Settlement (2011/12 – 2012/13) – 13 December 2010

Letter from Department for Health : Adults' Personal Social Services: Specific Revenue Grants and Capital Grant Allocations for 2011-12 and 2012-13 – 13 December 2010

Letter from Environment Agency : Flood and Coastal Erosion Risk Management CAPITAL GRANT ALLOCATION – 10 February 2011

1. Introduction

- 1.1. This report considers the latest position in respect of 2010/11 and includes proposals for a review of the funding of capital investments that will allow the development of a new starts programme for 2011/12 in the light of recent resource notifications received from Central Government and the formulation of the Revenue Budget.

2. Capital Programme 2010/11

- 2.1. Following the review of the capital programme by Cabinet on 2 September 2010, which resulted in the resources associated with several uncommitted capital schemes being released, all remaining approved and ongoing schemes have now been completely reviewed and any changes have reflected in the ongoing capital programme attached at Annex A.
- 2.2. In summary, the payments to be made within the ongoing capital programme will be resourced as follows:

Resource	2010/11	2011/12	Later
	£m	£m	£m
Supported borrowing	4.486	2.061	0.023
Prudential borrowing	14.442	17.550	6.156
Grants	60.929	15.712	8.408
Contributions	1.271	0.531	1.370
Capital receipts	1.150	5.987	0.000
Direct revenue funding	0.966	0.269	0.030
	83.244	42.110	15.987

- 2.3. The Council has received two capitalisation directions, for 2010/11 only, which have been included in Annex A and are detailed below:-

Equal pay capitalisation	£2.151m
Redundancy pay capitalisation	£3.040m
Total	£5.191m

- 2.4. The following Section 106 funded schemes were approved by the Strategic Asset Management Group in the latter part of 2010. Furthermore, both the Hatton Hill and Tree Planting schemes were reported to Leisure and Tourism Cabinet Member on 3 November 2010, where it was resolved that Cabinet be requested to include the schemes in the capital programme.

South Park Improvements, Bootle	£253,000
Hatton Hill Park Improvements, Litherland	£68,000
North Park Improvements, Bootle	£127,000
Derby Park Improvements, Bootle	£67,500
Tree Planting Programme 2010/11	£125,500
Total	£641,000

All of the above expenditure can be funded in full from various Section 106 deposits received by the Council. Currently, the Constitution requires Cabinet approval for such schemes to be included in the capital programme and, therefore, to proceed.

3. Proposed Changes to the Constitution

- 3.1 The Constitution, as it relates to Standing Orders Relating to Financial Matters, specifically section 13 – Capital Programme and Expenditure on page 230, currently states:

“13.1 Each Chief Officer, in conjunction with the Chief Executive and the Finance and IS Director, shall compile such programmes of projects of a capital nature as from time to time shall be required by the Council.

13.2 Subsequent to the Council's adoption of the capital programme and before any expenditure (other than preliminary expenditure necessary for the preparation of the scheme) is incurred, individual schemes shall be submitted to the Council for approval together with a financial appraisal of the scheme prepared jointly by the Finance and IS Director and the appropriate Chief Officer.”

- 3.2 The requirements in sub paragraph 13.2 causes administrative burdens and, at times, can lead to inordinate delays in progressing schemes with the possibility of incurring additional costs. The matter has been considered and reviewed by the Strategic Asset Management Group (SAMG) and the following amendments are recommended:

“13.1 Each Chief Officer in conjunction with the Chief Executive and Head of Corporate Finance shall compile and allocate such programmes of projects of a capital nature as from time to time shall be required by the Council.

13.2 Subsequent to the Council adopting the general Capital Programme and before any expenditure (other than preliminary expenditure necessary for the preparation of a scheme) is incurred, individual capital schemes over £500,000 in value shall be submitted to the Cabinet for approval together with a financial appraisal of the scheme prepared jointly by the Head of Corporate Finance and the appropriate Chief Officer. Individual capital schemes under £500,000 in value shall be submitted to the appropriate Cabinet Member for approval together with a financial appraisal.”

- 3.3 SAMG also considered matters relating to potential capital schemes to be funded from resources generated by planning requirements under Section 106 (Town and Country Planning Act 1990) and Section 278 (Highways Act 1980). It is recommended that the Delegation to Planning Committee on page 63 of the Constitution be amended to read :

“(A) COMMITTEE {P.63}

3. Authorisation to enter into agreements under Section 106 of the Town and Country Planning Act 1990 and S. 278 of the Highways Act 1980 for planning purposes and to approve entry into the budgetary process at the appropriate time of any commuted sums payable thereunder.”

- 3.4 As a consequence of the changes in paragraphs 3.2 and 3.3 above it will be necessary to amend the Scheme of Delegation of Responsibility for Executive Functions to Cabinet; specifically item 13 on page 101 of the Constitution as follows:

"CABINET {P.101}

13 Implementation and monitoring of budget changes including the approval of the entry of new Schemes into the Capital Programme."

4. Capital Resources 2011/12

- 4.1 As part of its Spending Review 2010, announced last October, the Government made the decision that no new supported borrowing (SCE(R)) allocations will be made in the review period. In future, Government capital support will be given in the form of capital grants only, with the aim of offering greater transparency, simplicity and targeted funding for capital purposes.
- 4.2 However, whilst there are no new SCE (R) allocations in 2011/12, the level of assumed outstanding debt is still included in the Formula Grant calculation as in previous years.
- 4.3 As part of the Government's decentralisation agenda, the Spending Review aims to provide freedom and flexibility to Councils. As a result, capital grants to Councils have been simplified. The majority of capital grants are now completely non-ringfenced and there are fewer grant regimes for Councils to deal with.
- 4.4 Under the Prudential Code, the Council can supplement Government capital support by "prudential borrowing" funded exclusively from the Council's revenue budget. Such borrowing must be affordable and within authorised limits approved by the Council (there is a report elsewhere on this agenda on Treasury Management Policy and Strategy 2011/2012 dealing with these limits). Members should note that the revenue budget proposals for 2011/12 do not include any provision to support any new capital expenditure funded by prudential borrowing.

4.5 Government Capital Allocations 2011/2012

- 4.5.1 The table below itemises capital allocations that have been notified to date for 2011/12; the 2010/11 figures, where applicable, are shown for comparison.

	2010/11 £'000	2011/12 £'000	Variation £'000
Children's Services - Devolved Formula Capital (ringfenced)	1,895	620	-1,275
Children's Services - Basic Need	655	894	+239
Children's Services - Capital Maintenance	-	3,516	+3,516
Children's Services - Modernisation	1,287	-	-1,287
Children's Services - Targeted Capital Fund Grant	5,000	-	-5,000
Children's Services - Extended Schools Grant	237	-	-237
Children's Services - Youth Capital Fund Grant	75	-	-75
Children's Services - Primary Capital Programme Grant	5,996	-	-5,996
Children's Services - Schools Access Initiative	401	-	-401
Children's Services - Personal Social Services	45	-	-45
Children's Services – Aiming High for Disabled Children Grant	391	-	-391
Children's Services – Playbuilder Grant	275	-	-275
Children's Services - City Learning Centres Grant	300	-	-300
Total Children's Services	16,557	5,030	-11,527
HMR Grant	7,577		-7,577
HCA Grant	2,548		-2,548
Housing – Regional Housing Pot	2,188		-2,188
Disabled Facilities Grant #	1,336	TBC	?
Total Housing	13,649	-	-12,313
Social Services - Social Care Grant	147	-	-147
Social Services - Mental Health Grant	150	-	-150
Social Services -Adult Social Care IT Infrastructure Grant	112	-	-112
Social Services – Investment for Transformation in Adult Social Care Grant	197	-	-197
Dept. of Health Capital Grant	-	797	+797
Total Social Services	606	797	+191
Highways Maintenance	2,421	2,474	+53
Integrated Transport Block Grant (indicative)	2,683	981	-1,702
De-trunked Roads Maintenance Grant	226	-	-226
Total Transportation	5,330	3,455	-1,875
Total Allocations	36,142	9,282#	-25,524

Note # The 2011/12 capital allocation in respect of Disabled Facilities Grants is still awaited. Members are reminded that all 2011/12 allocations are now

capital grant. Previous years' allocations, except where described, have been supported borrowing approvals.

- 4.5.2 The significant reduction in Children's Services capital allocations is as a result of the removal of several annual funding streams such as Modernisation and Schools' Access Initiative. The Targeted Capital Fund was a specific allocation but for 2009/10 and 2010/11 only.
- 4.5.3 In respect of the Children's Services Devolved Formula Capital ringfenced allocation, the Secretary of State for Education made the following comments in his ministerial statement on education spending. *"The Devolved Formula Capital Grant is a much lower rate than previously. The Audit Commission criticised the allocation of large amounts of funding to schools that was not targeted to building need. Therefore, in view of the need to prioritise, I have balanced the bulk of maintenance funding to local authorities, to support local prioritisation and larger projects, with coordinated and efficient procurement"*.
- 4.5.4 The Children's Services Capital Maintenance allocation is a new funding stream, which is aimed at ensuring that buildings and equipment are properly maintained, to ensure that health and safety standards are met, and to prevent a backlog of decay building up which is expensive to address.
- 4.5.5 As part of the Spending Review, the Department for Transport has announced a radical simplification of local transport funding, moving from 26 separate grant streams to just 4:-
- a new Local Sustainable Transport Fund (capital and revenue);
 - major schemes (capital);
 - block funding for Highways Maintenance (capital); and
 - block funding for Integrated Transport (capital).
- The allocations are now distributed via the local Integrated Transport Authority (ITA).
- 4.5.6 The Department for Transport has established a new £560m Local Sustainable Transport Fund to support packages of transport interventions that promote economic growth and reduce carbon emissions in their communities. In addition to delivering cleaner environments and improved air quality the fund aims to promote enhanced road safety and reduce congestion. The fund will be in the form of £350m revenue and £210m capital resources spread nationally over the next four years. Authorities will be invited to bid for funds, with the allocations being announced later in the year.
- 4.5.7 Members are informed that on 4 February 2011 the Department for Transport approved the Council's funding bid for the Thornton to Switch Island Link Road capital scheme. The Council will receive £14.5m of capital grant towards the £19.238m scheme; the balance is to be funded from the approved ongoing capital programme by prudential borrowing. This is the subject of a separate report elsewhere on the agenda.
- 4.5.8 The Council has in the past received an allocation of capital grant from the Regional Housing Pot. In 2010/2011 this allocation was £2.188m. However, from 2011/2012 onwards these resources will no longer be made available. Similarly the Council received grants from Government and the Homes and Communities Agency for the Housing Market Renewal Initiative (HMR) but

these are ceasing at 31 March 2011; any grant that is not utilised at the year end may be carried forward to meet expenditure falling into 2011/12. Members should note that there are sufficient resources to meet the existing commitments of the HMR programme in 2011/12 shown in Annex A.

- 4.5.9 Traditionally, the Cabinet has recommended that all capital allocations should be utilised by the appropriate service receiving the allocation. As indicated in paragraph 4.3 above, the Government has removed the ringfence from the majority of capital allocations. However, Members should note that the Highways allocations are controlled via the local ITA, the implication being that if they are not used for transport related schemes the ITA could withhold the grant which could place the Council at risk of having a shortfall of capital resources.
- 4.5.10 Accordingly, Members are therefore asked to confirm that the allocations detailed in paragraph 4.5.1 are utilised by the relevant service. Officers will then formulate proposals for a new starts capital programme for 2011/12 and report them in line with the changes to the Constitution as outlined in section 3.
- 4.5.11 Finally, Members are advised that following a new grant application to the Environment Agency, grant approval has been received for the period 2011-2016 for the continuation of the North West Regional Monitoring Strategy which collects, analyses and interprets local and regional datasets to inform coastal flood and erosion risk management. The Programme is 100% grant aided by the Environment Agency and has been coordinated by Sefton Council since 2007 on behalf of the North West and North Wales Coastal Group. The grant approval for the five year period is analysed as follows:-

	Regional Total
Year 1	£879,000
Year 2	£1,309,000
Year 3	£803,000
Year 4	£734,000
Year 5	£534,000
Total	£4,259,000

Members are advised that the Year 1 (2011/12) allocation is a firm offer. However, subsequent years' allocations are indicative only and are subject to DEFRA'S ongoing considerations about changes to funding which may affect investment choices from 2012/13 onwards. Approval is therefore sought to include the North West Regional Monitoring Strategy scheme in the capital programme at a cost of £879,000 in 2011/12 only, fully funded from Environment Agency grant, and that future years' grant allocations will be included as and when final confirmation is received from DEFRA.

5. Recommendations

5.1 Cabinet is requested to:-

- a) Approve the revised phasing of the ongoing Capital Programme as shown in Annex A;
- b) Approve the inclusion of the Leisure and Tourism capital schemes, funded from specific capital resources and outlined in paragraph 2.4, in the 2010/11 capital programme;
- c) Recommend to Council that the proposals outlined in section 3 to change the scheme of delegation and the Constitution be made;
- d) Confirm that the allocations detailed in paragraph 4.5.1 are utilised by the relevant service, with proposals for their use reported in line with the Constitution;
- e) Note the approval by the Environment Agency of the Regional Coastal Monitoring Programme 2011/16 as outlined in paragraph 4.6.11;
- f) Refer the report to Council for approval.

Council is requested to :-

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- d) Confirm that the allocations detailed in paragraph 4.5.1 are utilised by the relevant service, with proposals for their use reported in line with the Constitution;
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