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**Report to:** Cabinet

**Date of Meeting:** 8<sup>th</sup> December 2011

**Subject:** Capital Programme Update

**Wards Affected:** All

**Report of:** Strategic Director (Place)  
Head of Corporate Finance & ICT

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** No

**Exempt/Confidential**

No

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### **Purpose/Summary**

To provide Members with an update of committed and uncommitted schemes within the Capital Programme, together with details of proposals for new capital schemes for 2012/13 on the basis of invest to save revenue expenditure.

### **Recommendation(s)**

Cabinet is asked to:-

- I. Note the progress made in relation to the delivery of committed capital schemes and particularly the potential for under & over spends related to those schemes.
- II. Determine which of the uncommitted capital schemes identified in the report should be approved for continuation or abandonment within the Capital Programme.
- III. Consider the proposals for new 'invest to save' capital schemes for inclusion within the 2012/13 Capital Programme.
- IV. Agree that any underspends achieved within the committed Capital Programme together with any approved funding associated with the abandonment of any uncommitted capital schemes be in the first instance allocated to offset any net overspends currently identified within the Capital Programme.
- V. For any uncommitted scheme that Cabinet agree to continue in the Capital Programme, request that officers re-evaluate the running costs and funding sources and report the findings back to Cabinet before a final decision is made to progress any such scheme.
- VI. Agree that the submission to Heritage Lottery Fund be made for their contribution (£4.079m) towards the cost of Phase II of the Regeneration of Kings Gardens, Southport immediately after the expiry of the call-in period for this meeting.
- VII. Recommend to Council the inclusion of the above changes within the Capital Programme.

## How does the decision contribute to the Council's Corporate Objectives?

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

### Reasons for the Recommendation:

To allow Members to consider the potential impacts of the committed and uncommitted capital schemes currently within the agreed Capital Programme on the Council's overall budget position for 2012/13. Also to consider proposals for 2012/13 new start schemes which present opportunities for revenue budget savings on an invest to save basis.

### What will it cost and how will it be financed?

#### (A) Revenue Costs

The costs of financing the committed Capital Programme and the subsequent running costs of committed schemes are included in the Medium Term Financial Plan and existing budget plans as appropriate. Running costs for the uncommitted capital schemes will require re-evaluation to ensure that they can be contained within future budget allocations and reflect current market conditions.

#### (B) Capital Costs

The details of the costs of the Capital Programme are included in the body of the report and actual variations will be dependent upon the decisions made by the Cabinet.

### Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

**Legal:** The Capital Programme schemes identified, which are not contractually committed, may have incurred costs to the Council and to third parties in bringing some schemes to their current state of preparation. The Council may be liable for our own and some of the third party costs.

### Human Resources

#### Equality

- |    |  |                                     |
|----|--|-------------------------------------|
| 1. | No Equality Implication                          | <input checked="" type="checkbox"/> |
| 2. | Equality Implications identified and mitigated   | <input type="checkbox"/>            |
| 3. | Equality Implication identified and risk remains | <input type="checkbox"/>            |

**Impact on Service Delivery:****What consultations have taken place on the proposals and when?**

The Head of Corporate Finance (FD 1115/11) and Head of Corporate Legal Services (LD477/11) have been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

To continue with any uncommitted scheme will not produce savings for the Council's revenue budget.

**Implementation Date for the Decision**

Following the expiry of the "call-in" period for the Minutes of the Cabinet/Cabinet Member Meeting

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**Background Papers:**

The following papers are available for inspection by contacting the above officer(s):

Capital Programme report submitted to Cabinet and Council 3 March 2011.

## 1. Introduction/Background

- 1.1 Members will recall that at the Cabinet meeting on 13 October 2011, it was reported that a review of the Capital Programme would be presented to its next meeting.
- 1.2 Officers from all departments have been asked to review the Capital Programme in order to:
- outline progress with the current committed capital schemes and identify any significant under or over spends associated with those schemes;
  - identify those schemes which are not currently contractually committed, so as to allow Members to reconsider if, in the light of the current financial position, those schemes should be allowed to continue within the Capital Programme or be abandoned;
  - allow any uncommitted scheme that Cabinet agrees to continue in the Capital Programme to be re-evaluated in terms of running costs and funding sources with an update reported back to Cabinet before a final decision is made to progress a particular scheme.
- 1.3 In carrying out this review the costs of each committed scheme have been assessed to gauge whether any savings can be vired to accommodate those schemes that are facing additional cost pressures.
- 1.4 Departments have been invited to submit schemes for inclusion in the 2012/13 Capital Programme on the basis that the investment would yield savings in revenue expenditure ("Invest to Save" schemes) to assist the Council in meeting its forecast budgetary shortfall. Details of the proposals are contained in section 4 of this report, including an assessment of the potential savings for the scheme should Members support any of the proposals.

## 2. Revised Capital Programme

- 2.1 The Capital Programme has been reviewed and the following schemes are estimated to have underspent against their original provision:

<b>Department/Directorate</b>	<b>Scheme</b>	<b>Saving £'000</b>
Children's Services	South Sefton 6 <sup>th</sup> Form Centre	100
	Litherland OSP	100
Corporate Services	St Peter's House - Refurbishment	100
	Balliol House - Demolition	60
Leisure	Maghull Leisure Centre	42
Regeneration	Older Person's Housing Strategy	30
	Green Business Project	20
<b>Total</b>		<b>452</b>

- 2.4 The Southport Cultural Centre is the only scheme in the Capital Programme suffering significant cost pressures. This scheme has been regularly monitored by the Strategic Asset Management Group and regular update reports have been provided to the lead Cabinet Member. A briefing report on these matters has recently been provided to Leaders.

- 2.5 In broad terms it is clear that the project's original contingency of 5% of the total cost has proved insufficient when considered against the original level of design development possible in order to meet the timescales of the main external funding bodies and the nature of the building. Despite survey work being undertaken prior to the start of works the nature of the building has proven significantly more complex and challenging than anticipated. The need to comply with the requirements of the Listed Building Consent has also limited the ability to reduce the scope of works. Protracted negotiation with the previous owners of Cambridge Walks resulted in significant cost being incurred in relation to works that eventually had little impact on the Walks.
- 2.6 A number of "value engineering" exercises and design modifications have been undertaken to reduce the impact of the additional costs. However, the latest position is that £777,000 of additional costs have been incurred to date (over and above the 5% contingency) with the potential of a further £600,000 of additional costs being forecast to the end of the project, to give the Council a potential additional liability of up to £1.4m.
- 2.7 Members are asked to consider using the balance of savings from the schemes listed in paragraph 2.1 to mitigate these additional costs. Members may also wish to consider further offsetting this liability by utilising funding already agreed within the Capital Programme for any uncommitted schemes which it is decided may be abandoned.
- 2.8 Members will recall that at their meeting on 15 April 2010 (Minute 343) Cabinet agreed to include Phase II of the regeneration works to Kings Gardens, Southport in the Capital Programme as a new start for 2012/13 and, further, authorised officers to prepare the relevant submission to the Heritage Lottery Fund (HLF) for their 75% (£4.079m) contribution to the scheme. For information, the balance of the scheme (£1.360m) will be funded from S106 deposits ring fenced from current and future developments in the Southport Area Committee Wards. The deadline set by HLF is 31 December 2011 and authority is sought from Cabinet to make the submission immediately after the expiry of the call-in period for this meeting.

### 3. Uncommitted Schemes

- 3.1 In reviewing the Capital Programme a number of schemes, or elements of schemes, have been identified that at the time of writing this report are **not** contractually committed. These are identified in the table below:

<u>Department/ Directorate</u>	<u>Ref</u>	<u>Scheme</u>	<u>Amount £'000</u>	<u>Funding Source</u>
Children's Services	3.2	South Sefton 6 <sup>th</sup> Form Centre	70	PB
	3.3	Other Capital Maintenance	1,089	NRG
	3.3	Other Modernisation	88	NRG
	3.3	Other Schools Access Initiative	102	PB
	3.3	New Pupil Places	508	NRG
Corporate Services	3.4	Disabled Facilities	26	PB
	3.5	IT Server Replacement	48	PB
	3.6	Members ICT & Mobile Technology	77	PB
Environmental	3.7	Waste Infrastructure	244	NRG

Health & Social Care	3.8	Adult PSS	1,605	NRG
Leisure & Tourism	3.9	Hesketh Park Visitor Office	50	PB
	3.10	Southport Sports Park	382	PB
	3.11	Botanic Gnds Museum & Roof	25	PB
Regeneration	3.12	Development Fund	9	PB
	3.13	Southport Commerce Park	884	PB
Technical Services	3.14	Highway Parking Improvements	100	PB
<b>Total</b>			<b>5,307</b>	

For information in the funding source against each scheme PB means prudential borrowing and NFG means non-ring fenced grant. The following paragraphs give Members further details about each scheme.

3.2 South Sefton 6th Form Centre £70k

There is a total of £170k uncommitted on this scheme of which £100k is no longer required and can be offered as a saving and has been included in the table in paragraph 2.1. The remaining uncommitted £70k may be required and will be the subject of discussions with the College.

3.3 Other Capital Maintenance £1,089k; Other Modernisation £88k; Other Schools Access Initiative £102k; New Pupil Places £508k

The above funding streams total £1,787k. It is intended that this funding is used to enhance the school building stock, whilst addressing the lack of pupil places; to provide access to all areas by disabled pupils; and to provide resources for major maintenance schemes addressing condition items and modernising premises. Several schemes have been developed and are due to come forward shortly, which will cover a number of the above issues and utilise funding of £1.295m. Utilisation of the balance of available funding will be reported later in the financial year.

3.4 Disabled Facilities £26k

This was retained at the last review and it was agreed that, in lieu of a programme to make the Council's buildings DDA compliant, this would be retained to meet any needs that may arise.

3.5 IT Server Replacement £48k

This funding is to provide replacements for those servers that were not included in the refresh obligations that are contained within the arvato contract but has not yet been committed

3.6 Members ICT £77k

This funding relates to the provision of ICT equipment (PC or laptop and printer) for Councillors. The existing equipment used by Councillors was due for a refresh in 2011/12 and is in a poor condition. Newly elected members have been issued with recycled equipment where it is available but there is a lack of such suitable items. This scheme is also to be used to pay for replacement parts (if available) to the video conferencing equipment that is used to connect Committee meetings at both Southport and Bootle Town Halls.

3.7 Waste Infrastructure Grant £244k

There are essential health & safety, welfare and security works required, all of which is waste infrastructure related. Some of this work may result in expenditure

in 2011/12 with the remainder arising in 2012/13. This offsets the need for any future capital funding to carry out essential infrastructure works that are not budgeted for and which due to a lack of investment over the years, cannot be contained within existing repair and maintenance revenue budgets. Plans for the remaining balance include future invest to save opportunities, which cannot be explored or progressed until the above essential works have been completed. However, in light of the current financial climate, Members may wish to consider making use of the remaining, after essential health & safety works have been accounted for, uncommitted grant funding balance of £244k.

### 3.8 Adult Personal Social Services (PSS) £1,605k

In 2011-12 the DoH has provided additional investment to Local Authorities to support Personal Social Care Services and the continued support of the on-going personalisation agenda for Adult Social Care. This funding will enable continued investment to support delivery of adult social care services and for developing community capacity. The priority areas for investment are:

- Innovative alternatives to residential care - supported housing and living and Extra Care Housing
  - More coordinated 'hub and spoke' approaches to deliver care into communities
  - Better design to support people with dementia
  - Services or housing remodelled / refurbished
- Alternatives to residential care via community based services investment
  - Provision of equipment and minor adaptations
  - Full use of Telecare in a continued support package
  - Preventing people's needs from escalating - delaying need for intensive care packages
  - Supporting timely discharge from hospitals
  - Enabling people to remain in their own homes for as long as possible, efficiently and demonstrating choice and independence
- Service redesign to the care infrastructure
  - Support the planning, commissioning and delivery of personalised care services, with a stronger emphasis on the integration of services across health, social care and beyond
  - Expectation that people should have access to information to help them make lifestyle choices as well as service choices
  - Greater collaboration with local partners - in support of identifying those most at risk of requiring greater care and support for targeted early intervention

Within the £797,227 of DoH PSS funding in the current capital programme:

- £200,000 is to be allocated to additional investment in assistive technology in 2011/12
- £597,227 is to be allocated to support additional DFG investment over the next two financial years 2011-2013. Funding will be split £297,227 in 2011/12 and £300,000 in 2012/13 and officers will monitor commitments / expenditure throughout the year and update Members as appropriate.

A further report will be provided later in the year seeking approval to spend the £807,910 investment from the DoH to the Local Authority to support Personal Social Care Services and the continued support of the on-going personalisation agenda for Adult Social Care.

3.9 Hesketh Park Visitor Office £50k

This scheme is needed to meet HLF expectations following their funding of the wider park restoration scheme. The original scheme proved unfeasible and an alternative has now been identified, through on-going discussions with partners, with minimal running costs for Council. The project is scheduled for delivery in 2012/13.

3.10 Southport Sports Park £382k

This was a contribution towards the development of a sports park located on land between KGV College and Meols Cop High School. The scheme was reliant on funding from the Football Foundation, which has not materialised. Options available for this funding include:- retaining funds for a future sports park; abandoning the scheme and so releasing the funding; or reallocating some or all of the funds to improve the changing facilities at Meols Cop Park

3.11 Botanic Gardens Museum & Roof £25k

Funds are required for emergency repairs to the roof of this grade 2 listed building.

3.12 Development Fund £9k

The Kew site in Southport is covered with Ragwort, a notifiable weed (cost to remove circa £3,500). However this may not need to be done if the Council are able to dispose of the site by early 2012. There are also a number of facilitating activities that need to be carried out at Kew in order to assist in providing a vacant site to the developer David Wilson Homes (DWH). Some of these activities may require financial contribution from either the Pre-development fund or DWH themselves. The resource requirement in the future for this work is currently in the process of being determined.

3.13 Southport Commerce Park £884k

The Homes and Community Agency (HCA) who previously invested in this location intend to work with Sefton to help realise the potential of this asset. No additional public sector support has been identified at present. However, with support from David Wilson Homes (DWH - the preferred developer of the Kew site adjacent) to support development on the expanded Business Park – (£2.3m anticipated) - these existing funds can assist the Council to provide pump priming support for "employment development" on the existing Commerce Park. This matter was reported to the last Cabinet meeting on 13<sup>th</sup> October 2011 and the funding is integral to the overall viability of the scheme.

3.14 Highway Parking Improvements £100k

This amount is not currently committed at this stage, but proposals will soon be presented to Leaders and Area Committee Chairs for the funding to be allocated on a ward by ward basis to deliver priority projects within individual wards in relation to highway parking.

**4. Invest to Save Proposals for 2012/13 Capital Programme**

4.1 Directorates have also been asked to formulate proposals for consideration to be included in the 2012/13 New Starts Capital Programme on the basis that the investment would result in savings to revenue budgets. Any such proposals will be assessed to calculate the payback period by which the revenue saving would recover the cost of the investment.



4.2 Two scheme proposals have been submitted from the Street Lighting Section and these relate to illuminated bollards and traffic signs as detailed below:

a) Convert traffic bollards to LED fittings (20 year estimated life)

<b>Capital costs</b>	<b>£107,000</b>
<b>Revenue implications:</b>	
Annual energy cost saving	£18,650
<u>Less</u> capital financing p.a. (over 10 years)	(£12,200)
CRC saving (113 tonnes p.a.)	
Net annual <b>saving</b> years 1 -10	£6,450
Net annual <b>saving</b> years 11 - 20	£18,650

b) Convert traffic signs to LED fittings (20 year estimated life)

<b>Capital costs</b>	<b>£140,000</b>
<b>Revenue implications:</b>	
Annual energy cost saving	£13,150
<u>Less</u> capital financing p.a. (over 10 years)	(£15,900)
CRC cost saving (79 tonnes p.a.)	
Net annual <b>cost</b> years 1 - 10	£2,750
Net annual <b>saving</b> years 11 - 20	£13,150

4.3 Both above schemes will generate a carbon saving of 113 tonnes and 79 tonnes per annum respectively, however due to the Council having a passive energy supply (as opposed to a dynamic supply) there is no “cashable” cost saving. The above figures do not include fees for Capita Symonds to implement the schemes. The estimates for this are likely to be in the region of £2000 for traffic bollards and £2800 for traffic signs.

4.4 Children’s Social Care department are requesting that a provision of £200,000 be made in the Capital Programme to facilitate a pilot scheme to provide for the building of extra accommodation (loft conversions, extensions etc.), where appropriate, within Sefton foster carers’ residences. This will increase capacity and allow more placements to be made within the Borough and reduce the need for out of Borough placements which can cost in excess of £1,000 per child per week. The suggested provision could accommodate six to seven adaptations, which can be funded by prudential borrowing, at a cost of £23,000 per annum top sliced from the Residential Agency and Independent Fostering placement budgets (£7.8m) and could save up to £350,000 a year in external placement costs. Should the proposal be approved its progress will be reported back to Members periodically.