

REPORT TO: Cabinet
Council

DATE: 26 February 2009
26 February 2009

SUBJECT: 2009/2010 – 2011/2012 Capital Programme

WARDS AFFECTED: All

REPORT OF: Paul Edwards - Finance & IS Director
Alan Moore - Strategic Director Regeneration
& Deputy Chief Executive
Charlie Barker - Director of Adults Social Care
Bryn Marsh - Strategic Director Of Children's
Services

CONTACT OFFICER: Lynton Green – Senior Assistant Finance
& IS Director - 0151 934 4096

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To consider the formulation of the 2009/2010– 2011/2012 Capital Programme.

REASON WHY DECISION REQUIRED:

To approve the Capital Programme at **Annex A** which will facilitate delivery of capital projects.

RECOMMENDATION(S):

Cabinet is requested to:-

- a) Note the report;
- b) Approve the 2009/2010 – 2011/2012 Capital Programme (**Annex A**);
- c) Note the intention of SAMG to review the programme, with particular attention to dormant schemes, with the possibility that resources may be made available for other schemes.
- d) Confirm that Cabinet Members may continue to approve schemes from within their specific capital allocations included in **Annex A**;
- e) Approve the use of lease facilities in 2009/2010 provided that any revenue consequences can be accommodated within appropriate budgets;
- f) Request that SAMG review the New Starts Programme in light of emerging issues; and
- g) Refer the report to Council for approval.

KEY DECISION: Yes

FORWARD PLAN: Yes

IMPLEMENTATION DATE: Following Council on 26 February 2009

ALTERNATIVE OPTIONS:

To not approve the capital programme which will prevent progress of capital schemes.

IMPLICATIONS:

Budget/Policy Framework: The revenue implications of the ongoing and new starts capital programme presented in this report can be contained in the draft Base Budget for 2009/2010, which is the subject of a separate report on the agenda.

Financial: See above

Legal: None

Risk Assessment: Delivery of certain schemes in the programme, for example those of a Health & Safety nature, will reduce the level of risk to which the Council is 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 have been consulted.

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

Department for Children Schools and Families Website - Schools Capital Allocations 2008/09 – 2010/11 – 7th. November 2007; LAC(1810070005) – Local Authority Children’s Services Funding 2008/09 – 2010/11 – 6th. December 2007. Letters from Department of Health: Adults’ Personal Social Services: Distribution of Single Capital Pot and Specific Capital Allocations in 2009-10 & 2010-11 – 26th November 2008; Adults’ Personal Social Services (PSS): Specific Revenue and Capital Grant Allocations and Contributions to Area Based Grant for 2009-10 & 2010-11 – 26th November 2008.

Department of Health Local Authority Circular – 22 August 2008.

Letter from Government Office for the North West: Three Year Local Transport Capital Settlement (2008/09 – 2010/11) – 27 November 2007.

Letter from Government Office for the North West: Local Authority Housing Capital Allocations – 10th.December 2008.

www.communities.gov.uk - Local Authority Disabled Facilities Grant Allocations for 2009/10 – 10th. December 2008.

BACKGROUND:

1. Introduction

- 1.1. This report considers the latest position in respect of 2008/2009 and development of the 2009/2010 – 2011/2012 Capital Programme in the light of recent resource notifications received from Central Government and the formulation of the Revenue Budget.

2. Capital Programme 2008/2009

- 2.1. All existing approved and ongoing schemes have been completely reviewed and this is reflected in the Capital Programme attached at **Annex A**. Members may wish to request a further review of the programme, which may result in the amendment of certain schemes. Furthermore, the examination of dormant schemes, that is those schemes where there has been little or no expenditure in the recent past, may allow resources to be made available for other schemes.
- 2.2. Members will recall that at the Cabinet meeting on 2 October 2008, approval was given to the extension of the freeze on certain capital schemes, outlined in the report, until 1 April 2009. The freezing/delaying of these schemes was estimated to generate a saving of £0.051m in financing charges within the council's revenue budget. These schemes, incorporated at Annex A, are shown with all expenditure now phased in 2009/2010.

3. Capital Resources 2009/2010

- 3.1. The capital expenditure within the capital programme is financed from a number of sources, including:-
- a) Government Supported Borrowing;
 - b) Government Funded Grants;
 - c) Council Supported Borrowing – “Prudential borrowing”;
 - d) Specific capital receipts;
 - e) Miscellaneous Contributions/External Grants;
 - f) Direct Revenue Funding.
- 3.2. Last year, the government issued Supported Capital Expenditure (SCE) notifications for certain services in line with the Comprehensive Spending Review Period of 2008 – 11. In addition, annual allocations are made that indicate the Government's proposals for supporting capital expenditure for the forthcoming financial year within each service area through either supported borrowing or grants. Each of these components is dealt with in the following paragraphs.

3.3. Government Supported Borrowing 2009/2010

3.3.1. Although resources are allocated by individual Government Departments for specific services, the borrowing can be utilised on any service in accordance with the principles of the Single Capital Pot. However, diverting resources between services can have an effect on the allocations from Government Departments in subsequent years.

3.3.2. The Government's revenue support for this borrowing is provided through Formula Grant as determined by the Capital Financing element of the Relative Needs Formula (RNF).

3.3.3. The SCE notifications which allow amounts to be funded from borrowing are presented in the table below:-

SCE – Supported Borrowing 2009/10

| | 2008/09 | 2009/10 | Variation |
|------------------------------------------------|----------------|----------------|------------------|
| | £'000 | £'000 | £'000 |
| Children's Services - Education | 3,467 | 2,974 | -493 |
| Children's Services – Personal Social Services | 46 | 46 | 0 |
| Transportation | 1,914 | 2,105 | +191 |
| Total Supported Borrowing | 5,427 | 5,125 | -302 |

3.3.4. Under the Prudential Code, the Council can supplement Government supported borrowing by further "Prudential borrowing" funded exclusively from Council resources. Such borrowing must be affordable and within authorised limits approved by the Council.

3.4. Government Capital Grant Allocations 2009/2010

3.4.1. Unlike Revenue Support Grant, which is fixed by Government before the start of the financial year, capital grants can be increased as additional schemes are approved or Government allocates additional resources. The indicative SCE allocations relating to Capital Grants for 2009/2010 are:-

SCE – Capital Grant 2009/10

| | 2008/09 | 2009/10 | Variation |
|-------------------------------------------------------|----------------|----------------|------------------|
| | £'000 | £'000 | £'000 |
| Children's Services - Devolved Formula Capital | 3,241 | 3,191 | -50 |
| Children's Services - Targeted Capital Fund | 816 | 2,000 | +1,184 |
| Children's Services – Extended Schools | 433 | 459 | +26 |
| Children's Services - Youth Capital Fund | 150 | 150 | 0 |
| Housing – Disabled Facilities Grants | 964 | 1,157 | +193 |
| Social Services – Social Care | 147 | 147 | 0 |
| Social Services - Mental Health | 151 | 150 | -1 |
| Social Services – Adult Social Care IT Infrastructure | 100 | 106 | +6 |
| Transportation | 4,380 | 3,561 | -819 |
| Total Capital Grant | 10,382 | 10,921 | +539 |
| Allocation not yet known:- | | | |
| Housing | 4,985 | - | - |

3.4.2. The significant increase of in excess of £1m, in respect of Children's Services – Targeted Capital Fund, relates to funding provided by the DCSF to support the provision of facilities for the delivery of 14 –19 diplomas and/or to improve facilities for pupils with special educational needs and disabilities.

This funding has been granted to those local authorities not currently in the Building School for the Future (BSF) programme as an additional resource.

3.5. **Former Housing Revenue Account (HRA)**

Following stock transfer, any outstanding capital liabilities relating to the former HRA Capital Programme not spent in 2008/09, which form a commitment in future years, will be met from retained former Major Repairs Allowance. As a result, there will be no call on the Council's general capital resources.

3.6. **Housing Market Renewal Initiative**

The Housing Market Renewal Initiative (HMRI) will receive Government support for 2009/10 via the three-year allocation for the period 2008/09 - 2010/11. When the Council was informed of this allocation, only 2008/09 was given as an actual allocation with both 2009/10 and 2010/11 given as indicative allocations. At the time of writing this report, the exact allocation for 2009/10 is still awaited. In respect of **Annex A** attached, the proposed HMRI expenditure, net of any Council contribution, has been included for 2009/10 – 2010/11. As and when the exact allocation for 2009/10 is known, this will be reported to the appropriate Cabinet Member together with the 2009/10 – 2010/11 HMRI programme for approval.

3.7. Traditionally, the Cabinet has allocated all SCE resources – from both supported borrowing and capital grants – to the appropriate service. This policy has been reflected in the Capital Programme MTFP for the period 2009/2010 to 2011/2012 attached at **Annex A**.

3.8. The detailed items presented in **Annex A** include all schemes approved by the Cabinet to date plus general uncommitted provisions to reflect the new allocations detailed in section 3 of this report. The identification of specific schemes against these unallocated resources has traditionally been the subject of further reports to the relevant Cabinet Members and Cabinet are requested to confirm the continuation of this practice.

3.9. The revenue budget assumes the capitalisation of £1.0m of maintenance projects to be funded from prudential borrowing.

4. **New Starts Capital Programme 2009/2010- 2011/2012**

- 4.1. Cabinet, at its meeting on 8 January 2009, resolved that the items contained within the New Start Capital Programme 2009/10 to 2011/12 and previously examined by SAMG, be noted and considered further as part of the budget process.
- 4.2. A provision has been made within the Revenue Budget; reflected elsewhere on today's agenda; to enable the Council to meet the revenue costs of a Capital New Starts Programme. However, since the decision taken on 8 January a number of other schemes/issues have been highlighted necessitating a further detailed review. It is proposed that SAMG revisit the New Starts alongside these emerging issues and report back to Cabinet in March.

5. **Recommendations**

5.1 Cabinet are requested to:-

- a) Note the report;
- b) Approve the 2009/2010 – 2011/2012 Capital Programme (**Annex A**);
- c) Note the intention of SAMG to review the programme, with particular attention to dormant schemes, with the possibility that resources may be made available for other schemes.
- d) Confirm that Cabinet Members may continue to approve schemes from within their specific capital allocations included in **Annex A**;
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