

Report to: Cabinet
Council

Date of Meeting: 25 April 2013
14 May 2013

Subject: Capital Allocations 2013/14

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

To provide Members with details of the 2013/14 Capital Allocations and to consider their use in the development of a Capital Investment Plan for 2013/14.

Recommendation(s)

Cabinet recommends to Council that it:

- i) Notes the Children's Services capital allocations for 2013/14 for Devolved Formual Capital, Basic Needs, and Capital Maintenance (paragraph 2.2);
- ii) Notes the Disabled Facilities Grant allocation for 2013/14 (paragraph 2.2);
- iii) Note the detailed profile of the Capital Priorities Fund of £1m (paragraph 3);
- iv) Approves the items recommended by the Strategic Capital Investment Group (SCIG) for inclusion within the Capital Investment Plan. This includes those items classed as pre allocated, those funded from Direct Revenue Funding, and those recommended to SCIG to be funded from the Single Capital Pot (paragraph 4); and
- v) Approves the inclusion in the Capital Programme of the additional spend on the Southport Cultural Centre.

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 inform Members of the additional 2013/14 Capital Allocations received that were not reported to Cabinet and Council on 28 February 2013, as they had not been received, and to allow Members to consider how these allocations should be utilised.

What will it cost and how will it be financed?

(A) Revenue Costs

For those schemes that are to be funded from borrowing, any borrowing costs will be met from existing revenue budgets.

(B) Capital Costs

All Government allocations included in this report are capital grants. It should be noted that the allocation of grant funds relates to spend in 2013/14, and for any schemes that span 2013/14 and 2014/15, that future expenditure in 2014/15 will require funding from the 2014/15 capital pot.

Implications:

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

Legal Devolved Formula Capital grant funding is ring-fenced and can only be used for its intended purpose
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 and ICT (FD2236/13) and Head of Corporate Legal Services (LD1552/13) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

The options available to Members for the use of non ring-fenced capital grant allocations are included in the body of the report.

Implementation Date for the Decision

After Council.

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Background Papers:

None.

1. Introduction/Background

- 1.1 Cabinet and Council were notified on 28 February 2013, of the Capital Allocations for Sefton in 2013/14 that had been announced by the Government at that time. This report updates those allocations, and highlights the final position.
- 1.2 Cabinet on 28 February approved the introduction of the new Capital Allocation Framework and Capital Strategy. With effect from 2013/14, this Strategy introduces the principle of a single capital pot system for the allocation of schemes to be included in the Capital Investment Plan. This means that all non-ring fenced grants will initially be held centrally, and bids will need to be made in order to secure funds for capital projects. This report includes proposed new capital schemes for 2013/14, for consideration by Cabinet, as recommended by the new Strategic Capital Investment Group.

2. Government Capital Allocations 2013/14

- 2.1 The Government has now announced all capital allocations for 2013/14. The below itemises the newly announced capital allocations that have been received for 2013/14, as well as those reported to Council on 28 February 2013. The 2012/13 figures, where applicable, are shown for comparison.
- 2.2 All allocations, with the exception of Devolved Formula Capital, have been identified by the Government as non-ring-fenced. This means that the Council does not necessarily have to utilise the allocations in the areas as set out below, and are therefore available for determination by the Council.

Description of Allocation	2012/13 £m	2013/14 £m	Variation £
Children's Services – Devolved Formula Capital (ring-fenced)	0.450	0.447	-0.3
Children's Services – Basic Need	0.781	1.040	0.259
Children's Services – Capital Maintenance	2.417	2.322	-0.95
Children's Services – Short Breaks	0.203	0.000	-0.203
Early Education for Two year Olds	0.428	0.000	-0.428
Total Children's Services	4.279	3.809	-0.470
Disabled Facilities Grant	1.954	1.581	-0.373
Total Housing	1.954	1.581	-0.373
Department of Health Capital Grant	0.808	0.820	+0.12
Total Social Services	0.808	0.820	+0.12
Highways Maintenance	2.536	2.355	-0.181
Integrated Transport Block (indicative)	0.981	0.965	-0.16
Additional Highway Maintenance	0.000	0.426	+0.426
Total Transportation	3.517	3.746	+0.229
Total Allocations non-ring-fenced	10.108	9.509	-0.599
Total Allocations ring-fenced	0.450	0.447	-0.003
TOTAL ALLOCATIONS	10.558	9.956	-0.602

- 2.3 The Children's Services Basic Need allocation is based upon 50% of a two year grant, totalling £2.080m for 2013/14 and 2014/15.

3. Other Sources of Finance for Capital Schemes

- 3.1 As noted in the report to Cabinet and Council of 28 February 2013, an additional £1m of capital funding is to be released from Council reserves, aimed at assisting the development of town centres across the Borough, youth unemployment and the local economy.
- 3.2 Grant funding of £0.050m is earmarked for the North West Training Council. The organisation provides training for young people in Sefton which aims to underpin economic growth for employers in Sefton. The grant is to fund a contribution to the purchase of modern IT equipment, to upgrade the engineering machine facilities by the purchase of six new machines, and to fund roof repairs.
- 3.3 A further report on the allocation of the remaining funding will be presented to a future meeting of Cabinet.

4. Capital Strategy

- 4.1 A revised Capital Allocation Framework and Capital Strategy was approved by Cabinet and Council on 28 February 2013. This outlined the use of a single capital pot into which all non-ring-fenced funds will be placed, and for which bids must be made in order to secure funding for capital schemes. As can be noted in paragraph 2.2, grant allocations of £9.956m have been made. The capital allocation of Children's Services Devolved Formula Capital of £0.447m is ring-fenced, and must be spent in line with terms of the grant offer, leaving £9.509m for the single capital pot.
- 4.2 The Strategic Capital Investment Group (SCIG) had its inaugural meeting on 9 April 2013. The purpose of the meeting was to review and assess bids received for capital funding from the single capital pot in order to recommend to Cabinet and Council a Capital Investment Plan for 2013/14. As part of this process an initial 'gateway assessment' of bids was undertaken by a Capital Investment Bids Panel consisting of the Council's Service Directors. This panel offered suggestions to SCIG as to the assessment of bids considered within the framework of the new Capital Allocation Framework and Capital Strategy. In respect of the single capital pot, 21 bids have been put forward to be considered as part of the bidding process; in some cases the bids covering 2013/14 and 2014/15 financial years. The capital bids have been classified into four distinct groups as follows (a full list of the bids by group is included within **Appendix A**):
- **Pre allocated (£5.877m 2013/14)** – These are funds which are non-ring-fenced by Government; however following an internal review are considered appropriate to the original suggested purpose. Therefore they have been "internally ring-fenced" to be used in the spirit in which they were given. The reasons for this include contractual obligations, the potential for clawback, and reduced funding levels in future years. These schemes include the Local Transport Plan, funding which is administered by Merseyside Integrated Transport Authority (MITA).

However, these funds are allocated to deliver a programme of work, the detail of which would be agreed by the Cabinet Member.

- **Direct revenue funding (£1.713m 2013/14 and £0.04m 20104/15)** – schemes will be funded by borrowing. All borrowing costs will be met from the existing revenue budgets of the relevant department i.e. no call on the single capital pot.
- **Single Capital Pot bids – recommended (£3.005m 2013/14 and £0.772m 2014/15)** – capital bids that are recommended as a priority against this pot.
- **Single Capital Pot bids – further consideration required (£1.326m 2013/14 and £1.400m 12014/15)** - capital bids that, if approved, will draw upon the single capital pot. However, further assessment and consideration is required by SCIG.

4.3 Those bids assessed and accepted by SCIG as pre allocated (bids 1-5 in **Appendix A**), those being met from direct revenue funding (bids 6-9 in **Appendix A**), and recommended to be funded from the single capital pot (bids 10-17 in **Appendix A**), are now recommended to Council for inclusion within the Capital Investment Plan.

4.4 Bids 18-21 which call upon the single capital pot and for which further consideration by SCIG is required will be the subject of a future report to Cabinet and Council. The value of these bids is £1.326m in 2013/14, and £1.4m for 2014/15.

4.5 The allocation of grant funding is summarised in the following table (and see Appendix A):

	2013/14 £m
Non-ring-fenced grant 2013/14 (para 2.2)	9.509
Funding from 2012/13 to fund bids 4&5	0.631
TOTAL GRANT FUNDING	10.140
Pre allocated (para 4.2)	(5.877)
Single capital pot bids – recommended (para 4.2)	(3.005)
TOTAL ALLOCATED	(8.882)
GRANT FUNDING UNALLOCATED	1.258
Single capital pot bids – further consideration (para 4.2)	(1.326)
OVERCOMMITMENT – should bids requiring further consideration be included	(0.68)

- 4.6 An underspend on any scheme will be returned to the Single Capital Pot.
- 4.7 A capital bid can consist of a list of smaller, prioritised schemes formulated from a much larger list, such as bid 11. Any underspend on the scheme should be referred to Cabinet Members discretion, so that approval can be given for the funding to be allocated to the next prioritised scheme on the list which was not included within the original bid. Conversely, any overspend on the scheme will not automatically illicit any additional funding, and the schemes on the list with the least priority within the bid will not be carried out.
- 4.8 It should be noted that the most advantageous use of the Councils grant funding, both ring-fenced and non-ring-fenced, will be made, to ensure that the Council's priorities are achieved.

5 Southport Cultural Centre

Cabinet agreed a report on 25 April 2013 which detailed the projected outturn for the Southport Cultural Centre. The Capital Programme currently includes £16.883m of expenditure on the project, and this has been revised upwards to £20.239m. The report also instructs the Director of Built Environment, in conjunction with the Head of Corporate Finance and ICT, to identify the means of meeting the projected funding shortfalls.

APPENDIX A

BID NUMBER	Funding required 2013/14 £	Funding required 2014/15 £	Scheme name	Scheme description	Applicant Department
PRE ALLOCATED					
1	1,500,000		Disabled Facility Grants	To support expenditure of £2.5m on issuing Disabled Facility Grants	Strategic Housing (IPI)
2	965,000		Local Transport Plan, Integrated Transport Block Capital Programme	Various transport network improvements.	Investment Programmes & Infrastructure
3	2,781,000		Local Transport Plan, Highway Maintenance Block Capital Programme	To undertake capital maintenance of the Highway Network	Investment Programmes & Infrastructure
4	427,970 FUNDED FROM 2012/13 grant		Two Year Old Offer	Works to increase capacity of 2 year old education childcare places	Early Intervention and Prevention 0-11
5	203,153 FUNDED FROM 2012/13 grant		Aiming higher - short breaks	To help local authorities and their partners to create better access to short break provision for disabled children and young people.	Early Intervention and Prevention 0-11
	5,877,123				
DIRECT REVENUE FUNDING					
6	1,391,000		Vehicle replacement	The project is in response to a review of vehicles nearing the end of their current operating lease. This is the maximum spend	Operational Services

				that would be required should all the vehicles be replaced.	
7	90,000	40,000	Management Information System (MIS) Replacement	To replace the current Management Information System used by recreation & cultura facilities	Older People - Health & Wellbeing
8	147,100		Litherland Sports Park - Replacement Fitness Equipment	To replace 6 year old fitness equipment at Litherland Sports Park	Older People - Health & Wellbeing
8	45,000		Holy Rosary Primary School	Kitchen replacement	Operational Services
9	40,000		Holy Trinity Primary School	Kitchen replacement	Operational Services
	1,713,100	40,000			
<i>SINGLE POT BIDS - RECOMMENDED</i>					
10	1,279,000		School General Maintenance Schemes - 2013/14	17 projects at 14 schools ie boiler replacements, window / door replacements & re-roofing projects	Learning & Support Services
11	378,000	22,000	Corporate Essential Maintenance Fund	To undertake essential maintenance to non school buildings	Investment Programmes & Infrastructure
12	128,000	750,000	Library Review centres of excellence	Capital investment in 3 libraries (Bootle, Crosby or College Rd & Formby); various works to make them fit for purpose now & in the future	Older People - Health & Wellbeing
13	140,000		New Car Parks Infrastructure	Works at various car parks to install charging equipment and	Investment Programmes & Infrastructure

				signage to generate savings approved by Council	
14	120,000		Green Park Primary School - Kitchen Refurbishment	Refurbishment of 20 year old kitchen and equipment	Learning & Support Services
15	160,000		Larkfield Primary School - Kitchen Refurbishment	Refurbishment of 30 year old kitchen and equipment	Learning & Support Services
16	300,000		Rowan Park - Classroom Extension	To bring accommodation up to standard following increase in pupil numbers	Learning & Support Services
17	500,000		Kew Woods Primary School Phase 3 - Nursery and IT Suite	To increase school capacity producing new IT room and nursery provision	Learning & Support Services
	3,005,000	772,000			
<i>SINGLE POT BIDS – FURTHER CONSIDERATION</i>					
18	866,000		Hillside High School - New Drama/Music Suite & Science Accom. Refurbishments	To provide 2 new drama suites, changing rooms, music classrooms, music practice rooms and storage area	Learning & Support Services
19	180,000		Stanley High School - Refurbished Science Laboratories	To provide 2 refurbished science labs by altering existings labs that are in poor condition	Learning & Support Services
20	80,000	1,400,000	Litherland Moss Primary School - Remodelling & Refurbishment	Remodelling & refurbishment of school providing new entrance, a new admin block, kitchen & boiler house and also address early years provision.	Learning & Support Services

21	200,000		New Street Lighting Columns (boroughwide)	Replacement of Street lighting columns	Investment Programmes and Infrastructure
	1,326,000	1,400,000			
TOTAL	11,921,223	2,212,000			