

# METROPOLITAN BOROUGH OF KNOWSLEY

To: The Mayor and Members of the Council

Meeting: 6 March 2013

Wards Affected: All

Portfolio Area: All

Non-Key Decision

## REPORT OF THE CHIEF EXECUTIVE, THE DIRECTOR OF FINANCE AND INFORMATION TECHNOLOGY AND CHIEF OFFICERS

### CAPITAL PROGRAMME – 2012/13 MONITORING UPDATE AND FUTURE YEARS

#### 1. PURPOSE OF THE REPORT

- 1.1 This report presents an update on the Council's Capital Programme and the current level of expenditure against the planned delivery profile for 2012/13.
- 1.2 The report also advises the Council of the level of capital resources available and a revised Capital Programme for 2013/14 and future years.
- 1.3 The Council's Constitution requires the Cabinet to recommend its annual budget proposals to a full meeting of the Council. This report advises Members of a number of specific recommendations relating to the overall Capital Programme, which the Cabinet agreed on 13 February 2013 and which can therefore now be used to inform the Council's budget considerations.

#### 2. RECOMMENDATIONS

Members of the Council are recommended to:-

- (a) Note the revised Capital Programme for 2012/13 of £20.429m as discussed in section 4.1 of this report;
- (b) Endorse the Cabinet's decision to rephase schemes over £1m totalling £6.090m as detailed in paragraph 4.1.3 of this report;

- (c) Note the capital expenditure in 2012/13 to date of £10.073m and the expected impact on the delivery of the approved Capital Programme as set out in paragraph 4.1.4 of this report;
- (d) Note the position on capital receipts as discussed at section 5.4 of this report;
- (e) Endorse the Cabinet's decision to allocate £0.200m of available capital receipts to the Prescot Co-location scheme and £0.400m to fund emergency or high priority works during 2013/14 as discussed in section 5.4 of this report;
- (f) Note Portfolio Holders' decisions to approve new start schemes under £1m in 2013/14 and future years totalling £5.336m as discussed in paragraph 6.1.1 of this report;
- (g) Endorse the Cabinet's decision to add new start schemes over £1m totalling £1.648m in 2013/14 and £2.654m in 2014/15 to the Council's Capital Programme as set out in paragraph 6.1.2 of this report; and,
- (h) Endorse the Cabinet's revised three-year Capital Programme of £50.047m, of which £20.429m is programmed for completion in 2012/13 as noted in paragraphs 6.1.4 and 6.1.5 of this report and detailed at Appendix A.

### **3. BACKGROUND**

- 3.1 There are a range of capital resources available to fund the Council's Capital Programme. This report provides a summary of the resources available to fund capital expenditure, and of the programme of capital schemes.
- 3.2 The Capital Programme has been prepared in line with the Council's Capital Strategy (which is available on request from the Director of Finance and Information Technology), which is designed to ensure that the Council's strategic priorities can be delivered. The Strategy outlines the process for the approval of capital projects and demonstrates a robust and transparent approach. In this respect, it requires the use of a Capital Investment Outline document, which sets out the details, impact and alignment to priorities of any given capital scheme.
- 3.3 As well as being an integral part of the planning process aimed at delivering high quality services and value for money, the Capital Strategy is also intrinsically linked with the Council's Property and Asset Management Plans, and is designed to support the priorities emerging from this wider view of facilities and assets across the Borough.

#### 4. 2012/13 CAPITAL PROGRAMME

##### 4.1 *Rephasings and Adjustments to the 2012/13 Capital Programme*

4.1.1 The approved Capital Programme reflects adjustments arising from the 2012/13 monitoring position as reported to the Cabinet on 13 February 2013. The overall Capital Programme is summarised at Appendix A.

4.1.2 Expenditure against approved schemes was also reported to the Cabinet on 13 February 2013. That report confirmed that capital expenditure planned for 2012/13 in a number of Portfolio areas would not be fully achieved by 31 March 2013. In view of this, rephasings and adjustments totalling £8.714m were agreed to the 2012/13 element of the Programme, bringing the revised Programme for the year to £20.429m. Of these, three adjustments (totalling £6.090m) which individually exceeded £1m were approved by the Cabinet and are outlined below.

##### 4.1.3 *Rephasing of Schemes over £1m*

###### *Children and Family Services Portfolio – Rephasing of £1.280m*

Scheme	To be Re-phased to 2013/14 £m	Comments
New Pupil Places	1.280	<p><b>Roby Park/Park View Amalgamation - £0.240m</b> Approval has been given for the closure and demolition of the swimming pool at Park View, which is due for completion in March 2013. Approval is still awaited from the Governing Bodies for the remainder of the scheme, which is on the condition that they form a hard governance federation. It is envisaged that this will not now take place in time for the works to be undertaken in 2012/13.</p> <p><b>The Elms Refurbishment - £0.700m</b> The proposed phasing now reflects the fact that the scheme is being undertaken in two phases. Phase 1 is due for completion in March 2013, with Key Stage 2 students to occupy the site from April 2013. Phase 2 works are due for completion in July 2013, with the school building being fully operational from September 2013.</p> <p><b>Unallocated Resources - £0.200m</b> Various proposals are being considered and it is envisaged that some schemes will not be implemented until 2013/14, as the majority of works have to be undertaken during the school summer</p>

		holidays.  <b>Other Schemes - £0.140m</b> This comprises four schemes with minor rephasings.
<b>Total</b>	<b>1.280</b>	

*Kirkby Town Centre Regeneration – Overall Programme Resources -  
Rephasing of £2.235m*

<b>Scheme</b>	<b>To be Re-phased to 2013/14 £m</b>	<b>Comments</b>
Kirkby Town Centre Programme Resources	2.235	The phasing now reflects the fact that elements of the programme are not anticipated to start before April 2013. Funding for these aspects of the programme is held corporately until they commence when they will be transferred to the relevant Portfolio's capital programme.
<b>Total</b>	<b>2.235</b>	

*Regeneration, Economy and Skills Portfolio - Kirkby Town Centre  
Regeneration - Rephasing of £2.575m*

<b>Scheme</b>	<b>To be Re-phased £m</b>	<b>Comments</b>
Kirkby Suite and Kirkby Market	2.575	£1.975m has been rephased in respect of the Kirkby Suite (£1.816m into 2013/14 and £0.159m into 2014/15) and £0.600m in respect of the Kirkby Market into 2013/14. The original capital phasing for each scheme was an estimate produced before the Council had appointed the design team and a main construction contractor. These appointments are now in place and a detailed works programme has been developed and agreed, which has informed the revised re-phasing. The project remains on schedule to be delivered on time.  The revised phasings in 2012/13 would then be £0.605m in respect of the Kirkby Suite and £0.980m in respect of Kirkby Market.
<b>Total</b>	<b>2.575</b>	

4.1.4 Expenditure against the 2012/13 Capital Programme at 31 December 2012 was £10.073m, which represented 50% of the revised Programme. While the balance of the Programme is still forecast to be spent by the end of the year, it is important that Portfolio Holders continue to monitor progress to minimise delays in planned expenditure and to reduce the need for further rephasing of the 2012/13 programme into future years.

4.1.5 Following these adjustments, the revised Capital Programme for 2012/13 is £20.429m.

## **5. 2013/14 CAPITAL RESOURCES**

5.1 The range of capital resources available to the Council in 2013/14 are set out below.

### *5.2 Existing Capital Programme Resources*

This funding reflects the approved rephasing of resources by Portfolio Holders into 2013/14. Details across Portfolios are shown at Appendix A to this report. The final Capital Programme is phased over three years to provide a clear plan for capital scheme investment.

### *5.3 Capital Block Allocations 2013/14*

5.3.1 The Government now provides capital funding to local authorities only through capital grant allocations. Supported borrowing allocations (i.e. approval to borrow a specified amount of money for which the Government would fund the repayment costs) ceased from 2011/12.

5.3.2 Capital grants are provided for specific service purposes and tend to be tightly ring-fenced. There has been an overall reduction in grant allocations for 2013/14 compared to 2012/13. In December 2012, the Department for Education notified all local authorities that information on 2013/14 schools capital funding and allocations of basic need, condition maintenance, and devolved formula capital funding (usually available in December each year) would not be available until February 2013. The Government has stated that it expects the overall annual allocations for the above to remain broadly in line at a national level with the previous two years' annual allocations. At the time of writing this report, the allocations had still not been confirmed. Once the 2013/14 allocations are confirmed, proposals for their allocation will be brought to the Cabinet Member with Portfolio for Children and Family Services for approval. The capital grant allocations which have been announced to date for 2013/14 total £2.837m and indicative figures for 2014/15 for Knowsley are also shown in the table below (alongside the 2012/13 allocations for comparison purposes):-

<b>Government Department</b>	<b>2012/13 Amount £m</b>	<b>2013/14 Amount £m</b>	<b>2014/15 Amount £m</b>
Department for Education	2.491	tbc	tbc
Department of Health	0.531	0.525	0.536
Department for Transport	2.360	2.312	2.485
<b>Total</b>	<b>5.382</b>	<b>2.837</b>	<b>3.021</b>

5.3.3 During 2013/14, the Council may receive additional specific grant allocations to be used for specific service purposes. Any such allocations will be reported to Members as part of the capital monitoring and new start approval procedures.

#### 5.4 *Capital Receipts*

5.4.1 Previously reported capital receipts have been fully allocated to the Council's existing Capital Programme. As noted at the mid-year stage of 2012/13, sales of a number of small pieces of land and buildings have generated £0.600m in additional capital receipts which remain available for allocation to new start schemes.

5.4.2 The original funding for the Prescot Co-location scheme included the allocation of capital receipts of £0.200m arising from the potential sale of Prescot Museum. As recently reported to the Cabinet Member with Portfolio for Regeneration, Economy and Skills, discussions are currently underway regarding the future of the Museum and links with Shakespeare North. It is now unlikely that the sale will proceed as originally envisaged and instead a short-term lease at a peppercorn rent is being discussed. On 13 February 2013, the Cabinet therefore agreed to allocate £0.200m of the available capital receipts in order to defer the sale of the Museum and thereby support the Shakespeare North initiative.

5.4.3 The Cabinet also agreed to allocate the remaining £0.400m balance of capital receipts to fund emergency or high priority capital works arising during 2013/14.

#### 5.5 *Other Resources (including Revenue and Reserves)*

The Council can use other resources to contribute towards capital schemes, including reserves set aside for specific purposes, contributions from partners, or contributions from revenue budgets.

## 5.6 *Prudential Borrowing*

5.6.1 The Prudential Code for Capital Finance in Local Authorities provides freedoms to undertake additional borrowing over and above the resources announced by the Government. The Government's control over local government capital spending is therefore now centred on the affordability of the revenue consequences of that capital spending, i.e. the financing of debt and depreciation of the asset. Any scope to increase the amount which the Council borrows needs to be assessed against the financial constraints currently forecast in the Council's Medium-Term Financial Strategy reported elsewhere on this agenda.

5.6.2 In line with the Council's Capital Strategy, any schemes to be considered for prudential borrowing should be subject to a full appraisal to ensure that specific and adequate funding has been identified for the full repayment period. This can be either through an "invest to save" approach, where the investment will release sufficient revenue funding, or where alternative revenue sources have been identified to repay the borrowing over the life of the asset. Affordability and borrowing requirements should also have regard to the Council's Treasury Management Strategy (discussed in a report elsewhere on this agenda).

## 5.7 *Capital Programme Financing*

The financing of the Capital Programme will continue to be undertaken in the most efficient way which minimises costs for the Council. This will sometimes mean reconfiguring funding sources at the year-end to gain the best financial outcome. As part of this approach, wherever possible, the Council will consider the use of prudential borrowing to finance longer life assets. Other sources of funding, such as use of capital receipts will be applied to shorter term assets.

## **6. 2013/14 CAPITAL PROGRAMME**

### 6.1 *New Start Schemes – 2013/14 and Future Years*

6.1.1 New start schemes in 2013/14 and future years totalling £5.336m have been approved in consultation with the relevant Portfolio Holders and will be funded from the capital grant block allocations identified in section 5 of this report above and other relevant Portfolio resources. These schemes are summarised below and full details are available on request from the Director of Finance and Information Technology.

*Health and Social Care Portfolio*

<b>Scheme</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>Description</b>
Personal Social Services Grant Allocation	0.525	0.536	The Council has received resources from the Government for capital expenditure for Personal Social Services. Proposals regarding extra care and learning disability investment will be brought to the Cabinet Member with Portfolio for Health and Social Care in due course.
Aids and Adaptations	-	0.075	A revenue contribution of £0.075m to the Aids and Adaptations Programme in 2014/15 has been approved.
<b>Total</b>	<b>0.525</b>	<b>0.611</b>	

*Neighbourhood Delivery Portfolio*

<b>Scheme</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>Description</b>
Vehicle Replacement	0.441	0.836	An initial programme has been developed for vehicle replacement within the Portfolio. The scheme would see the replacement of fleet vehicles on a rolling programme, so that all vehicles are not due for replacement at the same time. This approach would also smooth out maintenance requirements.
<b>Total</b>	<b>0.441</b>	<b>0.836</b>	

*Regeneration, Economy and Skills Portfolio*

<b>Scheme</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>Description</b>
Decent Homes for All	0.125	-	A revenue contribution to the future Registered Housing Provider at St Kevin's playing fields has been approved in order to secure future nomination rights at the site and to ensure that construction work to facilitate the building programme is completed within desired timescales.
Highways Capital Maintenance	0.299	0.157	An additional capital maintenance allocation has been agreed to provide essential maintenance to renew, repair and extend the life of the highway network.

Highways – Road Safety	0.040	-	A developer contribution to a pedestrian crossing facility at Raven Court has been agreed.
Highways – Equality Of Travel Opportunity Schemes	0.676	-	Additional funding allocations have been received from the Department of Transport as part of the Authority's Local Sustainable Transport Fund bid.
Integrated Transport Block Indicative Allocations	0.664	0.962	Indicative Integrated Transport Block allocations have been received from the Government.
<b>Total</b>	<b>1.804</b>	<b>1.119</b>	

6.1.2 On 13 February 2013, the Cabinet approved two further new start schemes of £1.648m in 2013/14 and £2.654m in 2014/15, where total gross expenditure individually exceeds £1m. The proposed new start schemes in question are shown below. Capital Investment Outlines for the schemes are available on request from the Director of Finance and Information Technology.

*New Capital Schemes over £1m (approved by the Cabinet):-*

<b>Scheme</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>Description</b>
Highways – Equality Of Travel Opportunity Schemes	-	1.131	Additional funding allocations have been received from the Department of Transport as part of the Authority's Local Sustainable Transport Fund bid.
Highways Maintenance Allocations	1.648	1.523	The proposed allocation of Highways Maintenance funding is in line with the Department of Transport's indicative allocations.
<b>Total</b>	<b>1.648</b>	<b>2.654</b>	

6.1.3 The schemes in paragraph 6.1.2 of this report above will also be funded from the 2013/14 and 2014/15 capital grant block allocations identified in section 5 of the report above, and therefore result in the full allocation of these resources.

6.1.4 The new start schemes of £10.038m in total (including the allocation of capital receipts to Emergency and High Priority Capital Works as proposed in paragraph 5.4.3 of this report above) increase the Council's total Capital Programme to £50.047m, with expenditure phased as shown at Appendix A to this report.

6.1.5 The funding phased for 2013/14 totals £23.789m (as summarised in Appendix A). Detailed programmes have been presented to individual Portfolio Holders, and Capital Investment Outlines for all of the proposed schemes are available on request from the Director of Finance and Information Technology.

## 7. RESOURCE IMPLICATIONS

### 7.1 Financial

7.1.1 The detailed financial implications are set out in the body of this report and at Appendix A. The revised Capital Programme of £50.047m is summarised below:-

<b>Portfolio</b>	<b>2012/13 £m</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>TOTAL £m</b>
Children and Family Services	4.615	4.722	0.000	9.337
Finance and Information Technology	0.936	0.000	0.000	0.936
Health and Social Care	0.713	1.568	0.611	2.892
Leisure, Community and Culture	2.847	0.705	0.000	3.552
Neighbourhood Delivery	0.187	0.461	0.836	1.484
Regeneration, Economy and Skills	8.541	4.875	4.223	17.639
Stockbridge Village Regeneration Programme	0.828	0.509	0.000	1.337
Kirkby Town Centre Regeneration Programme	1.762	10.549	0.159	12.470
Council-wide	0.000	0.400	0.000	0.400
<b>TOTAL</b>	<b>20.429</b>	<b>23.789</b>	<b>5.829</b>	<b>50.047</b>

7.1.2 Expenditure against the 2012/13 Capital Programme at 31 December 2012 was £10.073m, which represented 50% of the revised Programme. The balance of the Programme is still forecast by scheme managers to be spent by the end of the year.

7.1.3 It is important that Portfolio Holders continue to monitor progress against their individual Capital Programmes to minimise delays in planned expenditure and to reduce the need for further rephasing of the 2012/13 programme into future years. Opportunities to re-prioritise capital funding on a cross-Council basis should also be actively considered during this monitoring process.

## **7.2 Human Resources**

The human resource implications arising from individual schemes will be considered as part of the ongoing budget monitoring process for each Portfolio.

## **7.3 Information Technology**

The information technology implications arising from individual schemes will be considered as part of the ongoing budget monitoring process for each Portfolio.

## **7.4 Physical Assets**

The majority of Capital Programme schemes have direct implications for the Council's physical assets, and these will be considered as part of the ongoing budget monitoring process for each Portfolio.

## **8. RISK ASSESSMENT**

- 8.1 It is important to provide forecasts of capital expenditure which are as accurate as possible. Failure to follow such an approach could mean that funding is not invested effectively, as it might be possible to secure a better return on Council resources which are not immediately required to pay for capital projects.
- 8.2 In addition, forecasts which indicate that a scheme will be fully delivered in a given period may lead stakeholders to raise their expectations to a level which cannot actually be met by the Council. These stakeholders should therefore be given a clear understanding of the time to be taken in delivering each project, and this can also be achieved by effective forecasting.

## **9. IMPACT ON POPULATION GROUPS**

This report has no direct impact on any particular population group. However, the delivery of the Council's Capital Programme has a direct impact on the physical environment and the Borough's assets which should provide a positive impact on those residents and businesses in the area.

## **10. COMMUNICATIONS ISSUES**

- 10.1 Capital Investment Outlines for all of the new start schemes discussed in this report are available on request from the Director of Finance and Information Technology.

10.2 The impact of any decisions on the treatment of resources will be reported to Portfolio Holders as part of the ongoing monthly budget monitoring updates.

## **11. CONCLUSIONS**

11.1 The Cabinet has agreed a revised Capital Programme of £50.047m, of which £20.429m is planned to be spent in total in the current year, with a further £23.789m planned for in 2013/14 and £5.829m in 2014/15.

11.2 Expenditure against the 2012/13 Programme at 31 December 2012 was £10.073m, which represented 50% of the revised Programme. The balance of the Programme is still forecast by scheme managers to be spent by the end of the year.

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CHIEF OFFICERS

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### Appendices:-

Appendix A Analysis of Capital Programme

### Background Papers:-

Portfolio Capital Monitoring Reports  
Capital Strategy

Programmed Expenditure	Approved 3-Year Programme	Actual Expenditure	Rephasings/Adjustments			New Start Schemes			Revised 3-year Programme			
		As at 31 December 2012	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Children and Family Services	9.120	2.435	(3.508)	3.725	0.000	0.000	0.000	0.000	4.615	4.722	0.000	<b>9.337</b>
Finance and Information Technology	0.000	0.936	0.936	0.000	0.000	0.000	0.000	0.000	0.936	0.000	0.000	<b>0.936</b>
Health and Social Care	1.559	0.136	(0.771)	0.968	0.000	0.000	0.525	0.611	0.713	1.568	0.611	<b>2.892</b>
Leisure, Community and Culture	3.061	1.476	(0.209)	0.685	0.000	0.015	0.000	0.000	2.847	0.705	0.000	<b>3.552</b>
Neighbourhood Delivery	0.118	0.065	(0.020)	0.020	0.000	0.089	0.441	0.836	0.187	0.461	0.836	<b>1.484</b>
Regeneration, Economy and Skills	7.035	3.600	0.480	1.173	0.450	1.276	3.452	3.773	8.541	4.875	4.223	<b>17.639</b>
Stockbridge Village Redevelopment	1.337	0.775	(0.509)	0.509	0.000	0.000	0.000	0.000	0.828	0.509	0.000	<b>1.337</b>
Kirkby Town Centre Regeneration	12.470	0.650	(5.113)	4.954	0.159	0.000	0.000	0.000	1.762	10.549	0.159	<b>12.470</b>
Council-wide	0.000	0.000	0.000	0.000	0.000	0.400	0.000	0.000	0.000	0.400	0.000	<b>0.400</b>
<b>Total Capital Programme</b>	<b>34.700</b>	<b>10.073</b>	<b>(8.714)</b>	<b>12.034</b>	<b>0.609</b>	<b>1.380</b>	<b>4.818</b>	<b>5.220</b>	<b>20.429</b>	<b>23.789</b>	<b>5.829</b>	<b>50.047</b>

Programmed Expenditure	Approved 3-Year Programme	Actual Expenditure			Rephasings/Adjustments			New Start Schemes			
		2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Borrowing – Supported	1.778	(1.407)	1.407	0.000	0.000	0.000	0.000	0.371	1.407	0.000	1.778
Council Borrowing – Unsupported	3.515	(0.603)	0.637	0.000	0.089	0.441	0.836	2.981	1.098	0.836	4.915
Use of the Council's Capital Receipts	6.201	(2.790)	2.587	0.159	0.000	0.400	0.000	1.631	4.767	0.159	6.557
Capital Grants from External Sources	14.327	(3.153)	4.210	0.000	0.996	3.852	4.309	10.923	9.309	4.309	24.541
Use of Revenue Contributions	0.281	0.411	0.450	0.450	0.125	0.125	0.075	0.742	0.650	0.525	1.917
Use of Capital Reserves	1.841	1.305	0.218	0.000	0.161	0.000	0.000	2.548	0.977	0.000	3.525
Other Portfolio Resources	6.757	(2.477)	2.525	0.000	0.009	0.000	0.000	1.233	5.581	0.000	6.814
<b>Total Capital Resources</b>	<b>34.700</b>	<b>(8.714)</b>	<b>12.034</b>	<b>0.609</b>	<b>1.380</b>	<b>4.818</b>	<b>5.220</b>	<b>20.429</b>	<b>23.789</b>	<b>5.829</b>	<b>50.047</b>