

METROPOLITAN BOROUGH OF KNOWSLEY

To: The Mayor and Members of the Council

Meeting: 5 March 2014

Wards Affected: All

Portfolio Areas: All

Key Decision

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

CAPITAL PROGRAMME **2013/14 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 2013/14.
- 1.2 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 decisions taken by the Cabinet on the 12 February 2014 relating to the overall Capital Programme 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 2013/14 of £22.648m as summarised in paragraph 4.2.4 of this report;
- (b) Note the position in relation to capital receipts as discussed at section 5.4 of this report; and,
- (c) Note the revised three-year Capital Programme of £48.491m as summarised in paragraph 6.1.3 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 those resources and of the current programme of expenditure on capital schemes.
- 3.2 The Capital Programme set out in this report has been prepared in line with the Council's Capital Strategy, which is designed to assist in delivering the Council's strategic priorities. 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 which sets out the details, impact and alignment with strategic 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. 2013/14 CAPITAL PROGRAMME

- 4.1 *Rephasings and Adjustments to the 2013/14 Capital Programme*
 - 4.1.1 The approved Capital Programme reflects adjustments arising from the 2013/14 monitoring report to the Cabinet on 12 February 2014. The overall Programme is summarised at Appendix A.
 - 4.1.2 The latest information on expenditure against approved capital schemes was also reported to the Cabinet on 12 February 2014. That report confirmed that capital expenditure planned for 2013/14 in a number of Portfolio areas would not be fully achieved by 31 March 2014. In view of this, rephasings and adjustments totalling £7.573m were agreed to the 2013/14 element of the Programme, bringing the revised Programme for the year to £22.648m.

4.2 *New Starts to the 2013/14 Capital Programme*

4.2.1 On 12 February 2014, the Cabinet also approved one new start scheme in 2013/14 of £1.000m as shown in the table below. A Capital Investment Outline for the scheme is available on request from the Director of Finance and Information Technology:-

New Start Capital Scheme over £1m (approved by the Cabinet):-

Scheme	2013/14 £m	2014/15 £m	2015/16 £m	Total Allocation £m	Description
Highways – Capital Maintenance	0.150	0.810	0.040	1.000	This represents the formal inclusion in the Capital Programme of resources for Emergency Highways Repairs, which were approved in the 2013/14 Revenue Budget.
Total	0.150	0.810	0.040	1.000	

4.2.2 Expenditure against the 2013/14 Capital Programme at 31 December 2013 was £13.243m, which represented 58% of the revised overall Programme of £22.648m.

4.2.3 Scheme managers have confirmed that they plan to spend the remaining allocation by the end of the year. Schemes will continue to be reviewed and challenged to ensure that any required rephasings are reported as soon as possible. It is important that Directors and Portfolio Holders monitor progress against their Capital Programmes in order to minimise delays in planned expenditure and to reduce the need for further rephasing of the 2013/14 Programme into future years at the outturn stage. Opportunities to reprioritise the capital funding on a cross-Council basis should also be actively considered during this monitoring process.

4.2.4 Based on the rephasings discussed in paragraph 4.1.2 and the addition set out in paragraph 4.2.1 above, the revised Capital Programme for 2013/14 is £22.648m.

5. 2014/15 CAPITAL RESOURCES

5.1 The range of capital resources available to the Council in 2014/15 are set out below.

5.2 *Existing Capital Programme Resources*

This funding has already been rephased into 2014/15 via reports to Portfolio Holders. 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 2014/15*

5.3.1 The Government now only provides capital funding to local authorities 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 with effect from 2011/12.

5.3.2 Capital grants are provided by the Government for specific service purposes. The capital grant allocations which have been announced to date for 2014/15 total £3.224m and indicative figures for Knowsley in 2015/16 are shown in the table below (alongside the 2013/14 allocations for comparison purposes):-

Government Department	2013/14 Amount £m	2014/15 Amount £m	2015/16 Amount £m
Education	1.345	0.203	0.310
Health	0.525	0.536	0.544
Transport	2.312	2.485	tbc
Communities and Local Government	0.999	tbc	1.206
Total	5.181	3.224	2.060

5.3.3 Not all notifications had been received from Government Departments at the time of writing this report. The Council expects to receive additional capital grant allocations during 2014/15 to be used for specific service purposes. Any such allocations will be reported for consideration in line with the capital monitoring and new start approval procedures set out within the Council's Constitution.

5.4 *Capital Receipts*

5.4.1 The 2013/14 Revenue Budget Monitoring report to the Cabinet on 6 November 2013 noted that additional capital receipts of £0.396m were available from the sale of Council Internet Protocol addresses, in addition to a forecast of £0.835m additional capital receipts for the year which had been reported to the Cabinet in August 2013. This initial forecast included the receipts from the sale of a number of small pieces of land and buildings which were estimated to generate £0.700m. It is now anticipated that additional receipts of £0.500m will be generated from further sales, and that there may be more opportunities identified in the last quarter of the year. This brings the latest forecast of available capital receipts in 2013/14 to £1.731m.

5.4.2 As part of the Council's Land and Property Plan, a number of Council-owned assets have been earmarked for disposal in 2014/15. Potential receipts from these sales total £0.825m. Details of the proposed sales and sales to date are available on request from the Director of Regulation and Enforcement.

5.4.3 A total of £2.556m in capital receipts is therefore now available for allocation to new schemes. For planning purposes, it has been assumed that £1.000m of these resources will be used in 2014/15 with a further £1.556m allocated to 2015/16 in order to allow for emerging pressures to be considered throughout 2014/15 and as part of the 2015/16 budget process. Any proposals for the use of these receipts will be brought to the Cabinet for approval.

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 partner organisations, and/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 scheme 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 outturn stage in order to gain the best financial outcome. As part of this approach, the Council will wherever possible 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. 2014/15 CAPITAL PROGRAMME

6.1 *New Start Schemes – 2014/15 and Future Years*

6.1.1 A range of new start schemes in 2014/15 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 and other relevant Portfolio resources. These schemes include the allocation of £0.456m from the Government for capital expenditure for Universal Infant Free School Meals which is a brand new funding stream that was announced by the Government in December 2013. Full details are available on request from the Director of Finance and Information Technology.

6.1.2 On 12 February 2014, the Cabinet approved one new start scheme for the Regeneration, Economy and Skills Portfolio totalling £1.206m in 2015/16 to be funded from the 2015/16 capital grant block allocations identified in section 5 of the report above. A Capital Investment Outline for the scheme is available on request from the Director of Finance and Information Technology.

New Start Capital Scheme over £1m (approved by the Cabinet):-

Scheme	2015/16 £m	Description
Housing - Disabled Facility Grants	1.206	This funding is the indicative grant allocation from the Department for Communities and Local Government, and is ringfenced to Disabled Facility Grants within the overall Better Care Fund.
Total	1.206	

6.1.3 The new start scheme of £1.206m increases the Council's total Capital Programme to £48.491m, with expenditure phased as shown at Appendix A to this report.

6.1.4 Expenditure and funding phased for 2014/15 totals £20.575m (as summarised at Appendix A). Detailed programmes have been presented to the relevant individual Portfolio Holders, and Capital Investment Outlines for all of the 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 £48.491m is summarised below:-

Portfolio	2013/14 £m	2014/15 £m	2015/16 £m	TOTAL £m
Children and Family Services	4.059	3.390	0.810	8.259
Health and Social Care	1.032	1.563	0.619	3.214
Leisure, Community and Culture	2.241	0.276	0.000	2.517
Neighbourhood Delivery	0.066	1.277	0.000	1.343
Regeneration, Economy and Skills	7.763	8.590	1.996	18.349
Stockbridge Village Regeneration Programme	0.676	0.000	0.000	0.676
Kirkby Town Centre Regeneration Programme	6.496	4.642	0.200	11.338
Prescot Townscape Heritage Initiative	0.315	0.837	1.643	2.795
TOTAL	22.648	20.575	5.268	48.491
Unprogrammed Resources – Capital Receipts	0.000	1.000	1.556	2.556

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. PERFORMANCE AND RISKS

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. EQUALITY AND ENVIRONMENTAL ASSESSMENT

9.1 Equality and Diversity

Any equality and diversity implications arising from this report are included within the individual Capital Investment Outlines for each Capital Programme scheme, and these are available upon request from the Director of Finance and information Technology.

9.2 Environmental Policy

The environmental policy implications arising from this report are included within the individual Capital Investment Outlines for each Capital Programme scheme, and these are available upon request from the Director of Finance and information Technology.

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 As part of the Council's wider communications, activity will be aligned to support the individual investments which form the overall Capital Programme. This work will highlight key milestones/investments, raise awareness of current and future plans, and highlight the benefits and value of individual schemes to residents and other stakeholders.

11. CONCLUSIONS

- 11.1 The Cabinet has agreed a revised Capital Programme of £48.491m, of which £22.648m is planned to be spent in total in 2013/14, with a further £20.575m planned for in 2014/15 and £5.268m allocated to 2015/16.
- 11.2 Expenditure against the 2013/14 Programme at 31 December 2013 was £13.243m, which represented 58% 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 – January 2014
Capital Strategy

ANALYSIS OF CAPITAL PROGRAMME**APPENDIX A**

Programmed Expenditure	Approved 3-Year Programme	Actual Expenditure (31.12.13)	Rephasings/Adjustments			New Schemes			Revised 3-Year Programme			
			2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	Total
			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Children and Family Services	7.291	2.495	(1.338)	1.793	0.000	0.000	0.203	0.310	4.059	3.390	0.810	8.259
Health and Social Care	2.511	0.181	(0.793)	0.952	0.000	0.000	0.000	0.544	1.032	1.563	0.619	3.214
Leisure, Community and Culture	1.897	1.448	0.344	0.276	0.000	0.000	0.000	0.000	2.241	0.276	0.000	2.517
Neighbourhood Delivery	1.343	0.027	(0.441)	0.441	0.000	0.000	0.000	0.000	0.066	1.277	0.000	1.343
Regeneration, Economy and Skills	15.432	4.414	(1.253)	1.514	1.656	0.150	0.810	0.040	7.763	8.590	1.996	18.349
Stockbridge Village Redevelopment	0.676	0.235	0.000	0.000	0.000	0.000	0.000	0.000	0.676	0.000	0.000	0.676
Kirkby Town Centre Regeneration Programme	11.338	4.246	(4.407)	4.207	0.200	0.000	0.000	0.000	6.496	4.642	0.200	11.338
Prescot Townscape Heritage Initiative	0.000	0.197	0.315	0.837	1.643	0.000	0.000	0.000	0.315	0.837	1.643	2.795
Total Capital Programme	40.488	13.243	(7.573)	10.020	3.499	0.150	1.013	0.894	22.648	20.575	5.268	48.491

Programmed Resources	Approved 3-Year Programme	Rephasings/Adjustments			New Schemes			Revised 3-Year Programme			
		2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Borrowing – Supported	1.556	(0.534)	0.518	0.000	0.000	0.000	0.000	1.022	0.518	0.000	1.540
Council Borrowing – Unsupported	3.422	(0.493)	0.493	0.000	0.000	0.000	0.000	2.093	1.329	0.000	3.422
Use of the Council's Capital Receipts	4.668	(0.374)	0.374	0.000	0.000	0.000	0.000	4.020	0.648	0.000	4.668
Capital Grants from External Sources	19.732	(2.193)	3.581	2.749	0.000	0.203	0.854	10.110	10.713	4.103	24.926
Use of Revenue Contributions	1.354	(0.085)	0.090	0.450	0.000	0.000	0.000	0.669	0.615	0.525	1.809
Use of Capital Reserves	3.065	(0.497)	1.040	0.000	0.150	0.810	0.040	1.718	2.550	0.340	4.608
Other Portfolio Resources	6.691	(3.397)	3.924	0.300	0.000	0.000	0.000	3.016	4.202	0.300	7.518
Total Programmed Capital Resources	40.488	(7.573)	10.020	3.499	0.150	1.013	0.894	22.648	20.575	5.268	48.491
Unprogrammed Resources - Capital Receipts	0.835	(0.835)	1.000	1.556	0.000	0.000	0.000	0.000	1.000	1.556	2.556