

CAPITAL
PROGRAMME 2008-09
AND THE CAPITAL
PLAN 2009-10 TO
2012-13

CAPITAL PROGRAMME COMMENTARY

The following is the text of the Capital Plan report from the Deputy Chief Executive – Director of Finance & Central Services to the County Council on 14th February 2008.

CAPITAL PLAN 2008/09 – 2012/13 AND CAPITAL PLAN MONITORING 2007/08

SECTION A: RECOMMENDATION OF CABINET MEMBER

1.0 EXECUTIVE SUMMARY

- 1.1** *This report provides a guide to the formulation of the capital plan for the period 2008/09 to 2012/2013 and provides an update on the delivery of the 2007/08 programmes. It also seeks confirmation that delegated authority is given to the Directors, Children's Services and Finance and Central Services to sign off the Outline Business Cases (OBC) for the Academies and the Trinity Reorganisation Project.*
- 1.2** *This report was presented to Cabinet on 5 February 2008, along with a separate report on the Transport Capital Programme and reflects the different funding arrangement for the E5 Procurement Project, which is now incorporated in the Revenue Budget report. Minor changes have also been made to the Adult Social Care / EPCS Draft 5 Year Programme, Appendix A, to include the Land Reclamation Development Work and Minor Works Health and Safety.*
- 1.3** *The overall value of the 2008/09 Capital Programme is £78.7m.*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS AND LINKS TO COUNCIL PLAN

- 2.1** *There are no automatic policy implications. It is possible, however, that decisions taken about some of the funding issues raised in the report will have policy implications. The budgetary implications are as set out throughout the report.*
- 2.2** *There are no equality implications arising directly from this report.*
- 2.3** *The capital plan will contribute to the development of the Council's Plan across the range of the Council's core themes.*

3.0 RECOMMENDATION

- 3.1 The County Council is invited to;**
- 3.2 Approve the Adult Social Care and the EPCS Block capital programme as set out in Appendix A;**
- 3.3 Approve the Children's Services Capital Programme set out in Appendix C;**
- 3.4 Confirm that the Directors, Children's Services and Finance and Central Services have delegated authority to sign off the Academies and Trinity Reorganisation Project OBC's and to enter into contractual commitments in relation to these projects;**
- 3.5 Approve the allocation of funding and the priority list of schemes for the Transport Capital Programme set out in Appendix E and F. These were detailed in the Transport Capital Programme paper to Cabinet on 5th February 2008;**
- 3.6 Approve the Priority Transport Improvement Schemes;**
- 3.7 Note the decision made by the Corporate Director, Client Services after discussions with the Leader and Deputy Leader in respect of the Carlisle Northern Development Route, to enter into a Pre-Works Agreement with the Preferred Bidder to underwrite costs up to a value of £2.0m in advance of the contract being awarded as detailed in the Cabinet paper at Appendix G.**

Gary Strong
Cabinet Member for Community Development & Safety

SECTION B:

ADVICE OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR, FINANCE AND CENTRAL SERVICES

4.0 BACKGROUND

- 4.1** This report outlines the background to the development of Capital Plan 2008/09 – 2012/13 in the four main elements as identified below;
- Adult Social Care (ASC) and Environmental, Protection and Cultural Services (EPCS) Block Programme
 - Children Services Programme
 - Reclamation Programme
 - Transport Programme
- 4.2** The report covers the following aspects of each element of the plan;
- 2007/2008 Programme Update
 - Potential Funding Sources

- Programme Formulation (including capital bids)

4.3 The overall 2008/09 Capital Programme is broken down as follows:

	£000
ASC/EPCS	10,005
Children's Services	39,987
Reclamation Programme	3,439
Transport	25,224
Total	78,655

Overall Financial Context

- 4.3 This is the fifth year for which the new prudential code of local government finance has applied. Where supported borrowing cover is concerned, it is anticipated that, as for the current year, announcements will still be made by the Government for individual service blocks.
- 4.4 In theory, the Authority has freedom to apply these funds as it wishes. In practice, however, endorsement by the Department for Communities and Local Government (DCLG) / Department for Children Families and Department for Children Schools and Families (DCSF) of the Education Asset Management Plan, relies on confirmation that, as a minimum, all "Education" funds are being spent on Education.
- 4.5 The code provides some flexibility for authorities to borrow at a level above the annual settlement referred to above.
- 4.6 The funding arrangements which have applied up to and including 2005/06 have resulted in the cost of supported borrowing being controlled by the government on a £1 for £1 basis; from 2006/07, this is no longer the case. As a consequence of this change, Members have, as part of the revenue budget deliberations, considered the extent to which available supported borrowing opportunities should be taken up. Members have agreed that the full allocation will be used.

Adult Social Care And EPCS Programme

2007/08 Programme Update

- 4.7 The current position of the 2007/08 programme is set out in Appendix A. There is potential slippage in the current programme however only £1.37m is expected to be uncommitted and will roll forward to 2008/09.

Potential Funding

- 4.8 Funding to support these two programmes in future years can come from the following sources;

Supported Borrowing

- 4.9 Only the Adult Social Care programme is supported via this route. £266k is available for 2008/09.

Capital Receipts

- 4.10 Traditionally, capital receipts have been used to support the capital programme.

- 4.11 In putting the 2005/06 and 2006/07 programmes together it was assumed that capital receipts totalling £7.5m would be achieved between April 2005 and March 2007; in the event, this figure was £1.75m. The shortfall of £5.75m is now expected to be achieved in 2007/08, providing all sales agreed subject to contract are completed.

- 4.12 Assuming, there is a need to be rather less optimistic than in previous years about the pace at which capital receipts might be achieved, it is prudent, to assume that beyond the figures set out above, no further capital receipts will be achieved during 2007/08. Of the £5.75m that is expected in 2007/08, £2.608m will be required to repay unfunded 2006/07 costs leaving £3.14m to cover capital expenditure during 2007/08. The year to date has seen receipts of just under £1m (£968k) and sales subject to contract totalling £6.93m. However, this includes the two depots, which together comprise £5.96m of this amount and either or both of these sales may not be completed this financial year. If all these sales are completed, the 2007/08 total will be £7.9m providing a gross 'surplus' of £2.15m (say £2m net of costs). There are of course no guarantees that sales agreed will complete nor will the value of assets remain unchanged in the market, the value of property can go up as well as down.

- 4.13 No account has been taken of potential receipts from the proposed sale of Higham Hall, schools that will become surplus or disposals linked to reinvestment projects for example residential care homes.

Revenue Funding/Balances

- 4.14 As in previous years, it is open to Members to use revenue funds to support the capital programme. Clearly any revenue contributions need to be considered alongside other revenue budget issues. In the light of the current budgetary situation however, no contribution has been assumed.

Prudential Borrowing

- 4.15 Since the beginning of 2004/05, it has been possible for authorities to take on prudential borrowing. The Capital Plan as agreed at the beginning of 2006 relied upon £10m prudential borrowing over the five year period of the Plan. For the purposes of this paper this assumption continues to be made, but with the bulk of this borrowing in 2008/09, 2009/10 and 2010/11.

- 4.16 In addition members agreed last year that the replacement of Fire Service vehicles and work to Household Waste Recycling Centres should be funded from prudential borrowing with the cost being met from the existing Directorate revenue budgets.

Other Funding Sources

- 4.17 Another source of funding potentially available to support the 2008/09 programme is;

- The annual receipt of £340k from the Amey partnership, to March 2012.

It should also be noted that external grants are being used to support the following projects:

- Port of Workington Investment Plan - £10,524,500
- New Archives Office for Carlisle - £5,000,000 (Heritage Lottery Fund)
- Customer Access Centres - £400,000 (West Lakes Renaissance)
- Land Reclamation Programme - £2,600,000

Programme Formulation

- 4.18 In 2006/07, and in line with member requests, a project scoring scheme was introduced by the Asset Management Group (AMP) in order to assist with the prioritisation process. A number of Capital Bids have been received for 2008/09. The AMP Group has been through the process of moderating the scores submitted by the bidding Directorates and the results are set out in Appendix B.
- 4.19 Based on last years Capital Plan report the level of funding approved to date is as table below:

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Supported Borrowing	259	259	259	259	259
Capital	2,325	2,000	2,000	1,500	1,500
Receipts/Reserve					
Prudential Borrowing (Fire)	638	758	689	705	656
Prudential Borrowing (Waste)	2,500	3,184	0	0	0
Prudential Borrowing (Other)	3,843	2,500	2,500	916	241
Amey 'Annual' Receipt	340	340	340	340	0
Revenue Contribution	100	0	0	0	0
TOTALS	10,005	9,041	5,778	3,720	2,657

- 4.20 Even with the prudential borrowing assumed above the bids for 2008/09 projects exceed the likely available resources by approx. £5m. It was consequently necessary to make some difficult decisions in order to produce

a programme that can be accommodated in the resources that can be made available.

- 4.21 The recommended programme which would fit with the resources outlined in 4.19 above and which is based on the prioritisation process set out in Appendix B, is attached as Appendix A.

Children's Services Programme

2007/08 Programme Update

- 4.22 The current position in relation to the 2007/08 programme is set out in the first part of Appendix C.

Potential Funding

- 4.23 There are normally three potential sources of funding for the Children's Services Capital Programme - grants, Supplementary Credit Approvals (SCAs) and Supported Capital Expenditure. In addition to this, County Council agreed, in September 2007, to underwrite the secondary element of the programme by up to £5.5m from revenue or supported borrowing in 2010/11 and/or 2011/12 – this underwriting has not been taken into account in formulating the draft programme.
- 4.24 Some announcements have been made already by the DCSF and, consequently, we are clear about the level of some allocations for the period from 2008/09 to 2010/11; what is not clear at this point is the extent to which these allocations will be funded from grant rather than as Supported Capital Expenditure. Further announcements are expected during February, and, in addition to firming up the grant/SCA split, they will include allocations for Children's Personal Social Services and Phase III Children's Centres.
- 4.25 Allocations that have already been announced are set out below:
- Formula Capital – this is capital grant which is spent directly by schools, but is allocated by the Authority on the basis of DCSF formulae. The known allocations are: 2008/09 £12,229k; 2009/10 £12,179k; 2010/11 £12,179k.
 - Modernisation Funding – this is allocated to authorities on the basis of Education Asset Management Plans. Available allocations are: 2008/09 £6,151k; 2009/10 £6,035k; 2010/11 £6,035k.
 - Pupil Places – again allocated on the basis of Asset Management Plans. Allocations are: 2008/09 £1,855k; 2009/10 £1,855k; 2010/11 £1,855k.
 - Extended Schools – funding aimed at encouraging the development of extended schools facilities. Allocations are: 2008/09 £875k; 2009/10 £927k; 2010/11 £479k.
 - Schools Access Initiative – funding to improve disabled access in mainstream schools. Allocations are: 2008/09 £918k; 2009/10 £918k; 2010/11 £918k.

- Primary Capital – funding which is available from 2009/10 subject to the submission in April of a satisfactory Primary Schools Strategy. Allocations are: 2009/10 £4,994k; 2010/11 £7,372k. Allocations for 2011/12 are likely to reduce to £3,350k.
- 14-19 Diplomas/Special Educational Needs (SEN's) – an allocation of £2m has been made for 2009/10 and one of £6m for 2010/11. No guidance has so far been issued by the DCSF and the split in funding and any associated rules are, consequently, not yet clear.
- Carlisle Secondary Reorganisation: non-academy projects – funding totalling £20m is available from the DCSF to contribute to the cost of projects at Trinity, William Howard, Newman and Caldew and the 14-19 Centre (£700k will be available in 2007/08 with the balance from 2008/09 onwards). The schools themselves are contributing a further £700k from formula capital and the C of E and RC Diocesan Authorities are contributing £1.1m.
- Carlisle and West Lakes Academies – funding of roughly £71.4m is being provided by the DCSF to meet the capital costs of the Richard Rose Central Academy, Carlisle, the Richard Rose Academy, Carlisle and the West Lakes Academy (the figures of £25m and £23.9m for the Richard Rose Central Academy and the West Lakes Academy have been confirmed, but the figure of £22.5m for the Richard Rose Academy is indicative only). This funding is being provided to the Authority, rather than to the academies trustees as would have been the situation in the past, since academies procurement is now a local authority responsibility. Although these projects are fully funded, and although the funding is index-linked should there be slippage, there is clearly some limited financial risk here, but it is no greater and, given the Partnerships for School procurement process and the index-linking arguably significantly less, than with any other comparable project.

4.26 Allocations for the following areas are now expected to be announced during February, as mentioned above:

- Youth Capital – funding to support small scale youth projects. The 2008/09 allocation is likely to be around £185k.
- Children's Personal Social Services – funding that supports capital projects in children's homes. Based on previous years, the allocation is likely to be £81k.
- Children's Centres – this funding, which will be for the third phase of Children's Centre development will cover a two year period (2008/09 and 2009/10). It is impossible to predict the allocation at this stage, although it is likely to be well down on the last [2006/07 and 2007/08] allocation of £3.2m. These projects will be added to the programme when the funding becomes clear.
- Specialist School Status – some schools will succeed in obtaining specialist school status during the course of the year and in each instance, this will bring with it an SCA of £100k. The numbers/locations

of these schools are currently unclear so, at the present time, this has not been built into the funding.

- 4.27 In addition to “new” funding, some funding that was available to support project starts in 2007/08 or earlier will slip, together with the related work, to 2008/09. This slippage is currently estimated to be as follows:

	<u>£k</u>
Playing for Success 2005/06	13
Children’s Centres Phase I	281
Strategic SEN 2007/08	200
Schools Access Initiative 2007/08	630
Pupil Referral Units 2006/07	89
Pupil Referral Units 2007/08	300
School Organisation 2006/07	400
School Organisation 2007/08	350
Individual AMP Projects [Secondary] 2007/08	2,707
Individual AMP Projects [Primary] 2007/08	696
Children’s Centres Phase II	2,392
Extended Schools 2007/08	313
	<u>8,371</u>

- 4.28 Total funding for 2008/09 onwards is, therefore likely to be:

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
	<u>£k</u>	<u>£k</u>	<u>£k</u>	<u>£k</u>	<u>£k</u>
Formula Capital	12,229	12,179	12,179	12,179	12,179
Modernisation	6,151	6,035	6,035	6,035	6,035
Pupil Places	1,855	1,855	1,855	1,855	1,855
Extended Schools	875	927	479	450	450
Schools Access Initiative	918	918	918	918	918
Primary Capital	-	4,994	7,372	3,350	3,350
14-19 Diplomas/SEN	-	2,000	6,000	-	-
Youth Capital	185	185	185	185	185
Children’s Homes	81	81	81	81	81
Richard Rose Academy				7,500	15,000
Richard Rose Central Academy	400	15,000	9,600		
West Lakes Academy		11,000	12,800		
Other Carlisle	7,500	13,600			
Secondary Projects					
Slippage from previous years	8,371	-	-	-	-
CCC Underwriting			-	-	-
	<u>38,565</u>	<u>68,774</u>	<u>57,504</u>	<u>32,688</u>	<u>40,188</u>

Programme Formulation

- 4.29 A draft 5 year programme is set out in the second section of Appendix C. This programme incorporates the decisions taken by County Council in September, although some of the individual project costs have been adjusted to take account of more recent scheme development work; the overall totals, though, remain the same.
- 4.30 So far as the academies projects are concerned, the Partnerships for Schools (PFS) procurement process requires that the Authority produces a formal minute confirming that delegated authority has been given to sign off the Outline Business Cases and to enter into a design/build contract. The same requirement exists in relation to the project at Trinity School which is also likely to be procured through the PFS national framework arrangements.

Reclamation Programme

2007/08 Programme Update

- 4.31 The Reclamation Programme (funded by NWDA) projected year end spend for 2007/08 is £2.159m with detail attached as Appendix D. Council officers continue to meet, on a fortnightly basis, with officers from the NWDA to monitor and update the programme.

Potential Funding

- 4.32 All funding for the Land Reclamation Programme is received from external sources and since expenditure will balance with funding, there are no decisions to take at this point.
- 4.33 Forecast Figures for 2008/09 currently project expenditure totalling £3.439m. An initial estimate of expenditure for 2009/2010 has been prepared too – and this totals £1.339m. However, the funding allocation for 2008/09 has not been confirmed by NWDA. The current reclamation programme is anticipated to be completed by 2010/11.

Programme Formulation

- 4.34 A further five year programme of land reclamation activity is currently being examined (Cumbria Sub Regional Employment Sites Programme). It is anticipated that this new £10 million five year programme will commence in 2008/09. Forecast Figures for this new programme are not yet available.

Transport Programme

2007/08 Programme Update

- 4.35 An update is set out in Appendix E and F. Projected year end spend is £30.55m of which £6m is funded by external contributions from organisations such as North West Development Agency and Barrow Borough Council.

Potential Funding

- 4.36 The Transport Capital Settlement Letter was received here on 27 November 2007 and shows a budget of £25.2m. Full details of the programme were included in the report to Cabinet on 5th February 2008.

Programme Formulation

- 4.37 This programme is set out in the report to Cabinet. A summary of the programme is attached in Appendices E and F.

5.0 OPTIONS

- 5.1 The options are considered throughout the report and are determined by the level of borrowing, both supported and unsupported, the County Council is prepared to accept against the projects it wishes to support.

6.0 CONCLUSIONS

Adult Social Care and EPCS Programme

- 6.1 Decisions in relation to the Adult Social Care and EPCS Block Programmes centre on two issues:

- The extent to which the use of capital receipts can be assumed;
- The extent to which prudential borrowing can be utilised

There are some very difficult decisions here as the capital funding is rationed. It would be prudent to confirm which projects are to be given priority using known resources and to rank other projects for consideration later should further capital funding be forthcoming.

Children's Services Programme

- 6.2 The major decision to be taken in relation to the Children's Services Programme, was whether or not to take advantage of all of the available supported borrowing, with the resulting revenue budget implications. Given commitments that have been entered into in relation to a wide range of school review projects it was difficult to avoid.

Reclamation Programme

- 6.3 No decisions are, at this point, required in relation to the reclamation programme.

Transport Programme

- 6.4 The Transport Programme is included at Appendices E & F and is set out in detail in the report to Cabinet, which also includes reference to the action taken by the Corporate Director, Client Services after discussions with the Leader and Deputy Leader in respect of the Carlisle Northern Development

Route. The programme has been drafted to take account of the full allocation of supported borrowing.

Bob Mather

Deputy Chief Executive / Corporate Director – Finance and Central Services

APPENDICES

Appendix A: ASC/EPCS – 2007/08 Programme Update and Draft 5 Year Programme

Appendix B : ASC/EPCS – Capital Bids 2008/09 – 2012/13

Appendix C: Children's Services – 2007/2008 Programme Update and Draft 5 Year Programme

Appendix D: Reclamation – 2007/2008 Programme Update

Appendix E: Transport – 2007/2008 Programme Update and Draft 5 Year Programme

Appendix F: Transport – 2007/2008 Programme Update – Priority Transport Improvement Schemes