AGENDA ITEM No 10

NORTH LANARKSHIRE COUNCIL

REPORT

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: COMPOSITE CAPITAL PROGRAMME 2013/14 TO 2017/18
From: EXECUTIVE DIRECTOR OF FINANCE AND CUSTOMER SERVICES		
Date: 27 August 2012	Ref: LM/AC	

1 Purpose of Report

1.1 To update Committee of the plans to take forward the development of the Composite Capital Programme for the 5-year period from 2013/14 to 2017/18.

2 Background

2.1 The development of a 5-year capital programme coincides with the period to be covered by the new Corporate and Community Plans and covers the length of the Council, with the next election due in May 2017. The outcome of the capital programme will reflect the key priorities of the Corporate Plan, which will be submitted to Policy & Resources Committee for approval in December 2012.

2.2 In November 2007, the Council approved a four-year capital programme for 2008/09 to 2011/12. This plan was updated in each financial year and extended to cover 2012/13 to take account of the postponement of the date of the local authority elections to May 2012.

2.3 Over the past 5 years there has been an unprecedented level of £513 million of capital investment. Major areas of investment are as follows:

- Schools (existing school estate and Schools and Centres 21) - £231 million
- Sports and leisure facilities (Summerlee, Broadwood, Time Capsule, Motherwell Concert Hall, Ravenscraig Regional Sports Facility, sports pitches) - £81 million
- Children's houses, residential and day care facilities for older adults - £23 million
- Roads, street lighting and bridges - £63 million
- Waste disposal (recycling centres, Auchinlea landfill complex and other recycling initiatives) - £12 million
- Town centres and small communities - £46 million

2.4 In 2008, the Best Value Audit noted that the Council had "developed a comprehensive capital planning framework to help it to identify areas where capital investment is required and to prioritise those areas in line with corporate priorities."

2.5 Despite the scale of the increase in capital investment over the past 5 years, the Council has been able to deliver its key projects on time and within budget. It is understood that the Council is among the most successful councils in Scotland in delivering its capital programme.

2.6 The Council's capital planning arrangements continue to develop. The current capital programme sets out the links between the high-level capital investment strategy, the capital programme and asset management plans. Links with asset management planning have developed during the course of that programme, with the prioritisation of capital projects within Services being set in accordance with Service Asset Management Plans in 2011/12 and 2012/13.

2.7 The current Capital Investment Strategy covers the period 2005-2015. The strategy will be extended to 2018 to match the life of the new capital programme. This will also allow the Strategy to be updated to reflect developments in asset management planning, service prioritisation and option appraisal reflected within the new capital programme.

3 Potential Level of Core Resources

3.1 The amount of resources available for capital expenditure over the next 5 years is projected as follows:

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Scottish Government Grant	19.393	30.650	30.680	26.675	26.675	134.073
Capital Receipts	3.500	3.500	2.000	2.000	2.000	13.000
Resources Brought Forward	0.466					0.466
Slippage	5.000	5.000	5.000	5.000	5.000	25.000
	28.359	39.150	37.680	33.675	33.675	172.539

- Following the 2011 Spending Review, the Scottish Government set out capital grant funding for local authorities up to 2014/15. The reason for the lower level of grant in 2013/14 is that the government removed a total of £220 million from local government in 2012/13 and 2013/14 with this being repaid in 2014/15 and 2015/16, disrupting the smooth pattern of resources over the period.
- In the light of the financial situation facing the Council, the Council's long-term financial plan currently contains no provision for Council-funded prudential borrowing in later years. £1 million of revenue funding would generate the capacity for additional capital expenditure of around £16 million.
- The level of capital receipts has been set at £1 million since 2009/10. Regeneration & Infrastructure Services have indicated that there are a number of projected sales in 2013/14 and 2014/15 that will increase the estimated level of receipts in those years. They estimate that core capital receipts will increase to £2 million per year in 2015/16 to 2017/18.
- A slippage allowance is made each year to recognise that projects may not progress as planned. Based on historical performance, a figure of £5 million has been included in the calculation of total resources.

3.2 As noted in 2.3 above, the current 5-year programme totals £513 million. For the next 5-year period, without revenue support for Council-funded prudential borrowing, the forecast level of resources available for the main capital programme is £172.5 million. While the scale of the potential reduction should not be downplayed, it is worth re-emphasising that it is the current capital programme that is historically exceptionally high. Over and above Schools and Centres 21 (£193 million), the current programme contains a number of high profile capital projects, including, Ravenscraig Regional Sports Facility (£31 million), Motherwell Concert Hall and Sir John Wilson Town Hall (£11 million), Time Capsule and Broadwood (£14 million), Civic Centre (£5 million). Now that these projects are complete, there should be a reduced demand for similar projects.

3.3 A further reason for the reduction in resources is that there has been no announcement from the Scottish Government on future specific funding for vacant and derelict land or town centre regeneration. The current programme contained around £18 million on projects funded by the Vacant & Derelict Land Fund and the Town Centre Regeneration Fund and similar resources could be used to augment the capital programme, if provided.

Schools and Centres 21

3.4 In addition to the core capital programme, the Council is seeking resources from the Scottish Government to fund its next phase of major schools refurbishment.

3.5 The Council embarked upon its Schools and Centres 21 programme in 2008/09 and is on target to complete all ten projects this year. In spending terms, this has seen £163.5 million already spent by March 2012 with a further £29.7 million and £4 million planned to be spent in 2012/13 and 2013/14 respectively. This will bring the total anticipated spend to £197.2 million.

3.6 The Council is progressing design work for the Clyde Valley Campus project which will have an overall estimated cost of £34 million, of which the Scottish Government will contribute £15 million and the Council £19 million. To receive Scottish Government funding, the project has to be undertaken via the South Web Hub arrangement, which is currently being established. It is anticipated that the project will be completed over the 2013/14 and 2014/15 financial years.

3.7 The Council submitted a bid under the "Scotland's Schools for the Future - Phase 3 Programme", requesting that the Scottish Government gives funding support of £23 million towards an estimate of £34 million in respect of a replacement secondary school project. The bid was submitted within the deadline date of end-July. An announcement by the Scottish Government of the successful bids is anticipated by the end of September 2012.

3.8 These 2 projects would boost investment in schools by a further £68 million, with the Council's contribution being able to be met from the existing Schools and Centres 21 resources. If the bid for "Scotland's Schools for the Future" funding is successful, the total resources available for capital investment with no added Council-funded borrowing would be as follows:

2012/13 £m		2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
37.643	Core Resources	28.359	39.150	37.680	33.675	33.675	172.539
30.510	Funded Projects	5.300	17.000	34.000	17.000		73.300
68.153		33.659	56.150	71.680	50.675	33.675	245.839

4 Capital Planning

4.1 The capital programme will develop out of the work of corporate working groups, including the Asset Management Planning Working Group and the Schools and Centres 21 Member-Officer Group.

4.2 Given that there are always competing pressure for resources, it is prudent for capital bids to be considered at three levels:

4.3 Level 1: unavoidable commitments. This highlights expenditure required on projects currently underway. For example, the completion of the new build Airdrie Day Care Centre (£1.6 million), whose initial funding was approved within the 2012/13 capital programme, will require additional funding in 2012/13.

4.4 Level 2: priorities from Asset Management Plans. This involves calculating the investment required to develop and improve the efficiency of core assets, e.g. the existing school estate, other Council properties, roads, etc.

4.5 Level 3: new investment. Any remaining balance of resources can then be applied to invest in new capital projects. This could include proposals for a next phase of Schools and Centres 21.

Priorities from Asset Management Plans

4.6 For the past two years, the capital programme has been linked to the asset management planning process with bids being assessed against Service Asset Management Plans (SAMPs). This provided assurance that capital bids were being prioritised in terms of asset condition, suitability and sustainability. Projects were also referenced against the corporate priorities set out in the Corporate Plan.

4.7 The link between capital and asset management planning continues to be developed. Currently, Services are working on updating their SAMPs and, in line with recommended practice, work is ongoing to update the Functional Asset Management Plan (FAMP) for Property and to produce FAMPs for Open Space, IT, Fleet, Housing and Roads.

4.8 Following approval by the Policy and Resources (Property) Sub-Committee of a request to delay production of the Corporate Asset Management Plan to March 2013, the original timescale adopted by the Asset Management Planning Working Group was for the submission of SAMPs in November 2012 and FAMPs in December 2012. However, as the asset management planning process is a fundamental building block in the development of the new capital programme, the deadline for their completion has been brought forward to meet the timescales for the production of the capital programme.

4.9 Based on the 2012/13 capital programme, an indicative amount per year of spending on Asset Management Plan priorities is:

Investment Summary	**Priorities from AMPs £m**
Roads / Bridges / Lighting / Flood Prevention	9.400
Other Environmental Services (parks, burial grounds, depots)	1.000
Commercial Properties	0.500
Care Services (aids & adaptations, minor works)	1.500
Developing the Organisation (ICT)	1.000
Schools (building structures, health and safety)	4.700
Sport and Leisure Investment (theatres, halls, libraries, sports facilities)	1.500
Corporate Properties	0.600
Total	**20.200**

New Investment

4.10 Based on the above paragraphs, the indicative additional resources for new investment is:

	2013/14 £m	**2014/15** £m	**2015/16** £m	**2016/17** £m	**2017/18** £m	**Total** £m
Total Estimated Resources	33.659	56.150	71.680	50.675	33.675	245.839
Less:						
Unavoidable Commitments	1.600					1.600
Priorities from AMPs	20.200	20.200	20.200	20.200	20.200	101.000
Funded Projects (SC21)	5.300	17.000	34.000	17.000		73.300
Amount Available for New Investment	6.559	18.950	17.480	13.475	13.475	69.939

4.11 These figures show that core resources available for the capital programme (excluding Schools and Centres 21 existing funding) can be split into £100 million for allocation to core projects based on asset management plans and £70 million for new investment.

4.12 As noted in paragraph 3.1 above, the amount for new investment can be supplemented by additional prudential borrowing funded from revenue savings. An additional £1 million of revenue savings in each year covered by the programme would generate additional resources of around £80 million.

5 Emerging Issues

5.1 A number of potential issues may have to be addressed in the new capital programme. These include consideration of:

- funding for an additional phase of Schools and Centres 21. As set out in section 3 above, the Council's ambitious programme has resulted in projects totalling £197 million completed or underway with a further £68 million investment planned, dependent on Scottish Government funding. This could be further boosted if additional funding were made available for a future phase of the programme;
- funding for the proposed Wishaw Hub scheme in partnership with NHS Lanarkshire. The Council has the option of meeting its share of the costs from revenue in the form of a unitary charge or from a capital contribution, currently estimated at £5-6 million;
- funding for preliminary works in relation to the Ravenscraig TIF project. The Policy & Resources Committee at its meeting on 26 June approved in principle for expenditure of up to £10 million at risk to initiate the upgrade of the A723 road required for Ravenscraig Phase 2;
- the need or otherwise for future investment in the Commercial Property Portfolio if externalisation takes place;
- funding for cultural assets if a Trust is established;
- remediation work that may be required at Stane Gardens, Shotts;
- funding for energy efficiency and carbon reduction projects.

6 Capital Bid Submissions

6.1 The process for developing the capital programme has been considered by the Corporate Resources Working Group and approved by the Corporate Management Team. A template has been issued to Services for submission of capital bids, which will enable a standard approach to the setting out of objectives and outcomes from proposed bids, including the appraisal of options, financial profiles and monitoring arrangements.

6.2 A 5-year programme means that a longer-term view can be taken of capital proposals, e.g. with projects that require a longer lead-in time being placed at the end of the period.

7 Timetable

7.1 The timescale for the production of the capital programme is determined by the need to reflect the outcomes of the asset management planning process, the approval of the Corporate Plan and of the outcome of revenue budget decisions.

7.2 The Corporate Plan 2013/14 to 2017/18 is scheduled for submission to committee in December 2012. Only once this is approved can capital bids be finalised, having been assessed against the Council's key priorities as set out in the Plan.

7.3 The level of capital resources available could also be boosted by additional revenue funding. Therefore, the final decision on the level of capital resources will depend on the outcome of the revenue budget process, which will be finalised in February 2013.

7.4 The proposed timetable for production of the capital programme is:

Submission of SAMP and FAMP capital bids by Services to Design & Property Services	14 September 2012
Submission of proposals for new investment by Services to Financial Services	14 September 2012
Submission of SAMP and FAMP recommendations by Asset Management Planning Working Group to Corporate Resources Working Group	19 October 2012
Review of draft capital programme against the approved Corporate Plan	12 December 2012
Consideration of the allocation of additional resources funded by additional revenue savings	12 December 2012
Approval of Capital Programme	February 2013

8 Recommendation

8.1 Committee is asked to note the development of the capital programme as set out in this report.

Executive Director of Finance and Customer Services