

DETR Proposals for the Implementation of the Single Capital Pot – 18.11.99

Background

- The 1998 White Paper 'Modern Local Government - In Touch with the People' outlined the Government's commitment in relation to the single capital pot. The DETR subsequently commissioned two research projects to look at:
 - a) performance measurement in relation to asset management and;
 - b) cross service needs indicators for capital.

On the basis of these reports Ministers have subsequently announced the form and timetable for implementation of the single pot. These are detailed below and contained within the DETR' consultation paper (18.11.99).

- In addition to the above research, the DETR also commissioned PriceWaterhouseCoopers (PWC) to devise an alternative non statutory framework for debt repayment which could replace the current statutory controls. These are also currently out for consultation.
- The Government are due to issue a Green Paper on Local Government Finance in the summer of 2000.

The Single Pot – Medium Term Funding

- The single pot will be effective from 2002/03. Allocations for 2002/03 together with provisional indicators for the subsequent two years will be announced in December 2002.
- Initially the pot will include capital funding for: Social Services, Environmental, Protective and Cultural Services, Transport, Education Basic Need and Housing. It will exclude: the Major Repairs Allowance for Housing, funding for transport schemes in excess of £5m, other Education support and specific targeted funding e.g. HIV.
- The 2000 spending review will determine the size of the pot. However, it is estimated that it will be in the region of £2bn.
- Allocations will comprise two elements, need and competitive assessment. In year one these will be weighted 95% and 5% respectively, rising over time to 80% and 20%.
- A needs based indicator combining elements from each of the current service blocks will determine the majority of funding. The competitive element will be used to reward good performance. Councils will be assessed by Government Offices (together with the DFEE and DSS) on the basis of their Capital Strategies, delivery of Asset Management Plans (AMP') and Performance Indicators.
- Allocations will subsequently be reviewed by a cross-departmental group of Ministers.
- Poor performance will initially be dealt with by allocating funding in the form of hypothecated SCA' and ultimately by intervention.
- To secure manifesto commitments to Education provision will be made in the short term to direct Education resources.

Longer Term Funding Proposals

- The single pot is effectively an alternative method of allocating credit approvals (a Treasury control on local government borrowing). One of the implications of PWC' proposals for an alternative debt repayment model however, is that credit approvals would disappear. Consequently, the single pot would become redundant.
- The DETR have stated that whilst Ministers/Treasury would take a lot of convincing to relinquish current controls, they have not ruled out the possibility, and see the single pot mechanism being replaced in the longer term.
- It is feasible therefore that the Government's proposed Green Paper on Local Government Finance will contain further, more radical proposals for changes to the capital financing regime. However, DETR have also stated, from a best value point of view, that they envisage Capital Strategies, AMP' and PI' remaining requirements.

Implementation/Consultation Timetable

1999/2000

- December - DETR to issue consultation paper on PIs for AMPs
- 28.1.2000 - Deadline for comments on PWC' proposals
- 31.3.2000 - Deadline for Comments on Single Pot Consultation Paper to DETR
- March 2000 - DETR to issue Guidance on format of AMPs and Capital Strategies

2000/01

- Summer - Draft Capital Strategies to be submitted to GOSE for comment
- Government to publish Green Paper on Local Government Finance
- Dec/March - Draft AMPs for 2001/02 – 2006/07 to be submitted to GOSE for comment
- January - DETR to issue Draft Guidance for 2002/03 capital financing round

2001/02

- April - DETR to issue Final Guidance for 2002/03 capital financing round
- Summer - Councils to submit Capital Strategies and AMPs to GOSE for the 2002/03 round.
- Autumn - Opportunity for Councils to meet with Assessors.
- December - Allocations announced

Implications

- To secure the maximum possible capital allocations from 2002/03 onwards and comply with the above timetable, two significant pieces of work need to begin in January, these are:
 - 1) the production of a cross cutting Capital Strategy document, and;
 - 2) development of a three to five year Asset Management Plan.

Specific guidance on the format of these documents is not due to be issued until March. However, a Good Practice Guide on asset management planning has been issued. It is recommended therefore that the Capital Programme Working Group of officers be tasked with taking this work forward.

The interrelationship of the above together with the Council's Capital Programme are illustrated below.

