

# WIRRAL COUNCIL

## CABINET

23 JUNE 2011

<b>SUBJECT</b>	<b>CAPITAL OUT-TURN AND FINANCING 2010/11</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>YES</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Cabinet of the capital out-turn for 2010/11 and the resources used to fund the programme as required under Part IV of the Local Government and Housing Act 1989.

### 2.0 RECOMMENDATIONS

- 2.1 That the capital out-turn and financing, including the variations and slippage from 2010/11 to 2011/12, be agreed.
- 2.2 That the financing of the programme and formal Capital Determinations be agreed.

### 3.0 REASONS FOR RECOMMENDATIONS

- 3.1 Under Part IV of the Local Government and Housing Act 1989, the Authority is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2010/11 financial year.

### 4.0 BACKGROUND AND KEY ISSUES

#### CAPITAL PROGRAMME

- 4.1. The Capital Programme 2009/13 was approved by Council on 14 December 2009 and confirmed as part of the budget for 2010/11 by Council on 1 March 2010. Other than the impact of decisions by Council / Cabinet the revisions relate to slippage resulting in both the spend and resources being slipped.

#### COUNCIL / CABINET DECISIONS

- 4.2 On 24 June 2010 the Capital Outturn and Determinations report was approved which included the slippage into 2010/11 capital programme.
- 4.3. The Local Transport Plan Capital Programme for 2010/11 was approved on 14 January 2010 and the Housing Investment Programme for 2010/11 was approved on 27 May 2010 subject to the outcome of Government announcements regarding grant funding.

- 4.4 On 24 June 2010 the Reductions in Government Grants to Local Authorities in 2010/11 included references to a reduction in the Transport Grant, the Housing Market Renewal Grant and Local Area Agreement Reward Grant. Revised programmes were subsequently approved on 22 July 2010 and 14 October 2010 for the Local Transport Plan and Housing Investment Programmes taking into account the reduction in grants. The Schools Capital Programme for 2010/11 was reported to the July meeting.
- 4.5 On 4 November 2010 a virement of the former Regeneration Department capital schemes to departments now providing the services was approved.
- 4.6 On 9 December 2010 consideration was given to the Capital Programme and Financing for 2011/15. This was approved by Council on 13 December 2010. On 21 February 2011 Cabinet received an up-dated report on the Capital Programme and Financing which was approved by Council on 1 March 2011.

### **CAPITAL OUT-TURN**

- 4.7 The capital spend for the year on the accruals basis amounted to £59 million. This compared to the Original Programme of £78 million which was the Forecast within the update in February. This is summarised as:-

<b>Spend</b>	<b>Original Approval £000</b>	<b>Forecast February £000</b>	<b>Actual Out-turn £000</b>
Adult Social Services	471	1,856	897
Children & Young People	43,527	35,155	27,377
Corporate Services	2,050	17,530	17,554
Finance	1,500	6,349	269
Law, HR and Asset Mgt	100	3,283	2,373
Regeneration	19,802	n/a	n/a
Technical Services	11,145	13,622	10,526
<b>Total programme</b>	<b>78,595</b>	<b>77,795</b>	<b>58,996</b>

### **CAPITAL FINANCING**

- 4.8 When setting the annual programme account is taken of potential slippage and an element of 'over-programming' is built into the programme. At the end of the year the following resources were used to finance the expenditure and formal approval of the actual resources used is required:-

<b>Resources</b>	<b>Original Approval £000</b>	<b>Forecast Mar £000</b>	<b>Actual Out-turn £000</b>
Borrowing	14,340	23,624	11,675
Grant – Education	41,300	29,210	26,899
Grant – HMRI	7,485	9,956	5,294
Grant – LTP	4,243	3,233	3,193
Grant – Other	7,877	7,905	8,491
Revenue/Reserves	350	867	444
Capital Receipts	3,000	3,000	3,000
<b>Total resources</b>	<b>78,595</b>	<b>77,795</b>	<b>58,996</b>

## **PROGRESS ON THE PROGRAMME**

### **4.9 Adult Social Services**

4.9.1 The main scheme is the Extra Care Housing facility at the former Mendell Lodge site which was completed in March 2011. The second and final payment of this grant funded scheme £0.8 million will be made in 2011/12.

4.9.2 The Consultation exercise led to an assessment of Day Care Services. It is anticipated that there will be requirements to develop the centres which could potentially be funded from the Mental Health and Social Care Single Capital allocations held including the use of grants held from previous years.

### **4.10 Children & Young People**

4.10.1 The 2010/11 programme includes previously approved schemes, as well as the slippage identified in the Capital Outturn report approved at Cabinet on the 24 June 2010 and 2 September 2010. The opportunity was also taken to re-profile major capital projects inline with revised expected completion dates, most notably the Pensby Primary/Stanley Special School project via the Primary Capital Programme and Birkenhead High School for Girls Academy.

4.10.2 The Government continued to scrutinise the resources available for 2010/11 and reductions in a number of grants led to programme revisions including Harnessing Technology (£586,000), SEN / 14-19 (£660,000 in 2011/12) and Sure Start and Early Years (£820,000).

4.10.3 On 5 July 2010 a major review of the Building Schools for the Future programme was announced by the Government. Wirral's One School Pathfinder project at Woodchurch High was unaffected, and all phases of the scheme are complete. Birkenhead High School for Girls Academy's Final Business Case was approved on 9 February 2011 with Academy funding of £11.7 million secured. The scheme spend was re-profiled following the pausing of the programme and legal issues with the Academy sponsor prior to the Final Business Case being submitted. As a result £10 million was re-profiled over 2011/14 with works due to complete in October 2013.

4.10.4 The Primary Capital Programme is progressing well with the new Park Primary School completed and handed over to the Authority in March. This enabled the disposal of the former Poulton Primary School building. Work on site at Pensby Primary School has commenced and is expected to be completed in March 2012. The scheme, and resources, seeing £3 million slipped to 2011/12. The second phase of the project to co-locate Stanley Special School will then commence, this is due for completion in March 2013.

4.10.5 The Primary Surplus Places scheme did not progressed as forecast due to uncertainties relating to scheme funding at Cathcart Primary. The Primary Places scheme involves refurbishment and reconfiguration works to 3 schools in order to accommodate pupils from Cole Street Primary which is due to close in July. Funding has been slipped into 2011/12, where work will be undertaken on the Woodlands Primary, Christchurch C.E. Primary, Birkenhead and Woodchurch Road Primary Schools.

4.10.6 The School Access Initiative scheme continues to support the strategic programme for accessibility and projects range from small scale adaptations for specific pupil needs through to large scale adaptations and contributions to major capital schemes. A number of Primary schools have been identified as requiring works. However this will not commence until the School's summer holidays due to health and safety reasons. Unspent 2010/11 funding will therefore be slipped into the 2011/12 programme.

4.10.7 The projected outturn for PFI reflects the accounting movement of schemes which should be classed as PFI rather than Modernisation, which will provide greater transparency to reflect scheme arrangements.

4.10.8 The Family Support Scheme is the continuation of a previous programme of investment in schemes to support looked after children in gaining placement in a safe and secure environment, avoiding more expensive alternative accommodation. With delays in an adaptation to a house occupied by a foster carer the funding has slipped into 2011/12.

#### **4.11 Corporate Services**

4.11.1 Progress continues in delivering support for businesses through the Think Big Investment Fund, with slippage of £0.2 million of approved grant support being paid in 2011/12. The Destination West Kirby and the Wirral Country Park schemes remain in the programme as grant funding continues to be sought and this slippage reflected within the programme.

4.11.2 Progress has been made towards delivering the Mersey Heartlands New Growth Point scheme. The 2010/11 Capital Programme reflecting the slippage of 2009/10 funding less the transfer of £270,000 to Technical Services to support transport modelling.

4.11.3 The Government reduction to the National Housing Market Renewal Programme saw the allocation to Wirral further reduced taking the 2010/11 grant allocation down from £9.1 million to £7.4 million of which £5.9 million related to capital. The Regional Housing Pot allocation of £2.4 million for 2010/11 reduced significantly from the 2009/10 allocation of £5.2 million which is in line with the allocations to other Local Authorities. The majority of this latter funding used as match funding to HMR funding. In February 2011 £2.1 million of additional grant income was received from the Homes and Community Agency (HCA) providing additional funds for the Clearance programme.

4.11.4 The programme also includes £3.4 million for the capitalisation of the statutory redundancy element of the Early Voluntary Retirement / Voluntary Severance Scheme costs following the approval of the Secretary of State to classify these revenue costs as capital for 2010/11. In the updated Forecast this was shown under the Finance Department section of the programme.

## **4.12 Finance**

4.12.1 The Asset Review - IT investment programme was deferred pending consideration of the options for office accommodation. Council on 1 March 2011 confirmed that the future year programmes has been re-profiled and the 2010/11 allocation has similarly been carried forward to 211/12.

4.12.2 The capitalisation of the £3.4 million of statutory redundancy costs has since been included under Corporate Services (see 4.11.4).

## **4.13 Law, HR & Asset Management**

4.13.1 The Landican Crematorium Mercury Abatement building works programme was re-profiled to reflect the actual start date of September 2010. and the scheme is progressing as expected.

4.13.2 The Williamson Art Gallery scheme commenced in Spring 2011 with £1.2 million of the scheme, and funding, re-profiled to 2011/12 whilst the works at Birkenhead Priory are part funded by the Heritage Lottery Fund. Discussions are also taking place with the Chester Diocese over site issues.

## **4.14 Technical Services**

4.14.1 The programme was reduced by £1 million to reflect the reduction in Government grant. The substantial bridges allocation meant that works to the value of £2 million originally scheduled for 2010/11 will now take place in 2011/12. The M53 junction 3 scheme, which is the largest within the programme is nearing completion as scheduled.

4.14.2 In terms of the Cultural Services schemes the drainage works to reduce closures at Hoylake Golf Course were undertaken and the extension of Landican Cemetery was completed. The upgrading of the changing facilities at Guinea Gap in being funded from the Government grant allocated to support swimming initiatives.

## **FINANCING OF THE SPEND**

4.15 For schemes funded by borrowing, grant or reserves which were delayed, deferred or slipped into 2010/11 the resources were similarly carried forward. The opportunities offered by the receipt of additional grants, particularly for housing and regeneration initiatives, together with the benefits from cash flow management meant the need to borrow reduced from earlier expectations.

## **4.16 Use of Borrowing**

4.16.1 With the return from investments diminishing as investments matured the money was used to temporarily reduce the need to borrow and maximise the benefits offered by the market conditions. £10 million was actually borrowed over the longer-term to provide the support for the capital programme. The amount referred to in the table represents the underlying need to borrow and this can be different from the amount actually borrowed.

#### **4.17 Use of Grants**

4.17.1 £43.9 million of grants which have been, or are expected to be, reimbursed by other parties have been used to finance the capital spending. This includes grants Woodchurch High School, Birkenhead Academy and Park Primary School within Children & Young People and support for Housing Market Renewal, adaptations and other initiatives within Corporate Services.

#### **4.18 Expenditure Financed From Reserves and Revenue Accounts**

4.18.1 £0.4 million of reserves and revenue were used to finance the 2010/11 capital expenditure.

#### **4.19 Use of Usable Capital Receipts**

4.19.1 The generation of capital receipts through the sale of assets is used to fund the programme and this income offers flexibility in the timing of its use. In 2010/11 £3 million of usable capital receipts were applied.

#### **4.20 Minimum Revenue Provision (MRP)**

4.20.1 In 2010/11 payments from the General Fund revenue account of £9.6 million were made as provision for the repayment of external debt. The Local Authorities (Capital Financing and Accounting) Regulations 2008 set the rules governing debt redemption and the Minimum Revenue Provision (MRP). In terms of the MRP policy Cabinet on the 22 February 2010 agreed that for 2010/11 the Council would adopt the Regulatory method for supported borrowing and the asset life methodology for unsupported borrowing. The sum provided in 2010/11 meets this policy.

### **5.0 RELEVANT RISKS**

5.1 There are none associated with this report which provides a summary of the spend and financing of the capital programme in 2010/11. The programme is monitored throughout the year and is incorporated within the Financial and Performance Review reports presented to Cabinet each quarter.

### **6.0 OTHER OPTIONS CONSIDERED**

6.1 No other options were considered. There is a legal requirement to publish the capital spend and financing at the end of the financial year.

### **7.0 CONSULTATION**

7.1 This is an end of year report. Consultation takes place as part of considering the capital programme and over the planning and implementation of the specific schemes within the programme.

### **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are none arising directly from this report. These would be considered when planning and implementing specific schemes within the programme.

## **9.0 RESOURCE IMPLICATIONS**

9.1 The capital spend for the year on the accruals basis amounted to £59 million. This was funded from borrowing of £11.7 million, government grants of £43.9 million, reserves and revenue contributions of £0.4 million and useable capital receipts of £3 million.

9.2 There are no staffing implications arising directly from this report.

## **10.0 LEGAL IMPLICATIONS**

10.1 There is a legal requirement to publish a report on the capital spend and financing at the end of each financial year.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are no direct implications. This report covers the overall programme and its funding for the financial year.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are no direct implications arising from this report. These are included in reports to Cabinet on individual schemes and in the Carbon Budget report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are no direct planning implications arising from this report.

FNCE/158/11

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## **REFERENCE MATERIAL**

Local Government Act 2003 and subsequent amendments.  
Local Government (Capital Finance and Accounting) Regulations 2008.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Capital Programme 2010/13	21 February 2011
Cabinet – Capital Out-turn 2009/10	24 June 2010
Cabinet – Capital Programme 2011/15	9 December 2010
Cabinet – Capital Programme 2011/15	21 February 2011