

**CAPITAL OUTTURN 2019/20****REPORT SUMMARY**

This Appendix details the Capital Outturn for 2019/20, the resources used to fund the Programme and provides a review of the progress of the delivery of the agreed Capital Programme.

This matter is a key decision which affects all Wards within the Borough.

**RECOMMENDATIONS**

- a) The additional re-profiling of £19.4 million from 2019/20 to 2020/21 be noted.
- b) The financing of the Programme for 2019/20 be noted.
- c) The Programme for 2020/21 and beyond be kept under review to ensure it is realistic, deliverable and affordable.

**SUPPORTING INFORMATION****1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 The Council is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2019/20 financial year.

**2.0 OTHER OPTIONS CONSIDERED**

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

**3.0 BACKGROUND INFORMATION****MONITORING 2019/20**

- 3.1 The Capital Programme 2019/20 was considered by Cabinet on 18 February 2019 and approved by Council on 4 March 2019. The Programme is based on the Wirral Plan priorities, Government grant announcements and scheme affordability. It was highlighted that the Council's revenue budget position limited the scope for unsupported capital expenditure.
- 3.2 Cabinet received regular updates in respect of capital monitoring throughout the year. The last monitoring report, for Quarter 3, was considered by Cabinet on 17 February 2020. Since then work has been on-going in order to conclude the accounts for the financial year.
- 3.3 During the year the Programme was regularly reviewed which resulted in schemes being deferred to 2020/21 along with the supporting funding. This continued to deliver one-off Treasury Management savings through a reduced need to borrow in 2019/20.

## CAPITAL OUTTURN

- 3.4 The capital expenditure for the year was £40.0 million compared to the Revised Programme of £61.0 million which was reported in February 2020 (Quarter 3). This is summarised in Table 1.
- 3.5 Both estimates below, and the outturn now include the Formula Capital schemes delegated to schools.

**Table 1: Capital Programme 2019/20**

<b>Programme</b>	<b>Capital Strategy £m</b>	<b>Q3 Forecast £m</b>	<b>Actual £m</b>	<b>Actual V Budget %</b>
Adult Care & Health	6.747	2.417	1.222	18%
Business Management	12.915	11.076	6.131	47%
Transformational Capitalisation	-	12.359	8.312	-
Children's Services	6.255	5.847	3.866	62%
Delivery Services	36.454	23.179	18.707	51%
Economic Housing Growth	27.712	6.169	1.776	6%
<b>Total</b>	<b>90.083</b>	<b>61.047</b>	<b>40.013</b>	<b>44%</b>

- 3.6 Cabinet has previously approved amendments totalling £29.0 million to the originally approved programme, as reflected in the position for Quarter 3. A number of significant variations have arisen since the programme was agreed in March 2019. These include the inclusion of additional grant funded schemes, variations to spend forecasts and the re-profiling of expenditure into and out of the 2019/20 financial year. Further detail is provided below.

**Table 2: Significant variations – Summary of Movement since Quarter 3**

	<b>£m</b>
<b>Programme Per Q3 Monitor</b>	<b>61.047</b>
Reduction in 'Transformational Capitalisation' due to reduced capital receipts	-4.047
Additional grant funding identified towards schemes	1.452
Re-profiling of 'Aids & Adaptation' scheme funding into 19/20	1.002
Minor re-profiling of schemes into 20/21	-1.24
Major re-profiling of schemes into 20/21 (listed below)	-18.201
<b>Programme Outturn 19/20</b>	<b>40.013</b>

The following table lists the schemes that have resulted in significant variation in spend, resulting in the re-profiling of expenditure into and out of the 2019/20 financial year.

**Table 2: Significant variations – Major Re-profiling since Quarter 3**

<b><u>Scheme</u></b>	<b>£'000</b>
<b>Adult Care and Health</b>	
Assistive Technology	191
Citizen and Provider Portal/Integrated I.T.	160
Adult Social Care Equipment	500
Telecare Ecosystem	500
	<b>1,351</b>
<b>Business Management</b>	
Digital Corporate Storage - upgrade & refresh technologies	117
Key Route Network	159
STEP	420
TAG Feasibility Studies A41 Corridor and Wirral Waters	1,056
Tower Road National Productivity Investment Fund (NPIF)	2,144
Customer Experience Improvements Project	674
	<b>4,569</b>
<b>Childrens Services</b>	
Basic Needs	389
Family Support	157
School remodelling and additional classrooms (School Place Planning)	1,147
	<b>1,693</b>
<b>Delivery Services</b>	
Beach Cleaning - Replacement of equipment	122
Bebington Library	-143
Bebington Oval Facility Upgrade	221
Beechwood Recreation Centre	310
Bridges	652
Dock Bridges replacement	552
Floral Pavilion	175
Highway Maintenance	429
Illuminated Lighting and street signage - upgrade / replace	306
Landican Chapels	119
LED street lighting/column - Replacement (SALIX)	127
Legislative Compliance	-186
Major Infrastructure Development & Strategic Transport Forward Plan	387
New Ferry Rangers Community Clubhouse	300
New House Building Programme	231
Onstreet Residential Chargepoint Scheme	102

<b>Scheme</b>	<b>£'000</b>
<b>Delivery Services</b>	
Restore Empty Homes	290
Soft Play Areas Leisure Centres	310
Solar Campus 3G	375
Studio refurbishment Les Mills classes	138
Surface Water Management Scheme	111
Town Link Viaduct	332
Transport for Growth	172
Urban Tree Challenge Fund	600
Washdown Facilities	160
West Kirby Flood alleviation	216
West Kirby Marine Lake/Sailing Centre – accommodation	-337
	<b>6,071</b>
<b>Economic and Housing Growth</b>	
Business Investment Fund	866
Housing Infrastructure Fund (Enabling Infrastructure)	624
Housing Infrastructure Fund Marginal Viability (Northbank)	433
Investment in Properties	1,085
Wirral Waters Investment Fund	375
Business Financial Assistance Grant	383
Community Bank	750
	<b>4,516</b>
<b>Major items requiring re-profiling</b>	<b>18,201</b>

3.7 A summary of progress in the year within the Programme is as follows: -

#### 3.7.1 Adult Care & Health

A total of £1.222 million was spent in this area in 2019/20. The main areas of expenditure included:

- **Alcohol Treatment** £0.406 million - Part of an overall grant of £6 million allocated to 23 authorities. The aim is to assist local authorities to prioritise alcohol treatment, invest in equipment and facilities and ensure that treatment expertise is enhanced to better meet the needs of people with alcohol.
- **Extra Care Housing** £0.414 million - Two Extra Care developments which have been awarded Council. Barncroft will provide 21 units of Extra Care and the Woodpecker Close site is scheduled for completion in September 2020, providing a further 78 units.

- Areas of reprofiling include £0.500 million regarding both **Adult Social Care Equipment** and the **Telecare Ecosystem**, which are schemes centred around using technology to assist care clients in their home environment.

### 3.7.2 Business Management

By the end of March 2020 £14.443 million had been spent on Business Management schemes in total.

- The rollout of **Windows 10** equipment continued across the Authority with £0.870 million being spent by the end of the financial year.
- £3.428 million was spent on '**Key Route Network**' which includes works on major route including highways asset, roads and signals. £0.777 million was spent regarding '**Sustainable Transportation Enhancement Programme**' schemes that develop infrastructure to enhance travel and accessibility.
- In 2019/20 the Authority utilised the Capital Receipts flexibilities introduced by the Government that allowed receipts generated to be used to support expenditure that was 'Transformational' in nature. The costs incurred relate to the transformation of service delivery to be achieve efficiencies in terms of performance or cost. The scheme resulted in £8.312 million being funded from capital receipts.
- Areas of reprofiling into 2020/21 include a further £1.056 million of funding regarding '**Transport Advisory Group regarding the A41 Corridor and Wirral Waters**' and £2.144 million in respect of the '**Tower Road National Productivity Investment Fund**', both of which are large schemes that will span financial years in terms of expenditure.

### 3.7.3 Children's Services

During 2019/20, £3.866 million was spent on schemes relating to Children's Services.

Government Grants funded almost 70% of the investment in schools in 2019/20 and is funding subject to future annual announcements. All works are undertaken with schools and mindful of the impact upon the service are largely arranged for completion outside of term-times.

- '**School Condition & Modernisation**' works attracted a total spend of £2.285 million across many sites across the Borough.
- '**School Place Planning**' costs that focus on school remodelling and additional classrooms totalled £0.921 million, with a further £1.147 million being reprofiled into 2020/21 to fund feasibility studies for additional school places.

### 3.7.4 Delivery Services

Transport for Growth - expenditure has been incurred on a number of schemes to date. The most significant being the improvement to the junction of Old Greasby Road (£0.405 million) which included works to traffic signals and pedestrian improvements.

**‘Highway maintenance’** – a total of £4.978 million was spent with the most significant areas of expenditure was in respect of micro asphaltting (£1.578 million) and hot road asphaltting (£2.342 million) which would have included pothole repairs.

£3.502 million of grant aid has been provided for the provision of essential **‘Aids and Adaptations’** giving disabled people better freedom of movement in and around their homes. Resource demand in this area was such that funding set aside in 2020/21 was brought forward to fund activity.

The **‘Home Improvement’** project provides a continuation of both financial assistance and intervention to remedy poor housing conditions in the private sector, including serious disrepair/hazardous housing conditions, low market demand and bringing long term empty properties back into productive use. Expenditure in the year was £0.340 million.

Work continued regarding the **‘West Kirby Marine Lake & Sailing Centre’ scheme**, with £0.896 million spent in 2019/20. A grant of £0.150 million was secured from Sport England towards the cost of the project. This particular scheme will be subject to a separate report as the scheme will require additional funding to complete.

Schemes that require reprofiling of funding, as per Table 2, include those that span across financial years such as **‘Bridges’** (£0.652 million), **‘Highway Maintenance’** (£0.429 million including additional grant funding of £0.201 million) and **‘Traffic Management’** (£0.387 million) and those schemes that were previously expected to start in 2019/20 but that have met with delays and are yet to commence such as **‘Urban Tree Challenge Fund’** (£0.600 million) and the **‘New Ferry Rangers Community Clubhouse’** (£0.300 million).

### 3.7.5 Economic and Housing Growth

A total of £1.776 million was spent by the Authority on this area in 2019/20.

The main areas of spend included:

- **‘Housing Infrastructure Fund Marginal Viability (Northbank)’** works attracted a total spend of £0.567 million. Part of a Homes England grant of £6.000 million for infrastructure, land remediation, public realm works and utilities provision at **‘Northbank’** site at Wirral Waters.

- **‘Investment in Properties’** costing £0.415 million, including the purchase of the ‘B&M’ retail unit within Birkenhead town centre. This scheme is closely linked to the progressing Wirral Growth Company it is intended to fund potential acquisitions.
- **‘New Ferry Regeneration Strategic Acquisitions’**, £0.313 million was spent on securing the acquisition and demolition of properties in New Ferry Town Centre with the aim of assembling viable redevelopment sites to assist in regeneration. The Council is in the process of seeking compulsory purchase powers which will speed up expenditure should these be granted.
- Areas of further reprofiling of funding into 2020/21 include the **‘Investment in Properties’** scheme mentioned above, with £1.085 million being reprofiled, **‘Housing Infrastructure Fund’** requires reprofiling of £0.624 million regarding infrastructure enablement works and the **‘Community Bank’** scheme is yet to incur cost, with £0.750 million rolled into next year’s programme.

## CAPITAL FINANCING

3.8 Table 3 details the resources used to finance the Capital Programme.

**Table 3: Capital Financing 2019/20**

Source of Financing	Original Programme £m	Revised Programme £m	Actual Outturn £m
Borrowing	53.443	28.166	13.315
Grants / Loans	30.640	20.147	18.387
Capital Receipts	0.000	12.359	8.312
Business Rates	6.000	0.375	0.000
<b>Total</b>	<b>90.083</b>	<b>61.047</b>	<b>40.013</b>

3.9 The re-profiling referred to earlier has seen the schemes and associated funding deferred until 2020/21.

## CAPITAL RECEIPTS

3.10 Table 4 shows the movements in the Capital Receipts Reserve during 2019/20. Receipts for the year totalled £7.904 million with £0.504 million available at 31 March 2020.

3.11 In accord with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 can be used to support transformation of services that results in efficiencies. This has been reflected in the Capital Programme for 2019/20 onwards.

**Table 4: Capital Receipts Reserve**

	<b>£000</b>
<b>Balance as at 1 April 2019</b>	<b>912</b>
Add: Receipts during the year	7,904
Less: Flexible use of receipts to fund transformation schemes	-8,312
<b>Balance as at 31 March 2020</b>	<b>504</b>

- 3.12 The balance is available, if required, to fund any Transformation Programmes allowed under the Council's "Use of Flexible Capital Receipts".

### **COMPLIANCE WITH PRUDENTIAL INDICATORS**

- 3.13 The Authority confirms that it has complied with its Prudential Indicators for 2019/20, which were approved on 18 February 2019 as part of the Capital Strategy. Details can be found in the Appendix A.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The capital expenditure for the year amounted to £40.013 million. This was funded from borrowing of £13.315 million, Government Grants of £18.387 million and capital receipts of £8.312 million.
- 4.2 The re-profiling of schemes from 2019/20 to 2020/21 has seen the funding similarly re-profiled. This includes the planned borrowing which has been deferred and has contributed towards the in-year savings on Treasury Management activities within the revenue budget. A permanent saving only occurs if schemes cease, otherwise the full budget will be required in 2020/21 when the re-profiled expenditure is incurred.

### **5.0 LEGAL IMPLICATIONS**

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

### **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1 There are no staffing, IT or asset implications arising directly from this report.

### **7.0 RELEVANT RISKS**

- 7.1 There are none associated with this report which provides a summary of the expenditure and financing of the Capital Programme in 2019/20. The Programme has been monitored throughout the year and by reports to Cabinet.



## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 This is an end of year report. Consultation takes places as part of considering the capital programme and over the planning and implementation of the specific schemes within the Programme.

## **9.0 EQUALITIES IMPLICATIONS**

- 9.1 There are no implications arising directly from this report which covers the overall programme and its funding for the financial year.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 Capital bids are welcomed that support the Council's Climate Emergency Plan that was compiled following the declaration of a Climate Emergency by the Council in May 2019. Within the existing capital programme there are a series of projects that positively contribute to environmental issues.

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## **REFERENCE MATERIAL**

CIPFA Code of Practice on Local Authority Accounting in the UK 2018/19.  
Local Government Act 2003 and subsequent amendments.  
Local Government (Capital Finance and Accounting) Regulations 2008.  
Accounts and Audit (England) Regulations 2015.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
<b>Budget Council – 2019/20 Capital Programme</b>	<b>4<sup>th</sup> March 2019</b>
<b>Council Meeting – Q1 Capital Monitoring</b>	<b>2<sup>nd</sup> September 2019</b>
<b>Council Meeting – Q2 Capital Monitoring</b>	<b>9<sup>th</sup> December 2019</b>
<b>Council Meeting – Q3 Capital Monitoring</b>	<b>17 February 2020</b>

## APPENDIX A

### PRUDENTIAL INDICATORS 2019/20

#### (a) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

The Council has previously approved the adoption of the revised CIPFA Treasury Management Code 2017 Edition.

#### (b) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and in particular, to consider the impact on Council Tax.

<b>Expenditure</b>	<b>31/03/20 Actual £m</b>	<b>31/03/21 Estimate £m</b>	<b>31/03/22 Estimate £m</b>
General Fund	<b>40.0</b>	<b>123.2</b>	<b>16.1</b>

Capital expenditure has or will be funded as follows:

<b>Capital Financing</b>	<b>31/03/20 Actual £m</b>	<b>31/03/21 Estimate £m</b>	<b>31/03/22 Estimate £m</b>
Capital receipts	<b>8.3</b>	4.5	0
Grants and Contributions	<b>18.4</b>	30.0	2.6
Revenue and Reserves	<b>0.0</b>	0	0
Unsupported borrowing	<b>13.3</b>	73.0	13.5
Business Rates	<b>0.0</b>	15.7	0
<b>Total Funding</b>	<b>40.0</b>	<b>123.2</b>	<b>16.1</b>

#### (c) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2019/20 to 2021/22 are shown in the table below:

<b>Capital Financing Requirement</b>	<b>31/03/20 Actual £m</b>	<b>31/03/2021 Estimate £m</b>	<b>31/03/2022 Estimate £m</b>
General Fund	<b>348.6</b>	410.2	409.4

**(d) Gross Debt and the Capital Financing Requirement:**

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31/03/2020 Actual £m</b>	<b>31/03/2021 Estimate £m</b>	<b>31/03/22 Estimate £m</b>
Borrowing	<b>309.1</b>	339.1	354.4
PFI liabilities	<b>39.6</b>	36.7	33.8
<b>Total Debt</b>	<b>348.7</b>	375.8	388.3
<b>Borrowing in excess of CFR?</b>	<b>Yes</b>	<b>No</b>	<b>No</b>

The level of debt exceeded the CFR by £0.1 million at 31<sup>st</sup> March 2020. This was due to additional temporary borrowing being taken out to ensure sufficient liquidity to meet operational demand as a result of the COVID-19 outbreak. Total debt is expected to remain below the CFR during the following period.

**(e) Authorised Limit and Operational Boundary for External Debt**

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities relate to the Private Finance Initiative that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

There were no breaches to the Authorised Limit and the Operational Boundary during 2019/20.

	Operational Boundary (Approved) 31/03/2020 £m	Authorised Limit (Approved) 31/03/2020 £m	<b>Actual External Debt 31/03/2020 £m</b>
Borrowing	406.0	416.0	309.1
Other Long-term Liabilities	58.0	63.0	39.6
<b>Total</b>	<b>464.0</b>	<b>479.0</b>	<b>348.7</b>

**(f) Ratio of financing costs to net revenue stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is based on costs net of investment income.

<b>Ratio of Finance Costs to Net Revenue Stream</b>	<b>2019/20 Actual %</b>	<b>2020/21 Estimate %</b>	<b>2021/22 Estimate %</b>
Ratio	5.95	5.81	7.18