



# Cabinet

**Date:** Thursday, 9 December 2010

**Time:** 6.15 pm

**Venue:** Committee Room 1 - Wallasey Town Hall

**Contact Officer:** Brian Ellis

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## AGENDA

4. EUROPA BOULEVARD DISPOSAL OF SITES 1 AND 2 (Pages 1 - 2)
6. CAPITAL PROGRAMME AND FINANCING 2011-15 (Pages 3 - 18)
9. BUDGET PROJECTIONS 2011-15 (Pages 19 - 26)

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Our ref:- jcew  
6 December 2010

Bill Norman  
Director of Law  
Wirral Borough Council  
Town Hall  
Brighton Street  
Wallasey  
WIRRAL  
CH44 8ED

Dear Mr Norman

## Two Sites at Europa Boulevard Birkenhead

Having read your report to be presented to Cabinet on 9 December, 2010 I cannot contain my utter disbelief and profound disappointment that Wirral Borough Council, having been presented with our proposal to secure a valuable opportunity delivering inward investment for Birkenhead from an established, reputable and reliable occupier creating over one hundred new jobs and contributing over £1m of extra revenue the local economy, should be recommending that the proposal be turned down.

I must challenge the Officers statement that the "... casino development has the potential to create jobs in the short term." The casino operator is committing to a minimum lease term of fifteen years and will therefore be creating almost immediate and long term employment for the local economy.

It is noted that the Interim Director of Corporate Services holds the opinion that a casino "...use is not a regeneration priority for the area and the risk of an undeveloped or undevelopable site 2, is an important consideration." I am having difficulty understanding why new multi million pound investment in Birkenhead from a blue chip occupier creating new, sustainable and long term employment on Site 1 is not considered to be a 'regeneration priority' for Wirral Borough Council.

Moreover, development of Site 1 will not jeopardise or fetter the future development of Site 2 as the Officer suggests; it can only have a positive impact on the immediate locality and the long term marketability of Site 2. Surely having a cinema and casino in very close proximity will create the critical mass in the locality which can only benefit developing Site 2.

The Interim Director of Corporate Services statement that the prospect of leaving Sites 1 & 2 dormant for what might be many years to come holds better prospect for Birkenhead and the aspirations of Wirral Borough Council than delivering immediate new blue chip investment into the local economy beggars belief.

Williams Tarr has the track record; capability and ambition to secure the immediate and present opportunity of new inward investment and job creation for Birkenhead and as a direct consequence offer Wirral Borough Council the best prospect of securing the future development of Site 2.

Both Williams Tarr and [redacted] Casino's have incurred considerable cost and expended considerable time / effort on these schemes, in particular, [redacted] Casino's have spent more than 7 years on this scheme, and we would both be bitterly disappointed should Cabinet Members uphold the officers' recommendation. Whilst Cabinet Members will no doubt discuss the matter at length we would urge the Cabinet Members to use common sense which should tell you to do what you can now and the second part will follow.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'J C E Wilkinson', is written over a blue inked signature line.

J C E WILKINSON

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## **WIRRAL COUNCIL**

## **CABINET**

**9 DECEMBER 2010**

## **REPORT OF THE DIRECTOR OF FINANCE**

### **CAPITAL PROGRAMME AND FINANCING 2011-2015**

#### **1. EXECUTIVE SUMMARY**

- 1.1. This report provides Cabinet with a draft Capital Programme for 2011/15 for consideration and referral to Council for approval. It also includes the related capital financing requirements based upon the prudential indicators that inform the Treasury Management Strategy.

#### **2. CAPITAL STRATEGY**

- 2.1 Achieving Council objectives requires capital investment. The Capital Strategy sets a framework that enables the Council to work with partners and stakeholders to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.
- 2.2 The Capital Strategy draws together the capital requirements emerging from the Investment Strategy and service strategies to prioritise the capital needs of services and to maximise opportunities for joined-up investment with local partners. Bids for inclusion in the capital programme are prioritised against criteria taking account of the priorities identified in the Corporate Plan.
- 2.3 The Capital Strategy was reviewed to reflect the Corporate Plan and was agreed by Cabinet on 4 November 2010. It considers issues at a strategic level and is used to determine the Capital Programme.

#### **3. CAPITAL INVESTMENT PROGRAMME GUIDANCE DOCUMENT**

- 3.1 To increase understanding of the Capital Programme across the Council the procedures and key guidance have, since 2005, been consolidated into one document. The latest version of the document was agreed by Cabinet on 23 July 2008 and covers:-
- a) identification and prioritisation of schemes for inclusion in the programme.
  - b) approval process and implementation of the approved projects.
  - c) monitoring and reporting of the approved programme.
- A number of key documents are incorporated as appendices including the Contract Procedure Rules.

- 3.2. Schemes identified are the subject of a Business Case which details how the proposed project meets Council objectives, how it will be managed, including resource implications and the outcomes expected. The various schemes are then prioritised using criteria that reflect the aims and objectives of the Corporate Plan.

#### **4. CAPITAL PROGRAMME**

- 4.1. The Capital Programme covers the medium term and is aligned to other plans and strategies, including the Medium Term Financial Strategy and the Corporate Plan. It is reviewed, updated and considered by Council each December and informs the annual budget setting process.
- 4.2. The out-turn figures for 2010/11 are assumed to be in line with those reported to Cabinet during the current financial year. In terms of funding, capital receipts offer flexibility in their use to either balance the current programme or to address future budgetary issues. A year-end report for 2010/11 will be presented in June 2011 identifying the final spend and financing for the year.
- 4.3. In preparing the programme for 2011/15 the process has followed that set out in the Guidance document. All submissions for inclusion in the Capital Programme required the completion of a Business Case and have been assessed against the prioritisation criteria and recommendations made.
- 4.4. The Chancellor of the Exchequer's June 2010 Budget and the Spending Review 2010 have clearly stated that overall Government support for capital expenditure will reduce as part of the process to contain the increase in public debt. The exact impact upon Wirral will only be known once the Local Government Finance Settlement is published and future year allocations may then be subject to further revisions.
- 4.5. In terms of potential funding sources the Government has established a Regional Growth Fund (RGF) with £1.4 billion available over a three year period. It is open to bids from all sectors but the abolition of Regional Development Agencies and the cessation of a number of other funding streams will result in reduced overall available capital funding.
- 4.6. Local Authorities can apply to the Secretary of State for a determination to re-classify revenue spend as capital spend based upon the Capitalisation Direction. Wirral has submitted a bid in 2010/11 to capitalise £9 million of Early Voluntary Retirement / Severance costs for which only the statutory redundancy entitlement is eligible. The outcome of this bid is awaited including any attached conditions as no asset will result from this spend.
- 4.7. Financing is from a combination of borrowing (part of which is Supported Capital Expenditure and part Prudential Borrowing), grant, contributions from revenue and reserves, and capital receipts. Further information on financing is contained in Section 5 of this report.

- 4.8. The prioritisation of schemes has been based upon revised appraisal criteria approved by Cabinet on 4 November 2010. This criteria links the Capital Strategy with the Corporate Plan, Strategic Change Programme and the outcome of the Wirral's Future - be a part of it consultation. The criteria is included at Appendix A whilst Appendix B details the approved capital programme and Appendix C outlines the highest scoring capital submissions.
- 4.9. Under Financial Reporting Statement (FRS) 15 capital expenditure is defined as expenditure incurred on the acquisition, creation or enhancement of an asset. Enhancement works are defined as leading to at least one of the following:-
- Substantially lengthening the useful life of the asset
  - Substantially increasing the open market value of the asset
  - Substantially increasing the extent to which the asset can be used in connection with the functions of the Local Authority.
- Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue.

## **5. CAPITAL FINANCING**

### **5.1. Supported Capital Expenditure**

- 5.1.1. As part of the annual Local Government Finance Settlement local authorities are issued with a Supported Capital Expenditure (Revenue) (SCE(R)) figure. This is the total amount of borrowing that the Government is prepared to support. The funding to cover the revenue cost of this borrowing is distributed as part of the Formula Grant.
- 5.1.2. The figures are within the Local Government Finance Settlement which will not be confirmed until February 2011. It should be noted that Government departments do give indicative allocations which are not reflected in the Provisional Local Government Finance Settlement. Wirral currently receives support of around £5.3 million.

### **5.2. Prudential Borrowing (unsupported borrowing)**

- 5.2.1. The Prudential Capital Finance system allows local authorities to self-finance borrowing for capital expenditure without Government consent. This facilitates the use of borrowing for capital projects, provided it is affordable. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.
- 5.2.2. As a guide, borrowing incurs a revenue cost of approximately 10% of the loan each year, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs be satisfied that it can afford this annual revenue cost. An increase in 1% with immediate effect of the cost of borrowing from the Public Works Loans Board was announced within the Spending Review 2010.

5.2.3 The Government has given Local Authorities greater freedom in the way that they provide for their debts. Local Authorities have to earmark revenues each year as provision for repaying debts incurred on capital projects. This Minimum Revenue Provision (MRP) regime changed on 31 March 2008 when the Government imposed a duty on each local authority to make provision for debt which the Authority considers prudent.

5.2.4 The Council has determined that the most prudent method of earmarking revenues to repay unsupported borrowing is by matching the debt repaid each year to the life of the asset which the borrowing helped to finance (known as MRP option 3). As an example, if the Council borrowed £5 million to build a new asset with a life of 20 years then revenue costs would be £0.25 million each year for 20 years plus the interest cost of the borrowing.

### 5.3. Government Grants

5.3.1. These are specific to schemes and are therefore allocated in accordance with the terms of the grant approval, primarily being within the areas of education and regeneration. As outlined above the numbers and amounts of capital grants received are likely to be further reduced in coming years.

5.3.2 Government has reviewed grant arrangements as part of the Spending Review 2010. There will be significantly less ring-fencing of capital grants which will increase freedoms and flexibilities over use but overall the level of grants available will reduce.

### 5.4. Revenue / Other Contributions

5.4.1. The Prudential Code allows for the use of additional revenue resources within agreed parameters. However, the requirements of FRS 15 mean that in recent years a number of schemes and funding previously included within the capital programme have had to be transferred to revenue.

5.4.2. Contributions are received from others to support the delivery of schemes with the main area being within the Education programme and the contributions made by individual schools.

### 5.5. Capital Receipts

5.5.1. Capital receipts are estimated and are based upon the likely sales of assets as identified under the Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes for the sharing of receipts from sales of former Council houses.

5.5.2. The use of receipts has been estimated at £3 million per year. This reflects the likely timing of such receipts and the latest projections of sites either available or which could become available over the period. The Local Public Service Agreement resulted in the receipt of a reward grant of £2.1 million to support capital schemes.

- 5.5.3. It should be noted that the outcome of the Capitalisation submission referred to in Section 4.6 may require the Authority to use receipts and any unring-fenced grants to fund any approved spend.

## **6. MONITORING**

- 6.1. Cabinet on 15 April 2010 agreed the process and timing of the Performance and Financial Monitoring reports to be presented to Cabinet and within this is a section on capital comparing progress against the approved programme.
- 6.2. Whilst a presentation is made to Cabinet at the end of each quarter a summary report, plus the departmental reports of Chief Officers, is placed in the Library. The departmental reports provide greater detail on the progress of specific schemes with references to the approved programme, agreed variations, the latest forecasts concerning spend and the resourcing of schemes.

## **7. FINANCIAL IMPLICATIONS**

### **7.1. Capital Programme commitments**

- 7.1.1. The programme detailed in Appendix B incorporates all the committed schemes and indicates the resources required to fund the existing, and planned, commitments.
- 7.1.2. The Capital Programme 2010/14 and Capital Financing Requirements 2010/11 were agreed by Cabinet on 9 December 2009 and updated as part of the Estimates 2010/11 reported to Cabinet on 22 February 2010.
- 7.1.3 On 24 June 2010 the Capital Out-turn and Determinations report was submitted as part of the year-end accounts for the 2009/10 financial year and detailed the slippage into the 2010/11 financial year.
- 7.1.4 On 24 June 2010 reductions in Government Grants to local authorities relating to the 2010/11 year were announced. This included reductions to Transport Grant, Housing Market Renewal Grant and Local Area Agreement Reward Grant. The Government also announced a review of the Building Schools for the Future programme.
- 7.1.5 On 22 July 2010 Cabinet approved revisions to the Local Transport Plan and Housing Investment Programme to take account of the reductions in Government grants. The schools Capital Programme for 2010/11 was approved at the same meeting.
- 7.1.6 In summary the changes to the Capital Programme since it was originally approved have increased the 2010/11 programme from £79 million to £81 million. The main impacts have been slippage from 2009/10, reductions in Government grants and the re-programming of schemes from 2010/11 into later years.

## 7.2. Capital Programme submissions

7.2.1. Appendix C details the ranking of the new schemes in accordance with the prioritisation criteria. As part of the considerations in December 2009 a number of Property Maintenance related activities were transferred to revenue and the definitions of capital spend has reduced the number of new submissions. Based upon those received the ranking would result in the following being included:-

<b>NEW SUBMISSIONS FOR APPROVAL</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14+ £000</b>
Cathcart Street Primary School	1,500	0	0
Primary School Reorganisation	250	0	Tbc
Adaptation Programme	500	500	0
Housing Renewal Funding	850	800	Tbc
Wirral Healthy Homes	105	105	Tbc
Bebington Civic Centre	1,300	0	0
Rock Ferry centre	630	0	0
Wallasey Town Hall	1,625	0	0
Quarry Bank Affordable Housing	345	0	0
Empty Property Interventions	125	125	Tbc
Wallasey North and South Annexes (includes funding of £550k from existing IT capital monies & £400k PPM budget)	2,500	800	0
Power Solutions to Wirral's Strategic Investment Areas	250	4,750	0
Cosy Homes Heating	250	250	Tbc
Reconstruction/ Resurfacing of roads on the Wirral Primary Network Routes	500	0	0
Vehicles, plant & equipment which may have previously been funded by leasing.	0	0	0

Uncertainty remains regarding future capital grant funding, and therefore 2013/14 and 2014/15 have been merged. This will be split once details emerge.

7.2.3 The submissions relating to Schools link with the primary review process and will assist in generating additional resources through capital receipts. A number of submissions enable programmes originally funded from the Housing Market Renewal Initiative to continue. Commitments have been made but Government funding has now ended although there is the potential for some funding from the Regional Growth Fund.. A number of bids relate to the Accommodation Review which will result in capital receipts; the Wirral's Future - Be A Part of It Consultation; and enhancements to libraries and One Stop Shops to facilitate the merger of services.

7.2.4. Within the submissions recommended for approval the submission to acquire rather than lease equipment where it is beneficial is an Invest-to-Save proposal for which the spend and benefits will be identified on a scheme-by-scheme basis.

### 7.3. Capital Programme variations

7.3.1 Schemes for West Wirral, Destination West Kirby and Wirral Country Park are forecasted to slip into 2011/12 as the potential options for external funding continue to be explored. This has been factored into the forecasts contained within Appendix B.

### 7.4 Prudential Indicators

7.4.1. In considering the programme for 2011/15 Cabinet is advised that:-

- a) The existing commitments require additional borrowing of around £20 million for 2010/11 with the additional requirements reducing in subsequent years. At this stage a decision is awaited from the Government regarding the possible capitalisation of revenue spend and its financing.
- b) To accommodate the additional items detailed in section 7.2.1 would increase the level of borrowing by £10 million in 2011/12 and by £7 million in 2012/13.
- c) The borrowing requirements for future years will be confirmed as part of the Treasury Management Strategy report to Cabinet on 21 February 2011. Assuming the changes are approved the requirements are:-

Year	Increase in borrowing	Revenue costs (cumulative)
2011/12	£23 million	Increase of £2.3 million
2012/13	£19 million	Increase of £4.2 million
2013/14	To be confirmed	
2014/15	To be confirmed	

- e) In terms of key Prudential Indicators the ratio of financing costs to the net revenue stream will continue to increase as the capital programme increases whilst the revenue stream reduces. Based upon the latest projections it remains around 8-9%.
- f) If the decision is taken to spend in excess of the level of identified resources then this would require increased use of borrowing which incurs annual revenue costs at the rate of £100,000 per £1 million of capital expenditure. In considering the impact upon Council Tax levels each 1% rise in Council Tax equates to £1.3 million of increased expenditure.

## **8. STAFFING IMPLICATIONS**

- 8.1. There are none arising directly from this report as any implications will be identified against individual projects at the scheme and estimate stage.

## **9. EQUAL OPPORTUNITY IMPLICATIONS**

- 9.1. These will be identified as part of the individual scheme proposals.

## **10. COMMUNITY SAFETY IMPLICATIONS**

- 10.1. These will be identified with the individual scheme proposals.

## **11. HUMAN RIGHTS IMPLICATIONS**

- 11.1. There are none arising directly from this report.

## **12. LOCAL AGENDA 21 IMPLICATIONS**

- 12.1. These will be identified with the individual scheme proposals.

## **13. PLANNING IMPLICATIONS**

- 13.1. There are none arising directly from this report.

## **14. MEMBER SUPPORT IMPLICATIONS**

- 14.1. There are none arising directly from this report.

## **15. BACKGROUND PAPERS**

- 15.1. Capital Investment Programme Guidance Document - July 2008
- 15.2. Prudential Code for Capital Finance in Local Authorities - CIPFA - 2003
- 15.3. Local Authorities Capital Finance and Accounting Regulations 2008.
- 15.4. Capital Strategy – November 2010.

**16. RECOMMENDATIONS**

- 16.1 That the new submissions as detailed in section 7.2 be approved.
- 16.2 That, if the changes are approved, the capital financing requirements be reflected in the projected budget.
- 16.3 That the Prudential Indicators be noted and reported as part of the Treasury Management Strategy in February 2011.
- 16.4 That update reports on the progress of the programme be presented in accordance with the Performance and Financial Monitoring reporting cycle.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/249/10

## CAPITAL INVESTMENT PROGRAMME

## PRIORITISATION EVALUATION CRITERIA AND WEIGHTINGS

PRIORITISATION CRITERIA	%	CORPORATE OBJECTIVE
1 Will the scheme create employment opportunities or assist in attracting private sector investment?	14	To create more jobs, achieve a prosperous economy and regenerate Wirral.
2 Will the scheme have environmental or streetscene benefits or impact on crime or health and safety?	14	To create a clean, pleasant, safe and sustainable environment.
3 Will the scheme cater for vulnerable people or address health inequality or contribute towards healthy lifestyle?	14	To improve health and well-being for all, ensuring people who require support are full participants in mainstream society.
4 Will the scheme have any educational attainment or learning opportunities or training benefits?	14	To raise the aspirations of young people.
5 Will it impact on revenue or attract significant external funding and build upon partnership working?	14	To create an excellent Council.
6 Will the scheme support outcomes from the consultation 'Wirral's Future – Be a Part of it'?	15	To meet the overall vision and all corporate objectives
7 Will the scheme contribute towards achievement of the Strategic Change Programme?	15	To meet the overall vision and all corporate objectives

## NOTES

- 1 Schemes, as per the Business Cases, will be scored against the criteria on the basis of not meeting to fully meeting the objectives on a 0-2 basis.
- 2 The % shown are the weightings that apply to each of the criteria.
- 3 Schemes which score in excess of 50% will be recommended for inclusion in the Capital Programme.

**CAPITAL PROGRAMME 2010/15**  
**(EXCLUDES THE SCHEMES PER APPENDIX C)**

**SUMMARY**

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
	£000	£000	£000	£000
<b>Expenditure</b>				
Adult Social Services	2,193	141	0	
Children & Young People	40,921	25,907	17,479	
Corporate Services	16,519	16,518	15,662	
Finance	2,929	1,500	1,500	
Law, HR & Asset Management	4,283	4,000	4,000	
Technical Services	13,661	9,706	8,739	
<b>Total Expenditure</b>	<b>80,506</b>	<b>57,772</b>	<b>47,380</b>	
<b>Resources</b>				
General Resources	16,533	10,069	9,455	
Supported Borrowing	7,190	6,235	5,235	
<b>General Resources</b>	<b>23,723</b>	<b>16,304</b>	<b>14,690</b>	
Grants – Education	34,976	22,763	14,335	
Grants – HMRI	5,942	7,485	7,485	
Grants - Regional Housing Pot	4,044	4,577	4,577	
Grants - Local Transport Plan	3,233	4,243	4,243	
Grants – Other	7,878	2,100	1,750	
Revenue, Reserves				
Contributions	710	300	300	
<b>Specific Resources</b>	<b>56,783</b>	<b>41,468</b>	<b>32,690</b>	
<b>Total Identified Resources</b>	<b>80,506</b>	<b>57,772</b>	<b>47,380</b>	

<b>General Resources</b>	£000	£000	£000	£000
<u>Borrowing</u>				
Supported Capital Expenditure	7,190	6,235	5,235	
Unsupported Capital Expenditure	13,083	7,069	6,455	
<u>Capital Receipts</u>	3,000	3,000	3,000	
<b>Total General Resources</b>	<b>23,723</b>	<b>16,304</b>	<b>14,690</b>	

As uncertainty remains regarding future capital grant funding, 2013/14 and 2014/15 have been merged and will be added once further details emerge.

<b>ADULT SOCIAL SERVICES</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
	£000	£000	£000	£000
<b>Expenditure</b>				
Information Management	134	141	0	
Mental Health Single Capital Pot	173	0	0	
Social Care Single Capital Pot	164	0	0	
Extra Care Housing facility	1,465	0	0	
Social Care Capital Reform	237	0	0	
Extra Care Housing	20	0	0	
<b>Total Expenditure</b>	<b>2,193</b>	<b>141</b>	<b>0</b>	
<b>Resources</b>				
General Capital Resources	0	0	0	
Grant Other	2,193	141	0	
<b>Total Identified Resources</b>	<b>2,193</b>	<b>141</b>	<b>0</b>	

<b>CHILDREN &amp; YOUNG PEOPLE</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
	£000	£000	£000	£000
<b>Expenditure</b>				
Children's Centres - Phase 3	894	0	0	
City Learning Centres	540	0	0	
Early Years Quality & Access	1,207	0	0	
Aiming Higher Disabled Children	741	0	0	
Condition / Modernisation	4,466	5,657	3,679	
Formula Capital	5,602	6,592	4,592	
Extended Schools	362	137	137	
Schools - Access Initiative	584	611	611	
Schools - Harness Technology	941	724	724	
Woodchurch One School				
Pathfinder	10,967	0	0	
Birkenhead High Girls Academy	2,452	4,000	5,000	
Private Finance Initiative	50	0	0	
Primary Reorganisation - Surplus	335	250	250	
Primary Schools Programme				
- Park Primary School	4,828	0	0	
- Pensby Primary School	1,965	2,000	2,386	
- Other	0	546	0	
School Meals Uptake & Quality	380	0	0	
Practical Cooking Spaces	694	0	0	
Co-Location Fund	887	0	0	
Playbuilder Programme	598	0	0	
Play Lottery	100	0	0	
SEN and Disabilities	2000	5,340	0	
Youth Capital Fund	178	0	0	
<b>Total Expenditure</b>	<b>40,921</b>	<b>25,907</b>	<b>17,479</b>	

**Resources**

General Capital Resources	1,786	350	1,350
Supported Borrowing	3,749	2,794	1,794
Grant – Education	34,976	22,763	14,335
Revenue, reserve, contributions	410	0	0
<b>Total Identified Resources</b>	<b>40,921</b>	<b>25,907</b>	<b>17,479</b>

**CORPORATE SERVICES**

<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
£000	£000	£000	£000

**Expenditure**

Think Big Investment Fund	557	300	300
West Wirral Schemes	0	206	0
Destination West Kirby	0	1,100	150
Wirral Country Park	0	1,300	1600
Ministry of Food Project	17	0	0
Mersey Heartlands	1,567	0	0
Improvement to Stock	3,093	3,380	3,380
Clearance	7,997	8,682	8,682
Disabled Facilities - Adaptations	2,728	1,550	1,550
New Brighton Phase 2	560	0	0
<b>Total Expenditure</b>	<b>16,519</b>	<b>16,518</b>	<b>15,662</b>

**Resources**

General Capital Resources	2,093	2,056	1550
Grant – Other	2,934	1,350	1,000
Grant – HMRI	5,942	7,485	7,485
Grants - Regional Housing Pot	4,044	4,577	4,577
Grants – Other	1,206	750	750
Revenue, reserve contributions	300	300	300
<b>Total Identified Resources</b>	<b>16,519</b>	<b>16,518</b>	<b>15,662</b>

**FINANCE**

<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
£000	£000	£000	£000

**Expenditure**

Asset Review – IT	2,917	1,500	1,500
Corporate Server Strategy - I.T	12	0	0
<b>Total Expenditure</b>	<b>2,929</b>	<b>1,500</b>	<b>1,500</b>

**Resources**

General Capital Resources	2,929	1,500	1,500
<b>Total Identified Resources</b>	<b>2,929</b>	<b>1,500</b>	<b>1,500</b>

**LAW/HR/ASSET MGT**

<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
£000	£000	£000	£000

**Expenditure**

Microregeneration	100	0	0
Landican Mercury Abatement	1983	0	0
Europa Pool – Improved heating	200	0	0
Cultural Services Assets	2,000	4,000	4,000
<b>Total Expenditure</b>	<b>4,283</b>	<b>4,000</b>	<b>4,000</b>

**Resources**

General Capital Resources	4,223	0	0
Grant – Other	60	0	0
<b>Total Identified Resources</b>	<b>4,283</b>	<b>4,000</b>	<b>4,000</b>

**TECHNICAL SERVICES**

<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>
£000	£000	£000	£000

**Expenditure**

LTP – Accessibility	112	150	150
LTP - Air Quality	1,066	950	950
LTP – Congestion	745	605	605
LTP - Road Safety	1,495	980	980
Maintenance	4,988	4,529	4,529
LTP – Transportation	451	470	470
Highway Structural	500	0	0
Highways Works	1,000	1,000	1,000
Bidston Viaduct (contribution)	1,304	967	0
Energy Schemes	162	0	0
Asset Management	85	0	0
Waste Initiatives	424	0	0
Coast Protection	221	55	55
Hoylake Golf Course	410	0	0
Landican - Cemetery	180	0	0
Oval Sports Centre –			
Improvements to artificial pitches	160	0	0
Lottery Play Sites	158	0	0
Birkenhead Park	200	0	0
<b>Total Expenditure</b>	<b>13,661</b>	<b>9,706</b>	<b>8,739</b>

**Resources**

General Capital Resources	5,502	2,022	1,055
Supported Borrowing	3,441	3,441	3,441
Grants - Local Transport Plan	3,233	4,243	4,243
Grant – Other	1,485	0	0
<b>Total Identified Resources</b>	<b>13,661</b>	<b>9,706</b>	<b>8,739</b>

**CAPITAL PROGRAMME 2011/15**

**RANKING OF CAPITAL SUBMISSIONS**

**(SCHEMES ARE NOT INCLUDED WITHIN THE PROGRAMME IN APPENDIX B)**

<b>NEW SUBMISSIONS FOR APPROVAL</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14+ £000</b>
Cathcart Street Primary School			
-remodelling/refurbishment which will generate a capital receipt	1,500	0	0
Primary School Reorganisation			
-primary school refurbishments to support changes to provision	250	0	Tbc
Adaptation Programme			
- maintain disabled facilities grants to limit pressures on community care	500	500	0
Housing Renewal Funding			
-continue Home Repair Assistance Loans, Equity Renewal Loans and Relocation Rent Support	850	800	Tbc
Wirral Healthy Homes			
- loans for safety improvements	105	105	Tbc
Bebington Civic Centre			
- remodel Library & One Stop Shop	1,300	0	0
Rock Ferry centre			
-alterations to Library, One Stop Shop and Community Hall	630	0	0
Wallasey Town Hall			
-alterations to improve fire safety, DDA access and egress	1,625	0	0
Quarry Bank Affordable Housing			
- 'gap' funding Housing Association scheme	345	0	0
Empty Property Interventions			
- grants to property-owners to bring properties into use	125	125	Tbc
Wallasey North and South Annexes			
-includes funding of £550k from existing IT capital monies & £400k PPM budget	2,500	800	0
Power Solutions to Wirral's Strategic Investment Areas	250	4,750	0
Cosy Homes Heating			
- aid to vulnerable householders	250	250	Tbc
Reconstruction/ Resurfacing of roads on the Wirral Primary Network Routes	500	0	0
Vehicles, plant & equipment which may have previously been funded by leasing.	0	0	0

**CAPITAL PROGRAMME 2010/15**  
**PROJECTED CAPITAL RECEIPTS**

**DISPOSALS**

Oliver Street, Birkenhead  
Europa Boulevard Site  
New Brighton Development  
Fellowship House  
Europa Boulevard Site  
New Brighton Development  
Poulton School, Wallasey  
Feltree House, Beechwood  
Esher House, Beechwood  
Dock Road Depot, Wallasey  
Bridge Court, West Kirby  
Hillcroft, Heswall  
Moreton Family Centre  
Oakenholt Offices, Moreton  
Old Court House, Wallasey  
Liscard Road Offices, Wallasey  
Westminster House, Birkenhead  
Riverview Road, Bromborough

Over the period a number of assets will be made available for sale including those arising from the Accommodation Review.

It is anticipated that the current level of receipts plus those generated will be sufficient to fund a £3 million contribution per year towards the capital programme.

## WIRRAL COUNCIL

## CABINET

9 DECEMBER 2010

## REPORT OF THE DIRECTOR OF FINANCE

### BUDGET PROJECTIONS 2011-2015

#### 1. EXECUTIVE SUMMARY

- 1.1. This report updates the projected budgets for the years from 2011 to 2015 taking into account the Spending Review 2011-15 presented on 20 October 2010.

#### 2. ASSUMPTIONS UNDERPINNING THE PROJECTIONS

- 2.1. Inflation – HM Treasury is assuming a return to a long term inflation rate of 2%. Therefore prices are assumed to increase by 2% per annum with income to continue to increase by 3% per annum. Pay awards will be limited to those employees earning less than £21,000 per annum for 2011-13.
- 2.2. Capital Financing – HM Treasury is assuming that the level of capital investment will reduce by 50% between 2009-10 and 2013-14. The annual increase in capital financing charges has therefore been reduced to £2.0m.
- 2.3. Pension Fund – The increase arising from the actuarial valuation currently underway is projected at 1.5% or £2m per annum. In addition the outsourcing of the highways and engineering services contract is likely to increase the contributions by £0.2m.
- 2.4. Waste Disposal – the increase in the levy will be dependent on delivery of the waste disposal strategy. The Landfill Tax will increase by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by 8% per annum.
- 2.5. Merseytravel – the levy is to increase in 2011-12 by the amount of the grant receivable for concessionary travel and from 2012 by 3% per annum.
- 2.6. Private Finance Initiative – the latest projections are included.
- 2.7. Benefits – the Department for Work and Pensions is estimating an annual increase of 1.7%.
- 2.8. Schools – it is assumed that the Schools Budget will vary in line with the Dedicated Schools Grant.
- 2.9. Adult Social Services Reform – the previous Government announced that the Reform Grant of £1.9m will cease in 2011-12 with the assumed implementation of the personalisation agenda.
- 2.10. Carbon Reduction Commitment – payment of £1.0m commencing in 2011-12.

- 2.11 Home Insulation – increased cost from 2011 of £1m.
- 2.12 Guinea Gap and Leasowe Recreation Centres – restoration into budget at a cost of £0.6m each.
- 2.13 Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.14 Efficiency Investment – in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore £2m per annum has been provided.
- 2.15 Area Based Grant (ABG) – Cabinet on 22 July 2010 agreed to reductions in expenditure for 2010-11 only to meet the £3.9m reduction in ABG.
- 2.16 Swimming - the Department for Culture, Media and Sport has deleted the grant of £0.3m to fund free swimming.
- 2.17 Working Neighbourhoods Fund (WNF) the previous Government announced that the WNF would cease after 2010-11.
- 2.18 Council Tax – the Government has announced a freeze in Council Tax increases for 2011-12. A specific grant equivalent to a Council Tax increase of 2.5% will be receivable. From 2012-13 any proposed increase above the rate of inflation will be the subject of a local referendum.
- 2.19 Council Tax Benefit grant receivable will be reduced by 10%, £3.2m, from 2013-14.

### **3. GRANT NEGOTIATIONS**

- 3.1. Consultation on a range of options potentially affecting the Revenue Support Grant distribution closed on 6 October 2010. The Wirral response to the consultation was reported to Cabinet on 14 October 2010. Consultation also took place on a number of specific grants.
- 3.2. HM Treasury presented the Spending Review on 20 October 2010. The Department for Communities and Local Government (DCLG) indicated a reduction in Government Grants equal to 7.1% per annum for 2011-15. Subsequently the DCLG has indicated that the reduction may be front loaded to up to 16% in 2011-12, The projection in the Appendix assumes the straight line grant reduction.
- 3.3. The provisional settlement will include a significant transfer of specific grants into Revenue Support Grant.
- 3.4. The Government has commenced reviews of public sector pensions and welfare benefits, and has announced a review of Local Government Finance to commence in January 2011. The Government has also announced that Council Tax Revaluation will be postponed until after 2015.

- 3.5. The interim report of the Independent Public Service Pensions Commission was issued on 7 October 2010 in time for the DCLG to incorporate elements into the Spending Review and the provisional Local Government Finance Settlement. The final report is due for publication by March 2011.
- 3.6. During the course of this budgeting period the results of the Census 2011 will become available and will be incorporated into the grant distribution formulae. The Office for National Statistics has now released the Mid 2009 estimated populations. The reduction for Wirral since the census 2001 is greater than for any other metropolitan or unitary authority. If this is confirmed in the Census 2011 then the reduction in grant receivable could be significant.

#### 4. **BALANCES**

- 4.1. The budget for 2010-11 includes the minimum recommended balances of £6.5m.
- 4.2. The financial out-turn for 2009-10 was reported to Cabinet on 24 June 2010 and showed an overspending of £1,385,000 offset by increased investment income of £1,185,000 and a contribution from the Collection Fund of £515,000 to produce a net surplus of £315,000.
- 4.3. The Government has announced that the Personal Care at Home scheme will not be proceeding. The revenue budget for 2010-11 will therefore be reduced by £2.6m with a reduction of £1.6m in Area Based Grant.
- 4.4. The Government announced on 10 June 2010 that there would be the following grant reductions for 2010-11:-

	£000
Area Based Grant	3,927
LAA Reward Grant	1,400
Local Authority Business Growth Incentive	<u>200</u>
	5,527

Cabinet on 22 July 2010 agreed that the reduced Area Based Grant will be matched by reduced expenditure in 2010-11.

- 4.5. The Insurance Fund Annual Report was presented to Cabinet on 24 June 2010 including the transfer of £2,471,000 to General Fund balances.
- 4.6. Cabinet on 24 June 2010 agreed that additional VAT of £240,000 recovered from HM Revenue and Customs should be placed in balances.
- 4.7. Cabinet on 26 August 2010 agreed to continue to provide free swimming after the withdrawal of the Government grant of £0.2m in 2010-11.
- 4.8. Cabinet on 2 September 2010 agreed to transfer £3.4m from the Insurance Fund to General Fund Balances following the actuarial valuation of the Insurance Fund.
- 4.9. The budget for 2010-11 provides for pay awards of 1% totalling £1.7m. No pay award has yet been offered.

4.10. The Cabinet has not agreed to any projected overspendings in 2010-11

	£m
4.11. Opening Balances	6.5
Out-Turn 2009-10	0.3
Personal Care at Home	1.0
LAA Reward Grant	- 1.4
LABGI	- 0.2
Insurance Fund	5.9
VAT	0.2
Free Swimming Grant	- <u>0.2</u>
	12.1

## 5. EFFICIENCIES

5.1. The previous Government increased the efficiency target for 2010-11 to 4% which for Wirral equates to £14.9m. The previous Government expected that this saving would be reinvested in order to enable delivery of increased efficiency requirements in 2011 to 2014. The Government has now abolished the efficiency target.

5.2. Revised governance and programme management arrangements for the change programme were reported to Cabinet on 22 July 2010.

5.3. Cabinet has to date agreed a number of efficiencies:-

- a. Cabinet agreed that £1m will be saved from office accommodation from 2011. This now forms a project within the change programme.
- b. Cabinet on 15 October 2009 agreed to the implementation of an integrated Human Resources IT system with initial projected savings of £254,000 for 2011-12, £220,000 for 2012-13, £100,000 for 2013-14 and £20,000 for 2014-15.
- c. Cabinet on 22 February 2010 agreed to the creation of an integrated transport unit with projected savings of £130,000 in 2011-12, £340,000 in 2012-13 and £250,000 in 2013-14.
- d. Cabinet on 18 March 2010 agree to investment in an assistive technology project in Adult Social Services with projected additional savings of £8.8m over 2011-13 after additional investment from the Efficiency Investment Budget of £6.0m. This project now forms part of the change programme.
- e. Cabinet on 15 April 2010 agreed to investment in family group conferencing to deliver savings of £70,000 in 2011-12 and £130,000 in 2012-13.

- f. Cabinet on 22 July 2010 agreed to proceed with a parks and countryside service procurement exercise which is included in the change programme.
- g. Cabinet on 25 November 2010 agreed the Insurance Fund Budget for 2011-12 with a reduced requirement of £0.6m.

## **6. FINANCIAL IMPLICATIONS**

- 6.1. The assumptions outlined above are reflected in the budget projections in the Appendix.
- 6.2. The projected shortfall for 2011-12 is £33.6m and the total projected shortfall for 2011-15 is £116.8m.

## **7. STAFFING IMPLICATIONS**

- 7.1. There are none arising directly from this report.

## **8. EQUAL OPPORTUNITY IMPLICATIONS**

- 8.1. There are none arising directly from this report.

## **9. COMMUNITY SAFETY IMPLICATIONS**

- 9.1. There are none arising directly from this report.

## **10. HUMAN RIGHTS IMPLICATIONS**

- 10.1. There are none arising directly from this report.

## **11. LOCAL AGENDA 21 IMPLICATIONS**

- 11.1. There are none arising directly from this report.

## **12. PLANNING IMPLICATIONS**

- 12.1. There are none arising directly from this report.

## **13. MEMBER SUPPORT IMPLICATIONS**

- 13.1. There are none arising directly from this report.

## **14. BACKGROUND PAPERS**

- 14.1. Medium Term Financial Strategy 2010-13 – September 2009  
Formula Grant Settlement 2010-11 – DCLG – January 2010  
Estimates 2010-11 – March 2010  
Budget – HM Treasury – March 2010 and June 2010  
Formula Grant Distribution – DCLG – July 2010  
Independent Public Service Pensions Commission Interim Report – October 2010  
Spending Review - HM Treasury - October 2010

15. **RECOMMENDATION**

- 15.1. That the budget projections be updated on receipt of the provisional Local Government Finance Settlement.

IAN COLEMAN  
DIRECTOR OF FINANCE.

FNCE/207/10

## WIRRAL COUNCIL

## BUDGET PROJECTIONS 2011-2015

	2011-12 £M	2012-13 £M	2013-14 £M	2014-15 £M
Base Budget	330.8	304.5	292.5	281.5
Increased Requirements				
Pay Inflation	1.0	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2	4.2
Capital Financing	2.0	2.0	2.0	2.0
Pension Fund	2.2	2.0	2.0	2.5
Waste Disposal	1.4	1.5	1.6	1.7
Merseytravel	1.0	0.8	0.8	0.8
Private Finance Initiative	0.1	0.1	0.1	0.1
Benefits	2.4	2.4	2.5	2.5
Home Insulation	1.0	-	-	-
Guinea Gap	0.6	-	-	-
Leasowe Recreation Centre	0.6	-	-	-
Carbon Reduction Commitment	1.0	-	-	-
Council Tax Benefit	-	-	3.2	-
Swimming	0.3	-	-	-
Other Unavoidable Growth	1.0	1.0	1.0	1.0
Efficiency Investment	2.0	2.0	2.0	2.0
	<u>351.6</u>	<u>321.5</u>	<u>315.4</u>	<u>301.8</u>
Reduced Requirements				
Income Inflation	-1.0	-1.1	-1.1	-1.1
Benefits Subsidy	-2.2	-2.2	-2.3	-2.3
Savings Agreed	-1.0	-0.7	-0.3	-
Working Neighbourhoods Fund	<u>- 9.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	338.1	317.5	311.8	298.4
Resources				
Grants	170.0	158.0	147.0	136.0
Council Tax Grant	3.3	3.3	3.3	3.3
Council Tax	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>
Forecast Resources	304.5	292.5	281.5	270.5
Shortfall	33.6	25.0	30.3	27.9

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