

WIRRAL COUNCIL

CABINET

24 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

CAPITAL OUT-TURN AND DETERMINATIONS 2009/10

1. EXECUTIVE SUMMARY

1.1 This report informs Members of the capital out-turn for 2009/10 and the resources used to fund the programme. 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 2009/10 financial year.

2. CAPITAL PROGRAMME 2009/10

2.1. The Capital Programme 2009/12 and Capital Financing Requirements 2009/10 were approved by Cabinet on 10 December 2008 and agreed by Council on 15 December 2008. The Programme was updated as part of the Estimates 2009/10 that was agreed by Council on 2 March 2009.

2.2. On 19 March 2009 revisions to the Think Big Investment Fund were made in response to the recession which included use of Working Wirral funds.

2.3. On 28 May 2009 a report detailing the Schools Capital Funding 2009/10 was provided by the Director of Children & Young People.

2.4. On 25 June 2009 the Capital Out-turn and Determinations report was submitted as part of the year-end accounts for the 2008/09 financial year and detailed the slippage into the 2009/10 financial year.

2.5. On 23 July 2009 Cabinet approved updated resources for the Landican Crematorium scheme and the practical cooking spaces programme.

2.6. On 1 October 2009 Cabinet recommended to Council the revocation of the investment into Neighbourhood Centres and on 15 October 2009 further progress was reported on the New Brighton Redevelopment Phase 2.

2.7. On 9 December 2009 the Capital Programme 2010/13 was considered and then approved by Council on 14 December 2009. This resulted in schemes being deleted from the programme, others being transferred from the capital programme to revenue, new approvals for 2011/14 and a re-allocation between departments.

- 2.8. On 14 January 2010 Cabinet agreed to the final phase of the restoration of Birkenhead Park, confirmed the funding of the transfer of a number of schemes from revenue to capital, and additional investment in cultural services facilities and IT equipment replacement.
- 2.9. On 22 February, 2010 as part of the Estimates 2010/11 the Capital Programme was updated to reflect the agreed changes including the confirmation of the grant support received from the Government for New Brighton Phase 2 of £3.9 million.
- 2.10. Since the original approval the Government has provided additional support by bringing schemes forward from future years primarily within Children & Young People and Regeneration. The Adult Social Services programme includes the scheme at the former Mendell Lodge which is grant funded. The other main impacts were the slippage from 2008/09 and more recently the inclusion of New Brighton Phase 2 supported by grant funding. The major reductions were the removal of the Neighbourhood Centres investment and schemes such as property maintenance that have been transferred to the revenue budget.

3. CAPITAL OUT-TURN

- 3.1 The capital spend for the year on the accruals basis amounted to £64 million. This compared to the Original Programme of £80 million and the latest Forecast Programme of £96 million (which was then subject to re-profiling and re-assessment based upon the comment in section 2.8). This is summarised in the following table:-

Spend	Original Approval £000	Forecast March £000	Actual Out-turn £000
Adult Social Services	127	3,533	1,603
Children & Young People	39,927	48,575	30,684
Corporate Services	2,900	3,243	415
Finance	0	2,418	1,001
Law, HR and Asset Mgt	8,210	1,710	0
Regeneration	17,117	23,785	19,400
Technical Services	11,876	13,222	11,301
Total spend	80,157	96,486	64,404

3.2 Adult Social Services

- 3.2.1 The main scheme is the Extra Care Housing facility which is the redevelopment of Mendell Lodge by a Registered Social Landlord as a facility for older people. This grant funded scheme is underway with the spend and associated funding now profiled to cover the 2009/10 and 2010/11 financial years hence the variation in 2009/10.

3.3. Children & Young People

- 3.3.1 The programme substantially increased in size from that of previous years through the Government releasing funding early to stimulate the local economy as well as through successful bids for grants. These included for new practical cooking spaces in schools, targeted funding to increase the uptake and quality of school meals, playbuilder initiatives and a Co-location Fund for Children's Services all of which resulted in some costs, and associated grant, being slipped into 2010/11. Together with the Harnessing Technology grant programme around £2 million was subsequently re-profiled.
- 3.3.2 The major scheme within the Secondary sector is the Woodchurch High School, One School Pathfinder project. Whilst meeting the milestones in terms of the project timetable the total spend on this particular scheme was £15 million at the end of the financial year. The balance remaining will be incurred during 2010/11 with the supporting grant available to meet the commitments.
- 3.3.3 The outline business case for the Birkenhead High School for Girls Academy has been approved by Partnerships for Schools (PfS). There has been intense dialogue with two competing PfS Framework contractors for design and build options for the Academy with the preferred contractor to be announced in July. With the contract award in November 2010 work will commence on site in January 2011.
- 3.3.4 The Primary Capital Programme includes Park Primary School which commenced on site in February 2010 and will be completed within a year, the work at Our Lady and St Edward's has been completed and the detailed consultation and design work to rebuild Pensby Primary School, co-located with Stanley School, is underway.
- 3.3.5 The Children's Centre programme has seen 19 centres opened and the Early Years programme will continue into its final year of 2010/11. The programme, having £2.2 million of grant funded works will now be completed during the next financial year.
- 3.3.6 A significant number of smaller schemes have been successfully delivered using national capital, including Schools Formula Capital and local capital. The implementation of the Condition / Modernisation programme is largely determined by the schools with £3.5 million of the programme now scheduled for 2010/11. In the case of some schemes, Stanton Road Primary School and Oldershaw School being examples, additional Technical Services fees have resulted in an overspend against the sums allocated. To compensate for this it is recommended that the Programme be revised as the works at the Oaklands Outdoor Centre have been completed for less than the sum allocated.

3.4 Corporate Services

3.4.1 Progress continues in providing financial support for businesses through the Think Big Investment Fund. However, the grant support required to deliver the Destination West Kirby and the Wirral Country Park schemes was not realised during the year. Whilst alternative grant funding is being sought to enable the schemes to proceed the schemes have been retained in the programme but have slipped to 2010/11.

3.5 Finance

3.5.1 IT equipment has been purchased to improve the Area Network Storage. This new capital scheme amounting to £0.7 million was funded from existing revenue resources. Purchasing the items as opposed to leasing them resulted in better value for money for this project. It is recommended that the Programme be amended to incorporate this change.

3.5.2 The Strategic Asset Review - IT investment programme has been deferred pending consideration of the options and in particular the findings of the external review of office accommodation.

3.6 Law, Human Resources and Asset Management

3.6.1 As part of the Strategic Asset Review a programme for the establishment of Neighbourhood Centres was being developed but Cabinet on 1 October 2009 recommended that Council cease the investment in Neighbourhood Centres.

3.6.2 The remainder of the original approval comprised areas of spending which have been re-classified as revenue and were included within those referred to in section 2.8.

3.7 Regeneration

3.7.1 The largest element relates to Housing Market Renewal Initiative (HMRI). The funding for this Initiative is subject to review nationally and the planned programme was structured to allow for progress to be maintained whilst anticipating potential changes in the available funding. The majority of the allocation was spent by the year end with the Homes and Community Agency (HCA) grant resources carried forward to 2010/11. Similarly Disabled Facilities – Adaptations has underspent with the commitment and funding slipping into the next year.

3.7.2 After an investigation of the alternative options the Landican Crematorium Mercury Abatement scheme was reported to Cabinet in July 2009 and it was resolved that the capital allocation be increased from £3 million to £3.5 million. Subsequent to this change Cabinet were advised of the re-profiled scheme in April 2010 with the bulk of the spend now taking place in 2010/11.

- 3.7.3 The Oval Sports Centre scheme was finalised and a report on the overspend, issues raised and lessons learned was reported to Cabinet in February 2010. Following lengthy negotiations with external agencies work on the Bidston Stream will commence early in 2010/11.
- 3.7.4 In terms of the Mersey Heartlands Growth Point funding the Government support was provided and negotiations continue over the implementation of the programme which has now slipped to 2010/11. After protracted negotiations, and the securing of £3.9 million of North West Development Agency grant funding, Phase 2 of the New Brighton development commenced at the turn of the year and work is progressing well to meet the grant conditions.

3.8 Technical Services

- 3.8.1 The works at Bidston Moss Viaduct are progressing well under the overall control of the Highways Agency as is the work at Thurstaston crossroads. The improvements to West Kirby Marine Lake were completed and, after initial difficulties with the contract, were completed within the funding allocated.
- 3.8.2 In terms of the capitalisation of highways spend further analysis was undertaken to ensure that such spend complied with the more stringent definitions of capital spend. As referred to in section 2.8 an element of the capital programme was transferred to the revenue budget. There was slippage of around £1 million in respect of waste and highways schemes which included the M53 junction scheme.

4. CAPITAL FINANCING

- 4.1.1 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:-

Resources	Original Approval £000	Forecast March £000	Actual £000
Borrowing	23,371	18,686	11,168
Grant - HMRI	8,300	7,265	7,320
Grant - Education	31,754	39,179	23,723
Grant - Other	12,382	23,137	16,701
Revenue / Reserves	350	4,219	1,492
Capital Receipts	4,000	4,000	4,000
Total resources	80,157	96,486	64,404

4.1.2 Within the 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 requirement to borrow reduced from earlier expectations.

4.2 Use of Borrowing

4.2.1 During the first half of 2009/10 the Borrowing Strategy was amended as the return from investments diminished.. As investments matured the money was used to temporarily reduce the need to borrow and maximise the benefits offered by the market conditions. £11.2 million was actually borrowed over the longer-term to provide the support for the capital programme. The amount referred to in the table above represents the underlying need to borrow and this can be different from the amount actually borrowed.

4.3 Use of Grants

4.3.1 In financing its 2009/10 capital expenditure the Authority applied £47.7 million which has been, or is expected to be, reimbursed by other parties through grants such as those for schools within Children & Young People and for Housing Market Renewal and other initiatives within Regeneration.

4.4 Expenditure Financed From Reserves and Revenue Accounts

4.4.1 The Authority applied £1.5 million of reserves and revenue to finance the 2009/10 capital expenditure. As referred to in section 2.8 a number of schemes within the capital programme were re-classified as revenue spend and the schemes and funding were amended accordingly.

4.5 Use of Usable Capital Receipts

4.5.1 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 financing the 2009/10 capital expenditure the Authority applied £4 million of usable capital receipts.

4.6 Minimum Revenue Provision (MRP)

4.6.1 In 2009/10 the Authority made payments from the General Fund revenue account of £8.6 million as provision for the repayment of external debt.

4.6.2 The Local Authorities (Capital Financing and Accounting) Regulations 2008 amended the rules governing debt redemption and the Minimum Revenue Provision (MRP). In terms of the MRP policy Cabinet on the 21 March 2009 agreed that for 2009/10 the Council would adopt the Regulatory method for supported borrowing and the asset life methodology for unsupported borrowing. The sum provided in 2009/10 meets this policy.

5. STAFFING IMPLICATIONS

5.1 There are no specific implications arising out of this report.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

6.1 There are no specific implications arising out of this report.

7. LOCAL AGENDA 21 STATEMENT

7.1 There are no specific implications arising out of this report.

8. PLANNING IMPLICATIONS

8.1 There are no specific implications arising out of this report.

9. COMMUNITY SAFETY IMPLICATIONS

9.1 There are no specific implications arising out of this report.

10. HUMAN RIGHTS IMPLICATIONS

10.1 There are no specific implications arising out of this report.

11. BACKGROUND PAPERS

11.1. Local Government Act 2003 and subsequent amendments.

11.2. Local Government (Capital Finance and Accounting) Regulations 2008.

12. RECOMMENDATIONS

12.1. That the actions regarding the progress in delivering the programme, including the variations referred to in sections 3.3.6 and 3.5.1 and the slippage from 2009/10 to 2010/11 be agreed.

12.2 That the capital out-turn and financing for 2009/10 be noted

12.3. That the formal Capital Determinations be agreed.

IAN COLEMAN
DIRECTOR OF FINANCE