

WIRRAL COUNCIL

CABINET - 10 DECEMBER 2008

REPORT OF THE DIRECTOR OF FINANCE

CAPITAL PROGRAMME AND FINANCING 2009-2012

1. EXECUTIVE SUMMARY

- 1.1. This report provides Cabinet with a draft Capital Programme for 2009/12 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 Strategy is key to drawing 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 revised Corporate Plan and was agreed by Cabinet on 23 July 2008. 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.
- 3.2 The guidance document 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.
- 3.3 The 2008 document reflected revisions to the:-
a) Business Case form and supporting notes,
b) Prioritisation criteria that reflect the updated Corporate Plan and
c) Contract Procedure Rules following the review of the Constitution.

- 3.4. The Business Case is the key document as it details how a proposed project meets Council objectives, how it will be managed, including resource implications, and the outcomes expected.

4. CAPITAL PROGRAMME

- 4.1. The programme covers three years and is in accordance with the timing of 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 2008/09 are assumed to be in line with the reports presented to Cabinet in the current cycle of meetings. Capital receipts offer flexibility in their use to either balance the current programme or to address future budgetary issues. A year-end report for 2008/09 will be presented in June 2009 identifying the final spend and financing for the year.
- 4.3. In preparing the programme for 2009/12 the process followed that set out in the Guidance document. All submissions for inclusion in the capital programme required the completion of a Business Case and departments made their submissions by 30 September 2008. These have been assessed against the prioritisation criteria and recommendations are made.
- 4.4. The general principle adopted was that existing schemes and programmes would continue. Consequently the programme reflects the fact that the investment into schools and the Local Transport Plan will be maintained. Similarly the external support in respect of the Housing Market Renewal Initiative is dependant upon a level of resources being input by the Authority. At this stage assumptions have been made upon the continuation of Government support into these areas for 2010/11. It is recognised that given the current economic climate, changes as a consequence of the Chancellor's Pre-Budget Report on 24 November 2008 and the next Comprehensive Spending Review will all be influential upon the level of Government support and programmes for 2010/11 and beyond.
- 4.5. 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.
- 4.6. The prioritisation of schemes has been based upon the appraisal criteria linking the Corporate Plan and the Capital Strategy and approved by Cabinet on 23 July 2008. This is included at Appendix A. Appendix B details the on-going approved capital programme whilst Appendix C outlines the highest scoring capital submissions.
- 4.7. Property Maintenance programmes exist within Law, Human Resources and Asset Management for all non-schools assets, and within Children and Young People for schools. Continuing to strengthen links with the Asset Management

Plan, capital submissions are becoming more holistic being based upon the buildings themselves rather than submissions for types of work such as window replacement and roof replacement.

5. CAPITAL FINANCING

5.1. Supported Capital Expenditure

5.1.1. As part of the annual Local Government Finance Settlement authorities are issued with a Supported Capital Expenditure (SCE) figure. This is based upon maintaining the levels considered to reflect the need to borrow under the previous Credit Approval arrangements.

5.1.2. The figures are within the Local Government Finance Settlement and will not be formally confirmed until February 2009. It should be noted that Government departments give indicative allocations that are not then reflected in the Settlement as a result of the Government funding formulae. Based on the latest information the SCE essentially relates to Education and Transport programmes.

5.2. Prudential Borrowing

5.2.1. Local Authorities are able to borrow without Government approval but this has to be funded entirely from Authority resources. Under the Local Government Act 2003 and the Prudential Code for Capital Finance for Local Authorities, authorities can spend on capital investment as long as the spending plans are affordable, prudent and sustainable. This is measured by the use of a series of pre-set indicators covering these areas of which the key is the revenue cost to the Authority.

5.2.2. As an indication of cost each £1 million borrowed to finance capital investment incurs costs of £90,000 per year over a typical 25 year period. This is used only as an average as the Capital Finance and Accounting Regulations 2008 require borrowing costs to reflect the life of the asset upon which the capital expenditure was incurred.

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. These include the Building Schools for the Future pathfinder scheme and the Housing Market Renewal Initiative. Changes in grant levels reflect the timing of individual initiatives.

5.3.2. The Local Public Service Agreement resulted in the receipt of a reward grant with 50% of the sum to support capital schemes. This £2.1 million, as with capital receipts, provides flexibility over the timing and use of the resource.

5.4. Revenue / Other Contributions

5.4.1. There is presently limited support for specific schemes. The Prudential Code allows for the use of additional revenue resources within agreed parameters.

5.4.2. Implementing the Strategic Asset Review this will involve maximising opportunities for the provision of facilities with other local agencies. It is anticipated that, as the proposals are developed, contributions will be forthcoming from these partners although, at this stage, this has not been assumed.

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. The Strategic Asset Review presented to Cabinet on 27 November 2008 provides additional scope for receipts in the coming years.

5.5.2. The use of receipts has been estimated at £4 million for 2009/10 and £5 million for the next two years. This reflects the likely timing of such receipts and is based upon the latest projections of sites either available or which could become available over the period.

6. **MONITORING**

6.1. Cabinet on 3 April 2008 agreed the process and timing of the Financial and Performance Monitoring reports. This includes a section on capital monitoring comparing progress against the approved programme.

6.2. A summary is presented to Cabinet and to Finance & Best Value Overview & Scrutiny Committee. The departmental reports of Chief Officers are appended and provide greater detail on the progress of specific schemes within the programme. There are 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 including those referred to in Section 4 above. This indicates the resources required to fund the existing, and planned, commitments.

7.1.2. The Capital Programme 2008/11 and Capital Financing Requirements 2008/09 were agreed by Cabinet on 12 December 2007 and updated as part of the Estimates 2008/09 reported to Cabinet on 21 February 2008.

- 7.1.3. On 13 March 2008 in the Projected Budget 2009/10-2010/11 report the previous decision to capitalise £3.7 million of highways maintenance was revised so that it reverts to being a revenue liability from 2009/10. On 16 October 2008 Cabinet agreed to reinstate £1.5 million of capitalisation and it is being proposed that this figure be increased to £2 million on the basis of an analysis of work to be undertaken by the Director of Technical Services.
- 7.1.4. On 3 April 2008 the first year programme for using the Waste Infrastructure grant was approved with further allocations made, but no detailed usage agreed, for the subsequent years.
- 7.1.5. On 22 May 2008 Cabinet agreed to provide financial support for works to the Bidston Viaduct. This major initiative is lead by the Department for Transport and involves spend of around £80 million which requires a Council contribution of £2.9 million between 2009/12.

7.2. Capital Programme submissions

- 7.2.1. Appendix C details the ranking of the new schemes in accordance with the prioritisation criteria. When the previous programme was agreed this built in annual allocations such as Property Maintenance for the period of the programme. This has reduced the number of new submissions for subsequent years. Based on those now received the ranking would result in the following being included:-

Scheme	Department	2009/10 £000	2010/11 £000	2011/12 £000
Agreed				
Waste Infrastructure (Based upon, and funded from, specific grant allocations for future years)	Technical	549	202	0
Bidston Viaduct (Council commitment to the Department for Transport scheme)	Technical	615	1,304	967
Highways Works (Increase in the capitalisation of highways works produces revenue savings)	Technical	500	500	500
New submissions				
Asset Review (Four year programme of re-provision developed from Strategic Asset Review. Replaces existing allocations of £1m 2009/10 and £2m 2010/11)	Law,HR,AM	5,000	5,000	5,000
Asset Review - IT (Four year programme addressing reduction in need for office accommodation through IT and agile working)	Law,HR,AM	1,500	1,500	1,500
Hoylake Golf Course (Essential drainage works to ensure facility remains open for the future)	Regeneration	400	0	0
Oaklands Centre (Replacement of bridge to ensure continued access to the Centre)	Children	250	0	0
Landican Cemetery (To comply with pollution regulations and maintain income levels)	Regeneration	1,500	1,500	0
Adaptations (Joint initiative funded by RSL's and from Supporting People resources)	Regeneration	300	300	300

Wirral Country Park	Corporate	1,300	1,600	0
(Grants £1.5 million so Council contribution is £700k (2009/10) & £700k (2010/11) and will only proceed if grant funding confirmed)				
Destination West Kirby	Corporate	1,100	150	0
(Grants £850k so Council contributions are £350k (2009/10) and £50k (2010/11) and will proceed if grant funding confirmed)				
Bidston Stream	Regeneration	250	0	0
(Health & safety issues posed which are affecting drainage)				

7.2.2. Within the submissions recommended for approval there are five submissions which realise benefits of an 'Invest-to-Save' nature:-

- a) Highways Works
The increase in the amount than can legitimately be classed as capital expenditure realises a revenue saving (net of financing costs).
- b) Asset Review
The investment will allow for the re-provision of facilities, generate capital receipts from the sale of assets and reduce annual revenue expenditure as well as reducing any ongoing or outstanding maintenance commitments.
- c) Asset Review - IT
The IT investment will support the continued planned reduction in office accommodation which also produces more efficient working practices.
- d) Hoylake Golf Course
The drainage works will reduce the occasions when the course is closed and reduce the losses of income from such closures.
- e) Landican Cemetery
The investment will enable the crematorium to remain open and thereby ensure continued income from the use of the facility.

7.3 Prudential Indicators

7.3.1. In considering the programme for 2009/12 Members are advised that:-

- a) The existing commitments require borrowing at around £25 million for 2009/10 and the next two financial years.
- b) To accommodate the additional items detailed in section 7.2.1 would require a level of borrowing of £35 million to allow the £13 million of new submissions to be commenced. For 2010/11 and 2011/12 the assumed level of borrowing would be increased to £37million and £33 million respectively.

- c) The capital financing requirements for future years will be
- | | | |
|---------|---------------|--------------------------|
| 2009/10 | £22.9 million | Increase of £2.2 million |
| 2010/11 | £25.6 million | Increase of £2.7 million |
| 2011/12 | £27.9 million | increase of £2.3 million |
- This will vary if other resources are obtained that reduce the need for such borrowing and will vary dependent upon the assets ultimately delivered by the investment. Cabinet is also advised that there are revenue benefits from schemes of an 'Invest-to-Save' nature which are referred to in section 7.2.2.
- d) In terms of key Prudential Indicators the ratio of financing costs to the net revenue stream continues to increase as the capital programme increases. Based upon the latest projections it rises from 7% in 2009/10 to over 8% in 2011/12.
- e) 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 £90,000 per £1 million of capital expenditure. In considering the impact upon Council Tax levels each 1% rise in Council Tax equates to £1.2 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.

16. **RECOMMENDATIONS**

That

- (1) views on the capital programme 2009/12, including the new submissions as detailed in section 7.2.1 are requested;
- (2) if approved, the capital financing requirements be reflected in the Projected Budget and referred to the Council;
- (3) the Prudential Indicators be noted and reported as part of the Treasury Management Strategy in March 2009; and
- (4) update reports on the progress of the programme be presented in accordance with the Financial and Performance Monitoring reporting cycle.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/287/08

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?	15	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?	15	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?	15	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?	15	To raise the aspirations of young people.
5 Will it impact on revenue or attract significant external funding and build upon partnership working?	15	To create an excellent Council.
6 Does the scheme contribute towards more than one Corporate Strategy or the achievement of cross-cutting aims?	10	Partnership working is seen as integral to the future of the Council
7 Does the scheme provide value for money for the Council in terms of the use of its resources?	10	Value for money is desired in the delivery of all services
8 Are the outcomes clear and result in improvements in performance?	5	Performance, and improved performance, is recognised as a priority

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 2009/12

(EXCLUDES THE SCHEMES PER APPENDIX C)

SUMMARY

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Adult Social Services	127	134	141
Corporate Services	500	500	500
Law, HR & Asset Management	2,710	3,710	2,610
Children & Young People	39,677	34,298	24,859
Regeneration	14,407	13,612	13,610
Technical Services	9,112	10,039	9,255
Total Expenditure	66,533	62,293	50,975
Resources			
General Resources	16,542	15,696	13,825
Supported Borrowing	12,682	15,788	15,809
General Resources	29,224	31,484	29,634
Grants – Education	26,917	21,460	12,000
Grants – HMRI	8,300	7,500	7,500
Grants – Other	2,042	1,799	1,791
Revenue / reserve, contributions	50	50	50
Specific Resources	37,309	30,809	21,341
Total Identified Resources	66,533	62,293	50,975

General Resources	£000	£000	£000
Borrowing - Includes Supported Capital Expenditure	25,000	26,000	25,000
Capital Receipts	4,000	5,000	5,000
Total General Resources	29,000	31,000	30,000

ADULT SOCIAL SERVICES

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Information Management	127	134	141
Total Expenditure	127	134	141
Resources			
Grant – Other	127	134	141
Total Identified Resources	127	134	141

CORPORATE SERVICES

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Think Big Investment Fund	300	300	300
West Wirral Schemes	200	200	200
Total Expenditure	500	500	500
Resources			
General Capital Resources	500	500	500
Total Identified Resources	500	500	500

LAW/HR/ASSET MANAGEMENT

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Property Maintenance	1,510	1,510	1,510
Disabled Access Provision	100	100	100
Building Modernisation	1,000	2,000	0
Microregeneration	100	100	0
Total Expenditure	2,710	2,710	2,610
Resources			
General Capital Resources	2,670	2,670	2,610
Grant	60	60	0
Total Identified Resources	2,710	2,710	2,610

CHILDREN & YOUNG PEOPLE

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Children's Centres – Phase 3	717	443	0
Early Years Quality & Access	1,239	1,239	0
Sure Start Initiative	252	359	0
Children's Invest-To-Save	1,300	0	0
Condition / Modernisation	3,679	3,679	3,679
Formula Capital	4,592	4,592	4,592
Extended schools	582	301	301
Schools - Access Initiative	611	611	611
Schools - Harnessing Technology	1,084	1,176	1,176
Schools - Property Works	400	400	400
Schools - Boiler Renewals	250	250	250
Schools - Health and Safety	200	200	200
Building Schools for the Future	16,203	7,167	0
Private Finance Initiative	50	50	0
Primary Reorganisation - Surplus	250	250	250
Primary Schools Programme	4,838	7,216	7,217
Poulton Primary School	1,000	0	0
Music Service	65	0	0
National Grid for Learning	133	133	133
Old Final Accounts	50	50	50
SEN and Disabilities	2,000	6,000	6,000
Youth Capital Fund	182	182	0
Total Expenditure	39,677	34,498	24,859
Resources			
<u>General Resources</u>			
General Resources	3,583	1,283	1,300
Supported Borrowing	9,127	11,505	11,509
Total General Resources	12,710	12,788	12,809
<u>Specific Resources</u>			
Grant – Education	26,917	21,460	12,000
Revenue, reserve, contributions	50	50	50
Total Specific Resources	26,967	21,511	12,050
Total Identified Resources	39,677	34,498	24,859

REGENERATION

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
Improvements to Stock	3,380	3,380	3,380
Clearance	9,477	8,682	8,680
Disabled Facilities Grants	1,250	1,250	1,250
Cultural Services Property Works	300	300	300
Total Expenditure	14,407	13,612	13,610
Resources			
General Resources	5,357	5,362	5,360
Grant – HMRI	8,300	7,500	7,500
Grants – Other	750	750	750
Total Identified Resources	14,407	13,612	13,610

TECHNICAL SERVICES

	2009/10	2010/11	2011/12
	£000	£000	£000
Expenditure			
LTP – Accessibility	150	155	150
LTP - Air Quality	560	445	450
LTP – Congestion	196	213	200
LTP - Road Safety	4,161	5,340	5,350
LTP – Transportation	1,440	1,531	1,550
Highway Structural	500	500	0
Street Lighting Columns	300	300	0
Coast Protection	55	55	55
Marine Lake	250	0	0
Highways Works	1,500	1,500	1,500
Total Expenditure	9,112	10,039	9,255
Resources			
General Resources	4,432	4,881	4,055
Supported Borrowing	3,555	4,283	4,300
Grants	1,125	875	900
Total Identified Resources	9,112	10,039	9,255

CAPITAL PROGRAMME 2009/12

RANKING OF CAPITAL SUBMISSIONS

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

<u>RECOMMENDED SCHEMES</u>	DEPARTMENT	COST £000
Strategic Asset Review Develop and implement the Review agreed at Cabinet on 27 November 2008. Specific schemes to be subject to Business Case. Will involve partnering, generate capital receipts and realise revenue savings estimated at £3.7 million pa. Replaces existing capital programme allocation.	Law, HR & Asset Mgt	20,000
Strategic Asset Review - IT Develop and implement the Review agreed at Cabinet on 27 November 2008. Specifically in respect of office accommodation and use of IT to support agile working. Will support delivery of £1 million pa savings.	Law, HR & Asset Mgt	6,000
Hoylake Golf Course Essential drainage works to ensure the continued operation of the course meeting of income targets.	Regeneration	400
Oaklands Centre Essential safety works to replace the access bridge to enable the Centre to operate.	Children	250
Landican Cemetery Two year scheme for crematorium to comply with regulations regarding mercury omissions and ensure income levels retained. Before proceeding a further review of options to be undertaken.	Regeneration	3,000
Adaptations Joint initiative with RSL's to enable people to live at home. To be met from RSL's and Supporting People resources	Regeneration	300 per year
Wirral Country Park Replacement visitor centre and extended facility involving external grant of £1.5 m. Progress subject to funding	Corporate	2,900
Destination West Kirby Infrastructure and improvements to support the West Kirby plan. Funded from £850k of grants and will only proceed if grant secured	Corporate	1,250
Bidston Stream Essential health works to resolve a drainage issue that is resulting in increasing liabilities	Regeneration	250

CAPITAL PROGRAMME 2009/12
PROJECTED CAPITAL RECEIPTS

DISPOSAL OF SITES

Oliver Street, Birkenhead
Europa Boulevard Site
New Brighton Development
Mendell Lodge, Bromborough
4 Cavendish Road, Birkenhead
Rullerton Road, Wallasey
Fellowship House
98 Bidston Road, Birkenhead
Rosewarne
5/7 St.Andrews Road
Woodchurch Lane
Poulton School, Wallasey

Further capital receipts will be identified over the coming months from the implementation of the Strategic Asset Review presented to Cabinet on 27 November 2008.

It is anticipated that the level of receipts generated will be sufficient to fund a £4 million contribution in 2009/10 and £5 million per year in the subsequent years towards the capital programme.