

# WIRRAL COUNCIL

## CABINET

8 NOVEMBER 2012

<b>SUBJECT</b>	<b>CAPITAL MONITORING 2012/13– PERIOD 6 (SEPTEMBER)</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>INTERIM DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

### 1. EXECUTIVE SUMMARY

1.1 This report informs Members of the current position regarding the Council's 2012-13 to 2014-15 capital programme. The report reflects:

- The re-profiled 2012-13 capital programme budget;
- The expenditure to date, which continues to be less than it should be;
- Request for a revision to the capital programme to reflect slippage of £10m of schemes into the 2013/14 financial year
- Request for an increase in the programme for schemes requiring no unsupported borrowing
- The projected outturn figures for 2012-13, which suggest an underspend of £12m on the revised programme
- The current funding of the programme and its future affordability, which is subject to a review

### 2. BACKGROUND AND KEY ISSUES

2.1 Cabinet on 6 September 2012, when considering the Month 3 monitors instituted a spending freeze, in the light of significant forecast revenue overspend and acknowledgement that unsupported capital financing contributes to revenue costs. Cabinet on 18 October considered the outcome of the first two weeks of the freeze. The next four weeks of the capital freeze are now reported, with the recommended outcomes set out in Appendix 1.

2.2 The Council's capital programme will be subject to monthly review by a senior group of officers which has been established. Under a banner of the Capital Steering Group, each project will be scrutinised as follows:

- Project approvals for financing, delivering corporate outcomes and delivery timetable;
- Financial appraisals for funding and ongoing revenue costs
- Spend profiles against delivery timetable;
- End of project reviews;
- Delivery of Asset Management Plans and overall strategy.

### 2.3 Original and latest proposed capital programme for 2012-13

2.3.1 The capital budget for 2012-13 is subject to change. The Period 5 monitor detailed slippage of £34 million carried forward from 2011/12 plus an additional overall in year reduction of £1.5 million reflecting changes to slippage and revised programme approvals. Table 1 summarises the overall movement, between that already approved, and changes to Period 6 that require approval – these show a reduction in the 2012/13 programme of just under £4.1 million.

**Table 1: Revised Capital Programme 2012-13 Period 6 (September) £000's**

	Capital Strategy	Changes Approved by Cabinet	Budget changes to be approved By Cabinet	Revised 2012-13 Capital Programme
Adult Social Care	2,750	0	-2,025	725
Children's & Young People	21,481	6,516	-4,934	23,063
Finance	0	3,507	0	3,507
Law, HR & Asst Management	4,000	5,703	-1,325	8,378
Regeneration, Housing & Planning	6,079	10,564	855	17,498
Technical Services	7,668	6,205	-1,435	12,438
<b>Grand Total Expenditure</b>	<b>41,978</b>	<b>32,495</b>	<b>-8,864</b>	<b>65,609</b>

2.4 A summary of the significant changes to be approved by Cabinet for Period 6 are provided below:

Request for slippage to the 2012/13 Programme

A number of requests are included for slippage to the programme. These include:

- Adult Social Services. The integrated IT service specifications are currently being produced but £1.4m of the £1.5m budget requires slipping into 2013/14. A further £0.625m relating to the transformation of day care services is also likely to be incurred in 2013/14 rather than the current year.
- Children and Young People. A review of the programme has identified £3 million of Modernisation schemes and £2 million of Formula Capital schemes which require slipping into 2013-14. A new grant of £0.3057m for Aiming High for Disabled Children has been received. This is a time limited grant and must be expended by August 2013. As a consequence the use of the new funding will be prioritised, whilst, existing funding of £0.24m which is not time limited will be slipped back into 2013/14.
- Law, HR and Asset Management. Slippage relates to the Bebington Civic Centre scheme, plus £0.025M in respect of the Birkenhead priory scheme.
- Technical Services; Slippage of £1.435m covers a range of schemes including £0.839 in respect of integrated transport projects, £0.45m maintenance schemes and £0.146m for other projects.

Request to increase the 2012/13 programme

- Children and Young People. A grant of £0.3057m for Aiming High for Disabled Children has been received as above which is time limited and permission is sought to expend this grant.
- Regeneration, Housing and Planning. Additional funding of £0.855m has been received or identified to fund additional schemes. This funding includes £0.191m relating to New Homes Bonus, £0.218m Homes and Communities Agency Empty Property Project and the recycling of capital receipts (restricted to housing use) of £0.446m. It is proposed to use these monies to support empty property interventions and other housing improvement schemes.

## 2.5 Actual Expenditure to Date – is the programme being delivered to plan?

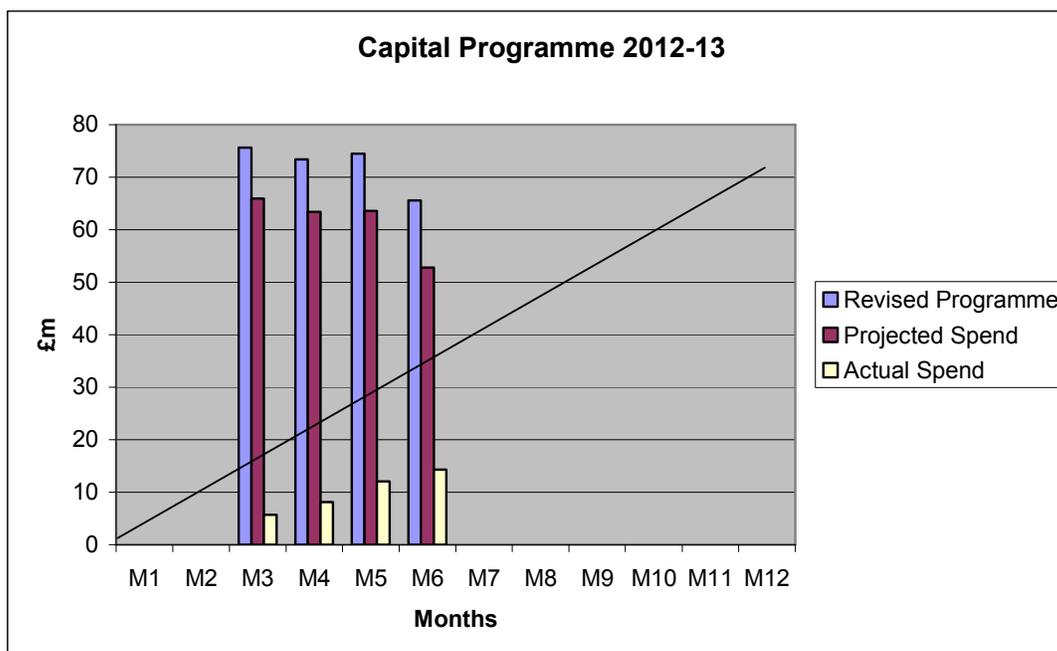
2.5.1 The actual Capital expenditure at Period 6 is £14.3m, which represents 21.8% of the revised capital programme budget, with 50% of the financial year having elapsed.

**Table 2: Spend to date April to August (6/12 = 50%)**

	Spend to date	
	£,000's	Per cent
Adult Social Care	55	7.6
Children's & Young People	7,153	31.0
Finance	15	0.4
Law, HR & Asset Management	1,083	12.9
Regeneration, Housing & Planning	3,288	18.8
Technical Services	2,703	21.7
<b>Grand Total Expenditure</b>	<b>14,297</b>	<b>21.8</b>

2.6 The Period 6 figures include an additional £2 million of expenditure incurred during the month. The level of expenditure however continues to be less than anticipated with only 21.8% of the programme expended after 6 months. An element of this can be explained by the time lag between work being completed and invoices then being raised by contractors and then paid by the authority. However there is likely to be a substantial underspend within the 2012/13 capital programme. Future delivery programmes will be subject to a detailed review, so that 2012-13 forecasts are more robust in delivery and timescales.

## Chart 1: Capital Programme spend below line of best fit



- 2.7 A Capital Steering Group has been established and this is examining current and future schemes. It is likely that a recommendation will come to a future Cabinet to remove a number of schemes currently within the programme that have not progressed or are no longer considered a priority. This would result in a more accurate programme and improve the correlation between programme and actual expenditure. Future delivery programmes will also be subject to a detailed review.
- 2.8 A financial risk regarding costs and delays with the Pensby/Stanley School build within the Children and Young People’s capital programme was reported to Cabinet on 21 June. Discussions are continuing with the contractor regarding the financial issues. A future report to Cabinet will provide further detail regarding any financial implications once these are quantified.
- 2.9 Unless spend performance improves the likely outturn would be in the region of £52.7m, not the £65.6m planned. Table 3 sets out the variations; these are derived from returns submitted from Departments. A revision to the planned programme will be considered as part of a future monitor reflecting the outcome of the programme review undertaken by the Capital Steering Group.

**Table 3: Projected Outturn compared to Revised Budget £000’s**

	Revised Budget	Projected Outturn	Variation
<b>Adult Social Care</b>	725	725	0
<b>Children's &amp; Young People</b>	23,063	22,519	-544
<b>Finance</b>	3,507	500	-3,007
<b>Law, HR &amp; Asset Management</b>	8,378	5,638	-2,740
<b>Regeneration, Housing &amp; Planning</b>	17,498	10,956	-6,542
<b>Technical Services</b>	12,438	12,438	0
<b>Grand Total Expenditure</b>	65,609	52,776	-12,833

## 2.10 Financing of the capital programme

2.10.1 Table 4 summarises the financing sources and changes made to Period 6. The major changes since the capital programme was approved in March are slippages of funding following closure of the 2011-12 programme, changes in grant funding as reported in previous Cabinet reports, and re-profiling of financing to 2012/13. The period 6 amendments reflect requested slippage from 2012/13 to 2013/14 as outlined in para 2.4 above. Other adjustments relate to additional funding relating to Regeneration, Housing and Planning Schemes and Children and young People..

**Table 4: Revised Capital Programme Financing 2012-13 £000's**

<b>Capital Programme Financing</b>	<b>Capital Strategy</b>	<b>Changes approved by Cabinet</b>	<b>Budget changes To be approved by Cabinet</b>	<b>Revised 2012-13 Capital Programme</b>
Supported Borrowing				
Grant – Education	20,181	5,200	--4,934	20,447
Grant – Transport Integrated	1,155	5	0	1,160
Grant – Transport Local	2,958	0	0	2,958
Grant – Local Sustainable Transport Fund	0	676	0	676
Grants – Other	5,349	5,038	-1,616	8,771
Private Contributions	0	0	0	0
Capital Receipts brought forward	3,000	0	0	3,000
Revenue Contributions	300	1,360	383	2,043
Unsupported Borrowing	9,035	20,216	-2,697	26,554
<b>Total Financing</b>	<b>41,978</b>	<b>32,495</b>	<b>-8,864</b>	<b>65,609</b>

2.10.2 Where there is a “cocktail” of funding to a scheme, the Council maximises the use of grant and other external resources before using its own receipts and borrowing. Capital receipts are used to minimise the impact on the revenue budget by being applied to schemes which would require a relatively significant minimum revenue provision to be made.

## 2.11 Projected Longer Term Capital Programme

2.11.1 The current forecast capital programme for 2012/13 to 2014/15 is shown in Table 5 below by year and means of financing. It should be noted that this has been updated since the completion of the 2012/13 to 2014/15 Capital Programme Report to Council to reflect the further slippage and approval of additional grant resources. The table below includes adjustment to the 2012/13 capital programme for slippage and increases as outlined above. The 2013/14 programme has also been revised to reflect the impact of slippage from 2012/13. This is subject to this Cabinet’s approval

**Table 5: Capital Programme Financing 2012-13 to 2014-15 £000's**

Capital Programme Financing	2012/13	2013/14	2014/15	
	R Estimate	R Estimate	R Estimate	Total
Grant – Education	20,447	5,240	0	25,687
Grant – Transport Integrated	1,160	1,155	1,155	3,470
Grant – Transport Local	2,958	2,864	2,699	8,521
Grant – Local Sustainable Transport Fund	676	676	676	2,028
Grants – Other	8,771	6,869	2,165	17,805
Private Contributions				
Capital Receipts brought forward	3,000	3,000	3,000	9,000
Revenue Contributions	2,043	363	0	2,406
Unsupported Borrowing	26,554	19,407	3,405	49,366
<b>Total Financing</b>	<b>65,609</b>	<b>39,574</b>	<b>13,100</b>	<b>118,283</b>

2.11.2 The 2012/13 financing forecast has been updated to reflect changes in the programme as reflected in para 2.4 above. The financing for 2013/14 has been increased by £10m which reflects the equivalent slippage and financing reduction in 2012/13.

2.11.3 The Capital Strategy needs to be made more affordable by delivering the planned capital receipts and reducing the element of unsupported borrowing and the associated ongoing revenue costs.

## 2.12 Supported and unsupported borrowing and the revenue consequences of Unsupported Borrowing

2.12.1 The cost of £1m of Prudential Borrowing would result in additional revenue financing costs of £100,000 per annum. As part of the Capital Strategy 2012-13 to 2014/15 the Council has included an element of prudential borrowing. At Period 6, there is a sum of £49.4m of new unsupported borrowing included over the next three years, which will result in approximately £4.9m of additional revenue costs detailed at Table 6, if there is no change in strategy.

**Table 6: Revised Unsupported Borrowing Forecasts & Revenue costs £000's**

	2012-13	2013/14	2014/15	2015-16	Total
	Estimate				
New Unsupported borrowing	26,554	19,407	3,405	-	49,366
Cumulative Annual Revenue repayment costs		2,655	1,941	341	<b>4,937</b>

2.12.2 Given the predicted revenue overspend previously reported, it is important to reduce the revenue costs of capital. A pause of two months in the start to new unsupported capital schemes was agreed by Cabinet on September 6.

## 2.13 Capital Receipts Position

2.13.1 The capital programme is reliant on the Council generating a limited amount of capital receipts to finance the future capital programme schemes. The Capital Receipts Reserve at 1 April 2012 contained £9.2m of receipts. The current capital programme assumes that £3m a year will be drawn from this reserve over a three year period. Table 7 below, summarises the current allocated and projected capital receipted position across 2012-13 to 2014/15.

The schedule of supporting sites that are to be sold is to be worked up for a future report following work from the Capital Steering Group.

**Table 7: Projected capital receipts position – funding requirement £000's**

	2012-13	2013/14	2014/15
<b>Capital Receipts Reserve</b>	9,237	7,237	4,237
<b>Receipts Assumption</b>	1,000	tbc	tbc
<b>Funding assumption</b>	(3,000)	(3,000)	(3,000)
<b>Closing Balance</b>	7,237	4,237	1,237

2.13.2 These receipts are being reviewed in future periods, along with other strategic site availability, to maximise the offset of unsupported borrowing, and so reduce future revenue growth. There are also options for using a greater proportion of the reserve to generate savings in borrowing. Any decision however also needs to take account of savings that can be achieved from using capital receipts against schemes which would otherwise incur a high minimum revenue provision charge.

2.13.3 There is a high level of risk in these projections as they are subject to changes in legislation, property and land values, the actions of potential buyers and being granted planning permission on sites.

### **FREEZE PROCESS AND OUTCOMES**

2.14 The freeze process was agreed on September 6 and developed further as reported in the month 5 monitor. Cabinet on 18 October agreed a recommendation to reject £326,100 of expenditure in weeks 1 and 2 of the freeze. An additional £72,000 has been added to this amount relating to an item in the revenue freeze which should be classed as capital. This amount has been incorporated into the current monitoring forecast.

2.15 The whole point of the exercise is to reduce the projected overspend, which by Section 28 of the Local Government Act 2003, is the duty of the Council, that is, all its Members. The outcome of the recommendations for rejection, for the next three weeks of the exercise are set out below (and in Appendix 1). The savings of just under £0.9m would feed into the M7 monitor:

	Capital £	Revenue 2013-14
Week 3 (4/10)	899,610	89,961
Week 4 (11/10)	0	0
Week 5 (18/10)	0	0
Week 6 (25/10)	0	0
<b>Total saving</b>	<b>899,610</b>	<b>89,961</b>

### **3.0 RELEVANT RISKS**

3.1 The possible failure to deliver the Capital Programme will be mitigated by the monthly review by a senior group of officers, charged with improving performance. They will also be able to improve the affordability of the programme.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 None.

### **5.0 CONSULTATION**

5.1 No consultation has been carried out in relation to this report.

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

6.1 As yet, there are no implications for voluntary, community or faith groups.

## **7.0 RESOURCE IMPLICATIONS**

7.1 The whole report is about significant resource implications.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are no legal implications.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 An Equality impact assessment is attached to this report.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 None.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 None.

## **12.0 RECOMMENDATIONS**

12.1 That Cabinet is asked to:

- a) Agree the revised Capital Programme of £65.609m;
- b) Agree slippage in the programme of £10.025m from 2012/13 to 2013/14
- c) Agree an increase to the programme of £0.855m for Regeneration, Housing and Planning schemes which do not require financing from unsupported borrowing and in respect of use of a Children and Young People Aiming High for Disabled Children grant of £0.3057m
- d) Note the spend to date at month 6 of £14.3m, which represents 21.8% of the revised capital budget, with 50% of the financial year having elapsed;
- e) Note the work of the Capital Steering Group to detail the schedule of sites to validate the estimate of capital receipts.
- f) Note that a future report will include proposals to cease or reduce schemes arising from a review of the current capital programme

12.2 Cabinet is also asked to agree

- a) the rejected freeze items set out in Appendix 1 in the columns 'rejected' totalling £899,610 as evidenced in paragraph 2.15.

## **13.0 REASONS FOR RECOMMENDATIONS**

13.1 Regular monitoring and reporting of the capital programme will enable decisions to be taken faster which may produce revenue benefits and will improve financial control of the programme.

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**APPENDIX:** Appendix 1 Freeze outcomes weeks 3 - 6

**REFERENCE MATERIAL**

**SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Capital monitoring reports have previously been submitted as part of the Performance & Financial Review presented to Cabinet on a quarterly basis and from September 2012 are being submitted monthly	

## Appendix 1

### Capital Freeze 4 October 2012

Dept	Ref	Project Title	Requested	Agreed	Suspend	Reject	Draft rec
			£	£	£	£	
TECH	20	Bebington Oval Fitness Suite Refurb	136,321		136,321		Delay - re
REGEN	21	Empty Property Grant Budget £236k; uncommitted £95k	94,954	94,954			Bringing c availabilit Tax if ren
REGEN	22	Private Sector Housing/Wirral Healthy Homes - Budget £204k; uncommitted £89k	89,357	89,357			Improve f vulnerabl
TECH	23	Tech Services Maintenance - Bridges. Of budget of £2.313m, £775k is uncommitted	525,400	525,400			Cottage L & A Dock
			249,610			249,610	Slip in to
TECH	24	Transportation - of £2.65m budget, comit £2m and save £650k	650,000			650,000	This is ur remainde funded ne Supporte
			2,000,000	2,000,000			
		Total	<u>3,745,642</u>	<u>2,709,711</u>	<u>136,321</u>	<u>899,610</u>	
		Percentage	100.0	72.3	3.6	24.0	
						89,961	Revenue

**Capital Freeze 11 October 2012**

<b>Dept</b>	<b>Ref</b>	<b>Project Title</b>	<b>Requested £</b>	<b>Agreed £</b>	<b>Suspend £</b>	<b>Rejected £</b>	<b>Reason for Recommen</b>
CYP	25	Fleet Replacement 2012 - 11 vehicles for Community Patrol & Pest Control	114,045		114,045		Vehicles at end of life are replaced. Replacements will also have lower emissions. However, other sections of the budget are also needed for other vehicles.
TECH	26	Alterations for Floral Pavilion - increased seating capacity	193,000	193,000			A spend to save, to generate £120-200k pa, which covers borrowing.
TECH	27	Coast Protection - aids to navigation, currently submerged	161,000	161,000			Legislative - works required - previously item 18 at £161,000.
			<u>468,045</u>	<u>354,000</u>	<u>114,045</u>	<u>0</u>	
Percentage			100.0	75.6	24.4	0.0	

**Capital Freeze 18 October 2012 - decision on outstanding schemes**

Dept	Ref	Project Title	Requested £	Agreed £	Suspend £	Rejected £	Reason for Recommendation
LHR	2	Moreton Library and One Stop Shop Remodelling	300,000	300,000			The 2013-14 budget is not proceeding.
LHR	3	Rock Ferry Centre Re-modelling	630,000	630,000			The 2013-14 budget is not proceeding.

	930,000	930,000	0	0
Percentage	100.0	100.0	0.0	0.0

**Capital Freeze 25 October 2012 - decision on outstanding schemes**

Dept	Ref	Project Title	Requested £	Agreed £	Suspend £	Rejected £	Reason for Recommen
TEC	30	Fitness Suite Equipment: £90k 12-13, £63k 13-14, Total £153k - two year replacement for 5 Leisure Centres	90,000		90,000		Delay - require a busine

	90,000	0	90,000	0
Percentage	100.0	0.0	100.0	0.0