

WIRRAL COUNCIL

CABINET

20 DECEMBER 2012

SUBJECT	CAPITAL MONITORING 2012/13– PERIOD 7 (OCTOBER)
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

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 which incorporates the decision made by Cabinet on 29 November 2012 to cease or reduce a number of schemes within the programme;
- 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 £2.632 million of schemes into the 2013/14 financial year
- Request for an increase in the programme of £0.3 million for schemes requiring no unsupported borrowing.
- The projected outturn figures for 2012/13, which suggest an underspend of £2.552 million 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. Up to the report on 8 November Cabinet had considered the outcome of the first six weeks of the freeze. Additional freeze items that have been considered since week six are the subject of a separate report to this Committee and are not included in the current monitoring report.

2.2 The Council's capital programme is subject to a monthly review by a senior group of officers who form 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 PROPOSED CAPITAL PROGRAMME FOR 2012/13

2.3.1 The capital budget for 2012/13 is subject to change. The Period 6 monitor detailed slippage of £34 million carried forward from 2011/12 plus an additional overall in year reduction of £10.4 million reflecting changes to slippage and revised programme approvals. Table 1 summarises the overall movement between that already approved and changes to Period 7 that require approval.

Table 1: Revised Capital Programme 2012/13 Period 7 (October) £000's

	Capital Strategy	Changes approved by Cabinet	Budget change to be approved by Cabinet	Revised 2012/13 Capital Programme
Adult Social Care	2,750	-2,025	0	725
Children's & Young People	21,481	1,038	0	22,519
Finance	0	507	75	582
Law, HR & Asst Management	4,000	438	-315	4,123
Regeneration, Housing & Planning	6,079	7,511	0	13,590
Technical Services	7,668	4,770	-2,317	10,121
Total Expenditure	41,978	12,239	-2,557	51,660

2.3.2 A summary of the significant changes to be approved by Cabinet for Period 7 are provided below:

Request for slippage to the 2012/13 Programme

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

Law, HR and Asset Management.

- The following schemes are currently uncommitted:
- Rock Ferry Centre – work unlikely to commence until January 2013 with anticipated slippage of £0.315 million;

Technical Services

- The purchase of parks plant and equipment has been delayed. Estimated expenditure of £2.317 million will now be incurred in 2013/14.

Request to increase the 2012/13 programme

Finance

- Approval is required to include £0.3 million for Moreton Library and One Stop Shop within the capital programme following Cabinet decision on 8 November that the expenditure could be incurred. This scheme involves no unsupported borrowing and £0.075 million will be incurred in 2012/13 and £0.225 in 2014/15.

2.3.3 Cabinet on 29 November 2012 agreed to the removal or reduction of over £30.7 million of schemes from the 2012/15 capital programme. Details of these schemes are contained within Appendix 2 of this report. This decision will produce a saving of £2.3 million in financing costs in the years 2013/14 to 2015/16. An analysis of the split of the change across years and by source of financing is shown below.

Table 2 : Reduction in the Capital Programme / Reductions in Funding

	2012/13	2013/14	2014/15	Total
	£000	£000	£000	£000
Programme Reduction	11,475	14,015	5,265	30,755
Funding				
Unsupported Financing	8,230	11,100	3,800	23,130
Invest-To-Save	2,275	400	0	2,675
Grant	970	2,515	1,465	4,950
Funding Reductions	11,475	14,015	5,265	30,755

2.4 **ACTUAL SPEND TO DATE – IS THE PROGRAMME BEING DELIVERED TO PLAN?**

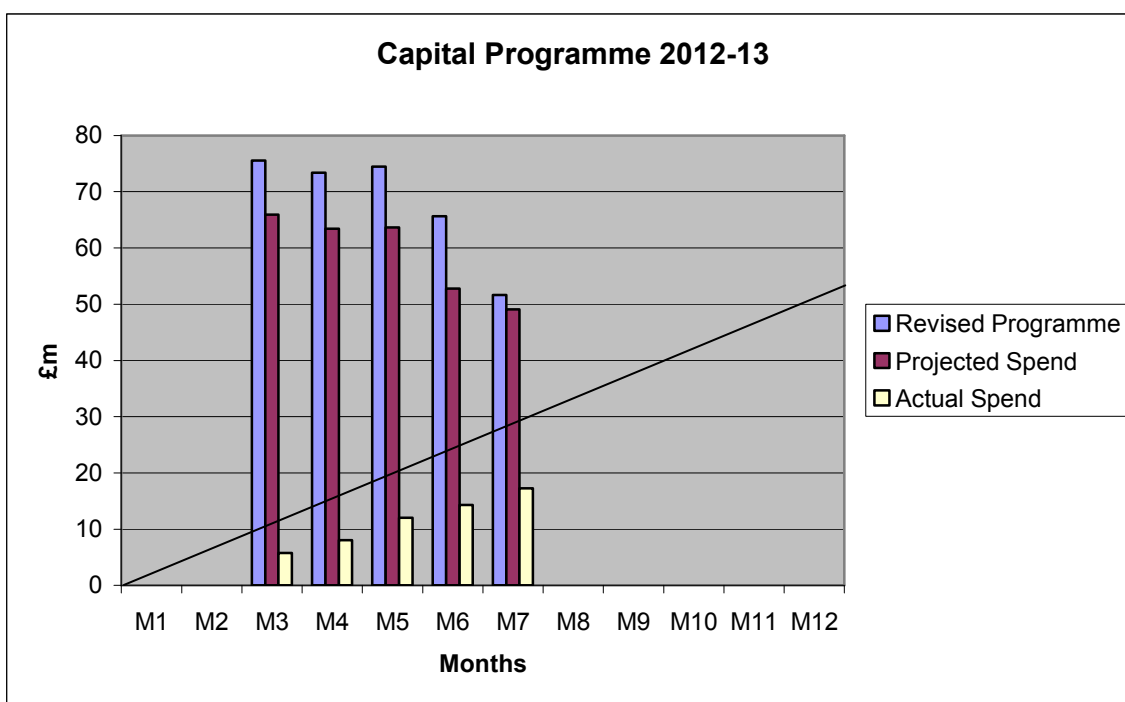
2.4.1 The actual capital expenditure at Period 7 is £17.3 million, which represents 33.4% of the revised capital programme budget, with 58% of the financial year having elapsed.

Table 3: Spend to date April to October (7/12 = 58%)

	Spend to date	
	£,000's	Per cent
Adult Social Care	55	7.6
Children's & Young People	8,816	39.1
Finance	18	3.0
Law, HR & Asset Management	1,403	34.0
Regeneration, Housing & Planning	4,015	29.5
Technical Services	2,972	29.4
Total Expenditure	17,279	33.4

2.4.2 The Period 7 figures include an additional £2.982 million of expenditure incurred during the month. The level of expenditure however continues to be less than anticipated with only 33.4% of the programme expended after 7 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. The reduction in the programme agreed by Cabinet of 29 November 2012 has reduced the gap between the profiled percentage and actual percentage spend figure.

Chart 1: Capital Programme spend below line of best fit



2.4.3 A Capital Steering Group has been established and has examined current and future schemes. The recommendations of the group were reported and approved by to Cabinet on 29 November 2012 and are incorporated within this report as they help provide a more update forecast. This will also result in a more accurate programme and improve the correlation between programme and actual expenditure.

2.4.4 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 2012. Discussions are continuing with the contractor regarding the financial issues. A future report to Cabinet will provide further detail regarding any financial implications once quantified.

2.4.5 The likely outturn would be in the region of £49.1 million, not the £51.7 million planned. Table 4 sets out the variations derived from returns submitted from Departments.

Table 4: Projected Outturn compared to Revised Budget £000's

	Revised	Projected	Variation
	Budget	Outturn	
Adult Social Care	725	725	0
Children's & Young People	22,519	22,519	0
Finance	582	575	-7
Law, HR & Asset Management	4,123	4,254	131
Regeneration, Housing & Planning	13,590	11,107	-2,483
Technical Services	10,121	9,928	-193
Total Expenditure	51,660	49,108	-2,552

2.5 FINANCING OF THE CAPITAL PROGRAMME

2.5.1 Table 5 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 decision of Cabinet on 29 November 2012 to reduce or cease over £30.55 million of schemes from the programme are also included within this report. The period 7 amendments reflect requested slippage from 2012/13 to 2013/14 and a scheme inclusion request as outlined in para 2.3.2 above.

Table 5: Revised Capital Programme Financing 2012/13 £000's

Capital Programme	Capital Strategy	Changes approved by Cabinet	Budget changes to be approved by Cabinet	Revised 2012/13 Programme
Unsupported Borrowing	9,035	7,097	-2,947	13,185
Grant – Education	20,181	266	0	20,447
Grant – Integrated Transport	1,155	5	0	1,160
Grant – Local Transport Plan	2,958	0	0	2,958
Grant – Local Sustainable Transport Fund	0	676	0	676
Grants – Other	5,349	2,452	0	7,801
Capital Receipts brought forward	3,000	0	0	3,000
Revenue Contributions	300	1,743	390	2,433
Total Financing	41,978	12,239	-2,557	51,660

2.5.2 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.

2.6 PROJECTED LONGER TERM CAPITAL PROGRAMME

2.6.1 Funding for the forecast 2012/13 to 2014/15 capital programme is shown in Table 6. This has been updated since the 2012/13 to 2014/15 Capital Programme Report was submitted to Council. It reflects decisions previously taken by this Committee regarding further slippage and approval of additional grant resources. Both the 2012/13 and 2013/14 financing forecasts have also been updated to reflect the variations requested for approval in Table 1 and paragraph 2.3.2. The financing for 2013/14 has been increased by £4.87 million to reflect the impact of slippage from 2012/13 adjusted for any permanent freeze items previously included as slippage. This is subject to this Cabinet's approval.

Table 6: Capital Programme Financing 2012/13 to 2014/15 £000's

	2012-13	2013-14	2014-15	
Capital Programme Financing	Revised Estimate	Revised Estimate	Revised Estimate	Total Programme
Unsupported Borrowing	13,185	10,101	0	23,286
Grant – Education	20,447	5,240	0	25,687
Grant – Integrated Transport	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	7,801	4,354	700	12,855
Capital Receipts brought forward	3,000	3,000	2,605	8,605
Revenue Contributions	2,433	903	0	3,336
Total Financing	51,660	28,293	7,835	87,788

2.6.2 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.

2.7 SUPPORTED AND UNSUPPORTED BORROWING AND THE REVENUE CONSEQUENCES OF UNSUPPORTED BORROWING

2.7.1 The cost of £1 million 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 7, there is a sum of £48 million of new unsupported borrowing included over the next three years, which will result in approximately £4.8 million of additional revenue costs detailed at Table 7, if there is no change in strategy.

Table 7: Revised Unsupported Borrowing Forecasts & Revenue costs £000's

	2012-13	2013/14	2014/15	2015-16	Total
	Estimate				
New Unsupported borrowing	13,185	10,101	0	-	23,286
Cumulative Annual Revenue repayment costs		1,319	1,010		2,329

2.7.2 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. The reductions and cessation of schemes approved by Cabinet on 29 November 2012 have reduced future financing costs by £2.3 million and this has been reflected within the above tables.

2.8 CAPITAL RECEIPTS POSITION

2.8.1 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 £9.2 million of receipts. The current capital programme assumes that £3 million a year will be drawn from this reserve over a three year period. Table 8 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 8: Projected capital receipts position – funding requirement £000's

	2012/13	2013/14	2014/15
Capital Receipts Reserve	9,237	7,237	4,237
Receipts Assumption	1,000	tbc	tbc
Funding assumption	(3,000)	(3,000)	(2,605)
Closing Balance	7,237	4,237	1,632

2.8.2 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.

2.8.3 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.

2.9 FREEZE PROCESS AND OUTCOMES

2.9.1 The freeze process was agreed on September 6 and developed further as reported in the month 5 monitor. As at the end of October £0.9 million has been slipped into 2013/14.

2.9.2 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. No items have been frozen during the period.

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 £51.660 million.
- b) Agree slippage in the programme of £2.632 million from 2012/13 to 2013/14.
- c) Agree an increase to the programme of £0.3 million for a Finance scheme (Moreton Library/One Stop Shop) which does not require financing from unsupported borrowing.
- d) Note the spend to date at month 7 of £17.279 million, which represents 33.4% of the revised capital budget, with 58% 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 the inclusion within this report of the programme changes agreed by Cabinet on 29 November 2012 of ceased or reduced schemes totalling £30.755 million and consequent annual revenue savings of £2.3 million arising from a review of the current capital programme.

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.

REPORT AUTHOR: Peter Molyneux
Chief Accountant
Telephone: 0151 666 3389
Email: petemolyneux@wirral.gov.uk

APPENDIX:

Appendix 1 Freeze outcomes weeks 7 – 10.

Appendix 2 Schemes remove from the capital programme as per Cabinet 29 November 2012.

SUBJECT HISTORY

Council Meeting	Date
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	

Capital Freeze 1 November 2012 - decision on outstanding schemes

Week 7

Dept	Ref	Project Title	Requested £	Agreed £	Suspend £	Rejected £	Reason for Recommendation
LHR	31	Williamson Art Gallery - entrance ramp and associated works	86,947	86,947			Improvements to enable full DDA compliance; from £2.17m cultural assets fund.
			86,947	86,947	0	0	
		Percentage	100.0	100.0	0.0	0.0	

CAPITAL PROGRAMME REVIEW NOVEMBER 2012

APPENDIX 2

Suggested Scheme Reductions	Amount 2012/13 £000	Amount 2013/14 £000	Amount 2014/15 £000	Total Reduced £000	
PROGRAMME					
Children and Young People					
Family Support Scheme	100	0	0	100	Reduction from the £215k originally allocated to reflect requirements
Schools- Harness Technology	234	0	0	234	Scheme has been completed and this is the residual sum
Private Finance Initiative	110	0	0	110	Reduction from the £213k originally allocated to reflect requirements
Wirral Youth Zone (consultation)	100	0	0	100	Reduction from the £200k originally allocated to reflect requirements.
Wirral Youth Zone (scheme)	0	1,400	2,400	3,800	Report to Cabinet requiring a lesser Council contribution at this stage. The originally allocated £4.8m being reduced to £1m. The final scheme costs have yet to be determined.
Finance					
Asset Review – IT	3,000	2,000	0	5,000	Scheme deleted as proposals still to be determined. Will be re-submitted when way forward agreed.
Law, HR & Asset Management					
Microgeneration	50	0	0	50	Reduction from the £100k originally allocated based on requirements
Cultural Services Assets	1,297	0	0	1,297	Balance remaining as uncommitted after the contractual commitments have been funded
North and South Annexes	1,365	300	700	2,365	Scheme being re-visited and reviewed which will lead to a revised bid for inclusion in the Programme

Bebington Civic Centre	0	1,300	0	1,300	Scheme being re-visited and reviewed which will lead to a revised bid for inclusion in the Programme
Solar Photovoltaic Project	2,275	400	0	2,675	Reduction of £1.2m based on tenders received for scheme funded from Feed-In Tariff and energy savings. Cabinet agreed not to progress pending review of assets and whilst alternative options are pursued
Re-Phasing of Council Office Works (this is the removal of a 'balancing' item in the Programme)	-1,200	-1,200	0	-2,400	The Programme previously included £1.2m of reductions in 2012/13 and 2013/14 to 'balance' the Programme in advance of the review. The review removes this adjustment.
Energy Schemes	153	0	0	153	Delete as scheme became part of Wallasey Annexe scheme which is now under review
Regeneration, Housing & Planning					
West Wirral Schemes	206	0	0	206	No proposals to spend at this stage. If progressed will be the subject of a new bid for inclusion in the Programme
Housing Market Renewal Residual Programme	970	865	865	2,700	Effectively double-counted the scheme and grant funding between this and the Improvements To Stock programme
Disabled Facilities – Adaptations	2,124	0	0	2,124	Programme set at a manageable and deliverable £3 million for 2012/13. This represents the excess sum
Quarry Bank Affordable Housing	158	0	0	158	Scheme completed at reduced cost
Challenge Fund	450	0	0	450	Scheme completed at reduced cost
Destination West Kirby	0	1,250	0	1,250	Scheme included and reliant upon £0.75m grant which is not realisable
Wirral Country Park	0	1,600	1,300	2,900	Scheme included and reliant upon £1.5m grant which is not realisable
Power Solutions to Strategic Investment Areas	0	5,000	0	5,000	Not a local authority project and any Works will be undertaken by the private sector

Technical Services

Maintenance – Bridges and Street Lighting	0	450	0	450	Slippage to 2013/14 agreed and to be priorities for programme within the LTP allocation
Integrated Transport Block	0	650	0	650	Slippage to 2013/14 agreed and to be priorities for programme within the LTP allocation – see Spending Freeze
Parks, Plant and Equipment	83	0	0	83	Reduction based upon tender savings
Programme Reduction	11,475	14,015	5,265	30,755	

FUNDING

Unsupported Financing	8,230	11,100	3,800	23,130	Funding to be found by the Council so reduction realises revenue savings
Invest-To-Save	2,275	400	0	2,675	For the Solar Photovoltaic Scheme the costs were to have been offset by the Feed-In Tariff and energy savings x
Grant	970	2,515	1,465	4,950	Comprise the double-counting of HMR grant and non-realizable grant so not a loss of grant funding
Funding Reduction	11,475	14,015	5,265	30,755	

Equality Impact Assessment Toolkit (from May 2012)

Section 1: Your details: Peter Molyneux

EIA lead Officer: Peter Molyneux

Email address: petemolyneux@wirral.gov.uk

Head of Section: Tom Sault

Chief Officer: Peter Timmins

Department: Finance

Date: 30th November 2012

Section 2: What Council proposal is being assessed? Capital Monitoring (including freeze proposals)

Section 2b: Will this EIA be submitted to a Cabinet or Overview & Scrutiny Committee?

Yes If 'yes' please state which meeting and what date
Cabinet 18 October 2012

Please add hyperlink to where your EIA is/will be published on the Council's website <http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/finance>

Section 3: Does the proposal have the potential to affect..... (please tick relevant boxes)

- ✓ **Services**
- ✓ **The workforce**
- ✓ **Communities**
- ✓ **Other** (please state eg: Partners, Private Sector, Voluntary & Community Sector)

If you have ticked one or more of above, please go to section 4.

- None** (please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 4: Does the proposal have the potential to maintain or enhance the way the Council (please tick relevant boxes)

- Eliminates unlawful discrimination, harassment and victimisation
- Advances equality of opportunity
- ✓ Fosters good relations between groups of people

If you have ticked one or more of above, please go to section 5.

- No** (please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 5: Could the proposal have a positive or negative impact on any of the protected groups (race, gender, disability, gender reassignment, age, pregnancy and maternity, religion and belief, sexual orientation, marriage and civil partnership)?

You may also want to consider socio-economic status of individuals.
Please list in the table below and include actions required to mitigate any potential negative impact.

Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications
All groups	Budgetary overspends will result in requirement to reduce expenditure in year with consequences on communities and staff. Rational decision making to tackle issues will enhance good relations and minimise negative impacts	Budgetary control including regular monitoring, freeze procedures and budgetary reviews will assist in limiting impact	Peter Timmins	On Going	Budgetary overspends would require funding from resources
All groups	Reduction in expenditure from freeze proposals could impact on services delivered to communities	Freeze process includes exemptions for critical service areas. Process allows for business case to be submitted to exempt expenditure from freeze	Peter Timmins	On Going	Freeze proposals will assist enabling control of expenditure

Section 5a: Where and how will the above actions be monitored?

Monthly monitoring report to Cabinet. This will include recommendations for approval of spending freeze decisions

Section 5b: If you think there is no negative impact, what is your reasoning behind this?

Section 6: What research / data / information have you used in support of this process?

Budgetary forecast information

Section 7: Are you intending to carry out any consultation with regard to this Council proposal?

Yes / No – (please delete as appropriate) No

If 'yes' please continue to section 8.

If 'no' please state your reason(s) why: Urgent decisions required to tackle budgetary position. Freeze proposals undergo review process and involve officers and members

(please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 8: How will consultation take place and by when?

Before you complete your consultation, please email your preliminary EIA to equalitywatch@wirral.gov.uk via your Chief Officer in order for the Council to ensure it is meeting it's legal requirements. The EIA will be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 5. Then email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for re-publishing.

Section 9: Have you remembered to:

- a) Add appropriate departmental hyperlink to where your EIA is/will be published (section 2b)
- b) Include any potential positive impacts as well as negative impacts? (section 5)
- c) Send this EIA to equalitywatch@wirral.gov.uk via your Chief Officer?
- d) Review section 5 once consultation has taken place and sent your completed EIA to equalitywatch@wirral.gov.uk via your Chief Officer for re-publishing?