

WIRRAL COUNCIL

CABINET

24 JANUARY 2013

| | |
|---|--|
| SUBJECT | CAPITAL MONITORING 2012/13– PERIOD 8 (NOVEMBER) |
| 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 previous decisions made by Cabinet to amend 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 £2.810 million of schemes into the 2013/14 financial year;
- Request for an increase in the programme of £0.530 million for schemes requiring no unsupported borrowing.
- The reduced cost of £0.673 million for the refurbishment of Wallasey Town Hall, of which £0.210 impacts in 2012/13. Details of the scheme have previously been reported to Cabinet on 8 November 2012;
- The projected outturn figures for 2012/13, which suggest an underspend of £3.573 million on the revised programme;
- The current funding of the programme and its future affordability.

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 20 December Cabinet had considered the outcome of the first ten weeks of the freeze.
- 2.2 Cabinet on 29 November approved the report into the review of the capital programme which reduced the overall three year programme by £30.7 million.
- 2.3 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.

2.4 ORIGINAL AND PROPOSED CAPITAL PROGRAMME FOR 2012/13

2.4.1 The capital budget for 2012/13 is subject to change. The Period 8 monitor detailed slippage of £34 million carried forward from 2011/12 plus an additional overall in year reduction of £24.3 million reflecting changes to slippage and revised programme approvals. Table 1 summarises the overall movement between that already approved and changes to Period 8 that require approval.

Table 1: Revised Capital Programme 2012/13 Period 8 (November) £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 | -2,480 | 20,039 |
| Finance | 0 | 597 | 0 | 597 |
| Law, HR & Asst Management | 4,000 | 123 | -210 | 3,913 |
| Regeneration, Housing & Planning | 6,079 | 7,511 | 0 | 13,590 |
| Technical Services | 7,668 | 2,453 | 200 | 10,321 |
| Total Expenditure | 41,978 | 9,697 | -2,490 | 49,185 |

2.4.2 A summary of the significant changes to be approved by Cabinet for Period 8 are provided below:

Request for slippage to the 2012/13 Programme

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

Children and Young People.

- Ongoing reviews of the schools condition and modernisation programme will result in slippage of £1.500 million;
- Following ongoing discussions with the contractor responsible for the Pensby/Stanley school scheme a cash flow review has resulted in slippage £1.510 million

Technical Services

- The expenditure profile for the Integrated Transport Programme indicates that there will not be the level of slippage that was previously estimated and £0.200 million previously reported as slippage should be built back into the 2012-13 programme.

Request to increase the 2012/13 programme

Children and Young People

- Approval is sought for additional expenditure of £0.530 following the discovery of asbestos and dry rot at Birkenhead Girls Academy. The Education Funding Agency has agreed to provide additional grant funding to cover the cost.

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

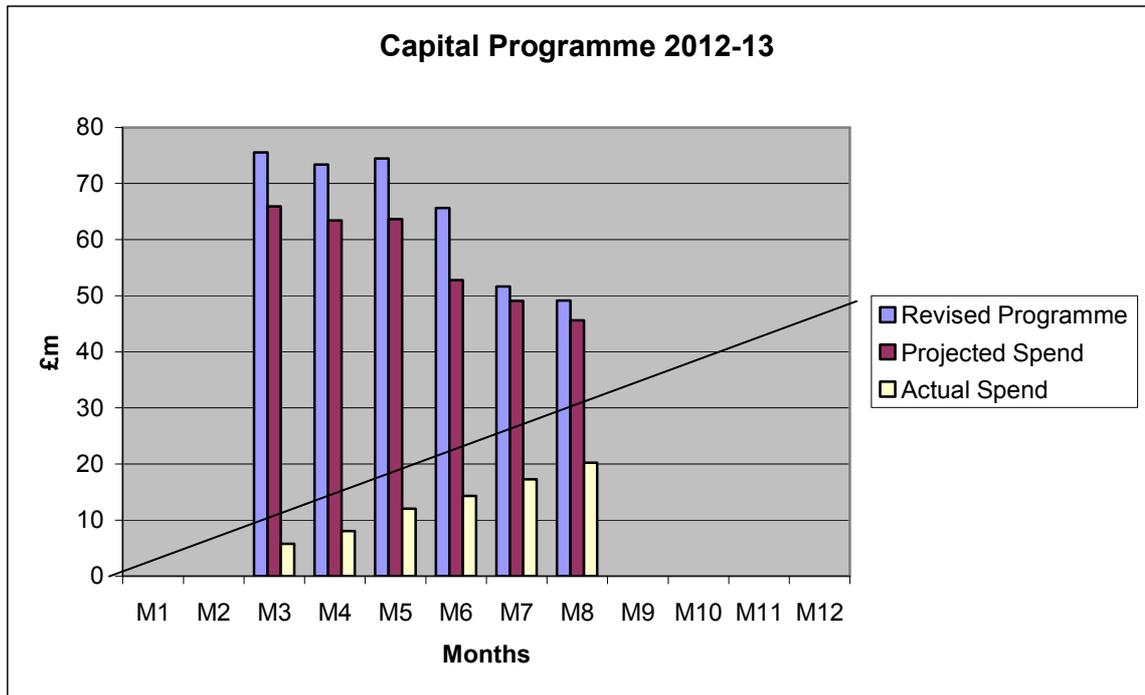
- 2.5.1 The actual capital expenditure at Period 8 is £20.2 million, which represents 41.1% of the revised capital programme budget, with 67% of the financial year having elapsed.

Table 2: Spend to date April to November (8/12 = 67%)

| | Spend to date | |
|----------------------------------|---------------|-------------|
| | £,000's | Per cent |
| Adult Social Care | 55 | 7.6 |
| Children's & Young People | 10,263 | 51.2 |
| Finance | 28 | 4.8 |
| Law, HR & Asset Management | 1,749 | 44.7 |
| Regeneration, Housing & Planning | 4,497 | 33.1 |
| Technical Services | 3,608 | 35.0 |
| Total Expenditure | 20,200 | 41.1 |

- 2.5.2 The Period 8 figures include an additional £2.921 million of expenditure incurred during the month. The level of expenditure however continues to be less than anticipated with only 41.1% of the programme expended after 8 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



2.5.3 A Capital Steering Group has been established and has examined current and future schemes. The recommendations of the group were reported and approved by Cabinet on 29 November 2012 as part of the period 7 monitor and are incorporated within this report. This will also result in a more accurate programme and improve the correlation between programme and actual expenditure.

2.5.4 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. Slippage of £1.510 million has now been identified and discussions are still continuing with the contractor. Cabinet will be kept informed of any future financial implications once quantified.

2.5.5 The likely outturn would be in the region of £45.6 million, not the £49.1 million planned. Table 3 sets out the variations derived from returns submitted from Departments.

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

| | Revised Budget | Projected Outturn | Variation |
|----------------------------------|-------------------|----------------------|---------------|
| Adult Social Care | 725 | 725 | 0 |
| Children's & Young People | 20,039 | 20,039 | 0 |
| Finance | 597 | 590 | -7 |
| Law, HR & Asset Management | 3,913 | 4,044 | 131 |
| Regeneration, Housing & Planning | 13,590 | 10,253 | -3,337 |
| Technical Services | 10,321 | 9,961 | -360 |
| Total Expenditure | 49,185 | 45,612 | -3,573 |

2.6 FINANCING OF THE CAPITAL PROGRAMME

2.6.1 Table 4 summarises the financing sources and changes made to Period 8. 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, re-profiling of financing to 2012/13 and the decision of Cabinet on 29 November 2012 to reduce or cease £30.755 million of schemes from the programme. The period 8 amendments reflect requested slippage from 2012/13 to 2013/14 and the variations regarding Birkenhead Girls Academy and Wallasey Town Hall as outlined in paragraphs 1.1 and 2.3.2 above.

Table 4: 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 | 4,150 | -10 | 13,175 |
| Grant – Education | 20,181 | 266 | -2,480 | 17,967 |
| 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 | 2,148 | 0 | 2,448 |
| Total Financing | 41,978 | 9,697 | -2,490 | 49,185 |

2.6.2 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.

2.7 PROJECTED LONGER TERM CAPITAL PROGRAMME

2.7.1 Funding for the forecast 2012/13 to 2014/15 capital programme is shown in Table 5. 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 £2.81 million 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 Revised Estimate | 2013-14 Revised Estimate | 2014-15 Revised Estimate | Total Programme |
|---|---|---|---|----------------------------|
| Unsupported Borrowing | 13,175 | 9,904 | 0 | 23,079 |
| Grant – Education | 17,967 | 8,250 | 0 | 26,217 |
| 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 | 2,632 | 8,632 |
| Revenue Contributions | 2,448 | 888 | 0 | 3,336 |
| Total Financing | 49,185 | 31,091 | 7,862 | 88,138 |

2.7.2 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.

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

2.8.1 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 8, there is a sum of £23.1 million of new unsupported borrowing included over the next three years, which will result in approximately £2.3 million 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 | 13,175 | 9,904 | 0 | - | 23,079 |
| Cumulative Annual Revenue repayment costs | | 1,318 | 990 | | 2,308 |

2.8.2 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 £2.6 million and this has been reflected within the above tables.

2.9 CAPITAL RECEIPTS POSITION

2.9.1 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 latest receipts assumptions follow on from a review of possible land sites that could be sold. A similar review of buildings will be undertaken early in 2013.

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

| | 2012/13 | 2013/14 | 2014/15 |
|---------------------------------|---------|---------|---------|
| Capital Receipts Reserve | 9,237 | 8,237 | 7,737 |
| Receipts Assumption | 2,000 | 2,500 | tbc |
| Funding assumption | (3,000) | (3,000) | (2,632) |
| Closing Balance | 8,237 | 7,737 | 5,105 |

2.9.2 Any projected receipts will be 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.

2.9.3 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.

2.10 FREEZE PROCESS AND OUTCOMES

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

2.10.2 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 £49.185 million.
- b) Agree slippage in the programme of £2.810 million from 2012/13 to 2013/14.
- c) Agree an increase to the programme of £0.530 million for Birkenhead Girls Academy which does not require financing from unsupported borrowing.
- d) Note the spend to date at Month 8 of £20.200 million, which represents 41.1% of the revised capital budget, with 67% 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.

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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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 | |

Equality Impact Assessment Toolkit (from May 2012)

Section 1: Your details: Reg Huyton

EIA lead Officer: Reg Huyton

Email address: reghuyton@wirral.gov.uk

Head of Section: Tom Sault

Chief Officer: Peter Timmins

Department: Finance

Date: 19th December 2012

Section 2: What Council proposal is being assessed? Capital Monitoring (including any 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 24 January 2013**

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?