

WIRRAL COUNCIL

CABINET

12 FEBRUARY 2014

SUBJECT	CAPITAL PROGRAMME AND FINANCING 2014/17
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Cabinet with a draft Capital Programme for 2014/17 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.

2.0 BACKGROUND AND KEY ISSUES

CAPITAL STRATEGY

- 2.1 The Capital Strategy provides the framework that enables the Council to work with partners and stakeholders to prioritise and effectively deliver the capital investment that contributes to the achievement of Council objectives.

CAPITAL WORKING GROUP

- 2.2 This officer Group was re-established during 2013 to improve the co-ordination and management of the Capital Programme. The Group includes representatives from all Directorates and the Terms of Reference of this Group include:-

- Review of the Capital Strategy and policies relating to capital.
- Review and recommend new schemes to Cabinet for inclusion in the Programme.
- Manage the delivery of the approved Capital Programme.

The Capital Working Group (Disposals) has been established to maximise Capital Receipts from the sale of surplus assets.

CAPITAL PROGRAMME

- 2.3 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to Council plans and strategies, including the Corporate Plan and Medium Term Financial Strategy and is reviewed, updated and considered by Council each year as part of the annual budget setting process.

- 2.4 Whilst Government announcements include grant support for specific themes or schemes other investment is based upon affordability. This affordability is based upon the limited scope for unsupported capital expenditure, as this adds to revenue costs, and the available capital receipts generated from the disposal of surplus assets.

NEW SUBMISSIONS

- 2.5 As the Council has to manage demands for investment within the financial constraints that Wirral operates there has to be a means to prioritise investment. Therefore prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priority areas. The criteria are applied by the Capital Working Group in assessing individual bids and in making recommendations to Cabinet as to which should be included in the Capital Programme.
- 2.6 All submissions, including revised applications for current schemes, were the subject of a Business Case submission. The Capital Working Group challenged the justification and deliverability (with the aim of reducing the significant re-profiling of schemes which has occurred in recent years) prior to scoring the submissions against the prioritisation criteria.

2014/17 CAPITAL PROGRAMME

- 2.7 The 2014/17 Capital Programme therefore represents a combination of:-
- a) Schemes originally approved as part of the 2013/16 Programme and updated through the Capital Monitoring reports in 2013/14 with schemes re-profiled into 2014/15.

Table 1 : Capital Programme based on previous approvals

Analysis of the Capital Programme	2014/15	2015/16
	£000	£000
Capital Programme (Cabinet February 2014)	12,474	2,657
Net re-profiling / slippage	27,410	852
Increased grants	2,132	0
Adjusted requirements	-5,507	100
Current Capital Programme	36,509	3,609

- b) New / revised bids for consideration at this meeting. Appendix 1 details the criteria against which schemes were scored with Appendices 2 and 3 providing details of the scoring and the schemes.

Table 2 : New / revised bids for inclusion in the Programme

Scheme	2014/15	2015/16	2016/17
	£000	£000	£000
Refurbishment of buildings	1,500	1,750	750
Cleveland Street Transport Depot	1,000	2,500	0
Extra Care Housing	500	1,000	0
Energy Efficiency Initiatives	500	500	0
Citizen & Provider Portal Social Care	617	0	0

Aids & Adaptations	2,134	2,134	2,134
Empty Property Interventions	102	102	102
Business Investment Grants	300	300	300
Housing Renewal	698	1,030	630
Elleray Park School	500	500	0
Cemetery Extensions	0	150	150
Preventative Main'ce Unclassified Roads	500	0	0
School Remodelling	750	750	750
Total	9,101	10,716	4,816

2.8 The Council has identified a requirement to upgrade the IT, particularly the Oracle System. The Corporate Plan seeks to deliver the Council Vision that will see Wirral working more closely with others and looking at alternative methods of service delivery. This includes the potential progression of Shared Services involving a range of transactional and professional services. Therefore, whilst this is essential investment the cost will vary depending upon the chosen route so at this stage it is proposed that £4 million be included in the Capital Programme 2014/15. This will be refined as the Future Council (including Remodelling of the Council and Shared Services) develops over the coming months.

2.9 The proposed Capital Programme has been assembled from Tables 1 and 2 and is detailed in Appendix 4. It should be noted that the New Bids include bids which replace / update schemes which had previously been approved.

Table 3 : Proposed Capital Programme 2014/17

	2014/15	2015/16	2016/17
	£000	£000	£000
Total Expenditure	46,675	17,468	11,020
Funded From			
General Resources	22,217	9,824	4,376
Grants	24,168	7,644	6,844
Revenue Contributions	290	0	0

2.10 Council has previously considered the Leisure Review and agreed to the inclusion in the Capital Programme of £2 million of funding for improvements to the facilities at Guinea Gap, Europa Pool and West Kirby Concourse. At this stage the review is on-going and, assessing the condition and suitability of the leisure facilities, will result in further submissions for capital investment when the review is progressed and reported to Cabinet.

CAPITAL RECEIPTS

2.11 Capital receipts generated from the sale of Council assets are an important element of funding the Capital Programme. The assumption for capital receipts for the next three years is partly based upon the work of Lambert, Smith, Hampton who have been commissioned to advise and market a number of major assets. The receipts for Acre Lane and the Former Rock Ferry High School are now anticipated to be realised from 2015/16 onwards and Manor Drive from 2016/17. Estimated at up to £20 million for the three sites the precise timing and value of the receipts is subject to further work.

There may be additional costs in preparing the sites for disposal which it is proposed would be included in the Capital Programme and met from the available Capital Receipts.

- 2.12 The usage of capital receipts can only be when the receipt is guaranteed so at this stage the projections are that there will be £6.2 million available at 31 March 2014. Over £4 million of this sum has provisionally been identified as funding for the 2014/15 Programme. This will be re-assessed as further information becomes available in relation to both the Disposals and the Council Remodelling Programme.

Table 4 : Capital Receipts Projections

	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000
Capital Receipts Reserve	8,100	6,236	8,236	8,236
In – Receipts Assumption	1,800	2,000	TBA	TBA
Out - Funding assumption	-3,664	TBA	TBA	TBA
Closing Balance	6,236	8,236	8,236	8,236

3.0 RELEVANT RISKS

- 3.1 All relevant risks have been discussed within Section 2 of this report. The robustness of the capital estimates is contained within the Chief Financial Officer Statement (see Revenue Budget 2014/17 on this agenda).

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Each submission for a scheme to be included in the Capital Programme is supported by a Business Case. This Business Case includes an assessment of the alternative options and has been reviewed by the Capital Working Group as to timing and deliverability.

5.0 CONSULTATION

- 5.1 There has been no specific consultation with regards to this report. In terms of the delivery of schemes consultation will take place as part of the scheme development and implementation.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising directly out of this report.

7.0 RESOURCE IMPLICATIONS

- 7.1. The Capital Programme 2014/17 is based upon the previously approved Capital Programme that with the New Bids gives the proposed Capital Programme 2014/17. This will require a maximum of £13.1 million of unsupported borrowing in 2014/15 which, based on current interest rates, equates to an increase of £1.2 million in revenue borrowing costs.
- 7.2 The spend and funding of the Capital Programme are linked to the Treasury Management activity. The return on investment income is expected to be

considerably lower in 2014/15. The policy of borrowing internally as opposed to incurring costs by borrowing is providing short-term benefits but not sustainable in the medium term. It has been reported in the Revenue Monitoring 2013/14 that there will be a shortfall of £0.25 million in 2013/14. It is projected that the reduced rates and lower levels of reserves will lead to a shortfall of £0.5 million in 2014/15.

- 7.3 The £1.2 million cost of the proposed Capital Programme 2014/17 and the impact of the £0.5 million reduction in investment income can be accommodated within the £1.7 million included for Capital Financing in the Revenue Budget projections for 2014/15.

PRUDENTIAL INDICATORS

- 7.4 In considering the programme for 2014/17 Cabinet is advised that:-

a) Total borrowing of £22.2 million is required to fund the Capital Programme 2014/15. However with the schemes re-profiled from 2013/14 being already funded and the fact that a number of new bids replace existing schemes there is the need to fund £13.1 million of new borrowing.

b) To fund all the new bids, with the IT scheme, would increase the potential level of borrowing by £8.7 million in 2014/15, £7.7 million in 2015/16 and £1.9 million in 2016/17. The effect on the yearly increase in revenue costs (cumulative) would be:-

- 2014/15 an increase of £0.8 million.
- 2015/16 a further increase of £0.7 million.
- 2016/17 a further increase of £0.2 million.

c) To fund the previously approved Capital Programme plus all the new bids and the IT scheme would increase the potential level of borrowing by £13.1 million in 2014/15, £7.7 million in 2015/16 and £1.9 million in 2016/17. The effect on the yearly increase in revenue costs (cumulative) would be:-

- 2014/15 an increase of £1.2 million.
- 2015/16 a further increase of £0.7 million.
- 2016/17 a further increase of £0.2 million.

d) 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 £1.1 million of increased expenditure.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report as they will be identified as each scheme is progressed. Individual schemes within the Programme will have a direct impact upon groups for example the Aids and Adaptations investment within Regeneration.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

12.0 RECOMMENDATIONS

12.1 That the new bids as detailed in Sections 2.7 and 2.8 be approved.

12.2 That the overall Capital Programme 2014/17 (as detailed in Appendix 4) be referred to Council for approval.

12.3 That, if the changes are approved, the capital financing requirements be reflected in the revenue budget.

12.4 That the Prudential Indicators be noted and reported to Cabinet as part of the Treasury Management Strategy.

12.5 That progress on delivering the Capital Programme be presented in accordance with the agreed Capital Monitoring arrangements.

13.0 REASONS FOR RECOMMENDATIONS

13.1 The purpose of the Capital Programme is to enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.

13.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the Capital Programme investment.

13.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to determine Prudential Indicators on an annual basis. Prudential Indicators must be calculated in accordance with the Prudential Code.

REPORT AUTHOR: Reg Huyton
Finance Manager – Treasury Management
Telephone (0151) 666 3415
Email: reghuyton@wirral.gov.uk

APPENDICES

Appendix 1 – Capital Programme Prioritisation Evaluation Criteria.

Appendix 2 – Scoring Summary for new capital bids 2014/17.

Appendix 3 – Schemes recommended for inclusion.

Appendix 4 – Proposed Capital Programme 2014/17.

Appendix 5 – Technical capital information on expenditure and funding.

REFERENCE MATERIAL

Prudential Code for Capital Finance in Local Authorities , CIPFA 2013.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Capital Programme 2013/16	18 February 2013
Cabinet - Capital Monitoring 2013/14 - since September 2012 reports have been presented on a monthly basis	Various

CAPITAL PROGRAMME PRIORITISATION EVALUATION CRITERIA

Scheme Title		(A) Score 1 to 5	(B) Multiplier	Weighted Score (A x B)
A	Direct Links to Council Themes (18%)			
1	Investing in our future		6	
2	Promoting independence		6	
3	Transforming the Council		6	
B: Outcomes (32%)				
1	Realistic and detailed time table with key events and dependencies rigorously addressed		5	
2	Realistic and clearly stated outcomes with achievable, measured outputs that the investment will produce.		15	
3	Demonstrates need for, benefits of and priority for investing and evaluation of alternate options.		12	
C: Finance (50%)				
1	Business case demonstrates achievable and realistic revenue savings.		15	
2	Attracts noticeable outside funding		20	
3	Accommodates all revenue borrowing or ongoing revenue running costs.		15	
OVERALL WEIGHTED SCORE				
(Scoring scheme: 1 poor, 2 below average, 3 average, 4 good, 5 very good)				
A scoring threshold of 300 has been used to determine those schemes to be recommended for inclusion in the Capital Programme.				

APPENDIX 2

Scoring Summary For New Capital Bids 2014-17

SCHEME	Comments	Total Score	Scheme Estimate			Total £000
			2014-15 £000	2015-16 £000	2016-17 £000	
Refurbishment of buildings to increase occupancy	Invest to Save plus capital receipts	462	1,500	1,750	750	4,000
Cleveland St. transport depot	Invest to Save plus capital receipts	452	1,000	2,500	0	3,500
Extra Care Housing	Invest to Save plus external garnt funding	435	500	1000	0	1,500
Energy efficiency initiatives	Invest to Save	403	500	500	0	1,000
Citizen and provider portal to social care and health	Grant funded	402	617	0	0	617
Aids & Adaptations/Disabled Facilities Grants	Replaces exisiting scheme	391	2,134	2,134	2,134	6,402
Empty property interventions	Continues existing scheme	381	102	102	102	306
Business investment grants	Continues existing scheme	369	300	300	300	900
Housing renewal	Replaces exisiting scheme	348	698	1,030	630	2,358
Elleray Park additional classrooms and reconfiguration	Contribution to grant funded scheme	322	500	500	0	1,000
Cemetery extensions and improvements	Health and safety, income generation	318	0	150	150	300
Preventative maintenance to unclassified roads	Invest to Save	306	500	0	0	500
School remodelling	Replaces exisiting scheme	300	750	750	750	2,250
Parks tennis courts improvements	To be funded from Cultural Services PPM Budget	0	0	0	0	0
Refurbishment of toilet provision within parks	To be funded from Cultural Services PPM Budget	0	0	0	0	0
Allotments site repairs and improvements	Included in Public Health Programme	0	0	0	0	0
Health and safety compliance (CYP)	To be funded from CYP PPM Budget	0	0	0	0	0
Wild about Wirral land use re-allocation	To be funded from revenue	0	0	0	0	0
Parks infrastructure repair and upgrade	To be funded from revenue	0	0	0	0	0
Play areas repair and upgrade	To be funded from revenue	0	0	0	0	0
			9,101	10,716	4,816	24,633

CAPITAL PROGRAMME 2014/17

SCHEMES RECOMMENDED FOR INCLUSION FOLLOWING EVALUATION

Project title and description
<p>Refurbish buildings to increase occupancy Will enable existing buildings to operate more efficiently, enable the vacation of various buildings that will reduce revenue costs and generate capital receipts. Is a key driver to enable the Council to continue to deliver efficiencies from office accommodation.</p>
<p>Cleveland St. Transport Depot To relocate various parks maintenance operations and the Salt Barn to the Cleveland St Depot. Will generate capital receipts and deliver revenue savings by eliminating current running, and future maintenance, costs.</p>
<p>Extra Care Housing Represents an extension of the current programme to develop extra care housing units in Wirral. Will contribute significantly to the shift required from residential and nursing care placements, to community based living options. The average weekly cost of residential or nursing placement is higher than the cost of support in an Extra Care unit. Would contribute to savings targets from Contracting and Commissioning.</p>
<p>Energy Efficiency Initiatives Will enable the identified buildings to operate more efficiently and deliver longer-term cost, energy and carbon benefits. The proposals will reduce revenue spend on energy and generate receipts from utility providers.</p>
<p>Citizen and Provider Portal to Social Care and Health A Citizen portal would enable Social Care customers and their families to provide assessments of their own needs, communicate via a structured channel with the Council. A (Market Place) Service Directory would enable boroughs to work collaboratively and efficiently manage the adult social care market. The installation of a Provider Portal, we could securely and safely enable all social care and health providers to submit their Actual costs and time spend delivering services throughout the pay period, invisibly and fully integrated to the new Care System (Phase 1). Provision of IT infrastructure for Residential and Nursing Care providers will allow contracted providers access to appropriate infrastructure to enable them to exchange information on line with the Council in a timely manner. Single View allows local public service partners an up to date snapshot of the person's circumstances, by way of the composite chronology of events. Enhanced Data Warehouse will improve ability to intelligently forecast demands for Adult Social Care and Health provision.</p>
<p>Aids & Adaptations/Disabled Facilities Grants Support the Authority to meet its statutory duty with regards to grant aiding the provision of essential aids & adaptations to give disabled persons better freedom of movement into and around their homes and to give access to essential facilities within the home.</p>

Empty Property Interventions

There are 6,389 vacant properties throughout Wirral, representing 4.4% of Wirral's total housing stock. More needs to be done to 'unlock' units of accommodation to help meet housing need, tackle homelessness and address environmental blight.

Business Investment Grants

The scheme is to provide business grants to both SMEs and non-SMEs in support of inward investment and indigenous investment capital projects. The projects assisted will have a clear and positive economic impact, e.g. the creation or safeguarding of high quality and sustainable jobs.

Housing Renewal

Will deliver a mixture of Home Repair Assistance and Renovation loans and Cosy Homes Heating Grants to assist low income vulnerable home owners with essential repairs and heating improvements to enable them to stay in their homes.

Will assist in securing the remaining property acquisitions and cover the Council's ongoing commitment, in relation to properties acquired for demolition and eventual housing redevelopment.

Elleray Park additional classrooms and reconfiguration

Elleray Park Special School currently 91 pupils on roll. Pupils have profound medical and learning difficulties. The school is very popular with parents and space is becoming a serious issue as numbers rise, the complexity of disability increases and the level of support rises. The scheme adds 3 classrooms, resource room, hygiene room, storage, relocates the kitchen, demolishes the former caretakers bungalow and undertakes external works.

Cemetery Extensions and Improvements

To extend Frankby and Landican Cemeteries to provide additional sections for full burials, cremated remains and a meadow section before the predicted capacity runs out. The works will comprise the following hard and soft landscaping and new access roads linked to the existing cemetery infrastructure. Additional capacity generates additional income.

Preventative maintenance to unclassified roads and residential streets

This project increase investment in the highway network to limit the further deterioration of minor roads, which otherwise would result in higher levels of reactive maintenance in response to actionable defects, higher levels of payments in response to claims against the Council for slips, trips and falls and higher cost capital investment in future years to repair roads with escalating deterioration in structural condition.

School Remodelling

There is a requirement for a flexible approach in providing adequate space which is suitable for the various neighbourhoods and educational demands. Capital funding will ensure that adequate resource is available to meet fluctuations in pupil numbers and suitability needs e.g. DDA, medical needs, team around the child meetings, out of hours provision etc. The project will create a suitable learning environment for some of the Borough's most vulnerable children, by ensuring they are safe and secure, have spaces for movement and play, creating an learning environment which will help them achieve their potential.

WIRRAL COUNCIL

PROPOSED CAPITAL PROGRAMME 2014/17

SUMMARY

	2014/15	2015/16	2016/17
	£000	£000	£000
Expenditure			
Universal/Infrastructure Services	4,673	5,050	750
Families & Wellbeing – Children	13,879	5,850	5,350
Families & Wellbeing – Adults	3,611	1,852	1,604
Families & Wellbeing – Sport & Recreation	1,000	1,000	0
Regeneration & Environment -Environment	9,160	150	150
Regeneration & Environment -Regeneration	9,951	3,566	3,166
Transformation & Resources	4,000	0	0
Public Health	401	0	0
Total Expenditure	46,675	17,468	11,020
Resources			
General Resources	22,217	9,824	4,376
Grants – Education	9,364	4,750	4,750
Grants – Local Sustainable Transport	676	0	0
Grants - Integrated Transport	1,514	0	0
Grants - Local Transport Plan	3,095	0	0
Grants – Other	9,519	2,894	1,894
Revenue Contributions	290	0	0
Total Identified Resources	46,675	17,468	11,020

General ResourcesBorrowing

TBA

TBA

TBA

Capital Receipts

TBA

TBA

TBA

Total General Resources

UNIVERSAL AND INFRASTRUCTURE SERVICES	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Building refurbishment to increase occupancy	1,500	1,750	750
Cleveland St Transport Depot	1,000	2,500	0
Energy efficiency Initiatives	500	500	0
Energy schemes	300	300	0
Structural/Roofing works - West Kirby Concourse	200	0	0
Demolish Stanley Special	275	0	0
Demolish Bebington Town Hall and Liscard Municipal	378	0	0
Demolish former Rock Ferry High	400	0	0
Demolish Foxfield	120	0	0
Total Expenditure	4,673	5,050	750
Resources			
Borrowing	4,673	5,050	750
Total Identified Resources	4,673	5,050	750

FAMILIES AND WELLBEING - CYP	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Elleray Park Special School redevelopment	500	500	0
School remodelling and additional classrooms	750	750	750
Children's centres	206	0	0
Vehicle Procurement	140	0	0
Condition/Modernisation	5,550	4,500	4,500
Family Support Scheme	155	100	100
Formula Capital Grant	1,978	0	0
Private Finance Initiative	150	0	0
Wirral Youth Zone	1,970	0	0
Funding for 2 year olds	130	0	0
Foxfield school contribution	1,000	0	0
Somerville primary school mobile replacement	1,350	0	0
Total Expenditure	13,879	5,850	5,350
Resources			
Borrowing	4,225	1,100	600
Revenue, reserve, contributions	290	0	0
Grant - Education	9,364	4,750	4,750
Total Identified Resources	13,879	5,850	5,350

FAMILIES AND WELLBEING - DASS	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Citizen and Provider Portal for Social and Health Services	617	0	0
Transformation of Day Service	750	0	0
Integrated IT Care System	1,200	0	0
LD extra care housing phase 1	544	852	1,604
LD extra care housing phase 2	500	1,000	0
Total Expenditure	3,611	1,852	1,604
Resources			
Borrowing	1,344	852	1,604
Grant - Other	2,267	1,000	0
Total Identified Resources	3,611	1,852	1,604
FAMILIES AND WELLBEING - SPORT & REC	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
West Kirby/Guinea Gap/Europa Pools	1,000	1,000	0
Total Expenditure	1,000	1,000	0
Resources			
Borrowing	1,000	1,000	0
Total Identified Resources	1,000	1,000	0
REGENERATION AND ENVIRONMENT - ENVIRONMENT	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Cemetery Extensions and Improvements	0	150	150
Preventative Maintenance to Unclassified Roads	500	0	0
Road Safety	1,230	0	0
Air Quality	374	0	0
Transportation	144	0	0
Local Sustainable Transport Fund	676	0	0
Bridges	430	0	0
Highways Maintenance	2,855	0	0
Additional Highways Maintenance Funding (LTP grant)	279	0	0
Coast Protection	50	0	0
Asset Management	84	0	0
Parks Plant and Equipment	628	0	0
Parks vehicles replacement	600	0	0
Park depot rationalisation	1,310	0	0
Total Expenditure	9,160	150	150

Resources

Borrowing	3,526	150	150
Grant - Integrated Transport	1,514	0	0
Grant - Local Sustainable Transport	676	0	0
Grant - Local Transport	3,235	0	0
Grant - Other	209	0	0
Total Identified Resources	9,160	150	150

REGENERATION AND ENVIRONMENT - REGENERATION**Expenditure**

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Aids, Adaptations and Disabled Facility Grants	3,377	2,134	2,134
Empty Property Interventions	102	102	102
Business Investment Grants	300	300	300
Housing Renewal	698	1,030	630
Other Regional Growth Fund Schemes	4,017	0	0
New Brighton	1,162	0	0
Cosy Homes Heating	30	0	0
The Priory	265	0	0
Total Expenditure	9,951	3,566	3,166

Resources

Borrowing	3,449	1,672	1,272
Grant - Other	6,502	1,894	1,894
Total Identified Resources	9,951	3,566	3,166

TRANSFORMATION & RESOURCES**Expenditure**

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
I.T Development	4,000	0	0
Total Expenditure	4,000	0	0

Resources

Borrowing	4,000	0	0
Total Identified Resources	4,000	0	0

PUBLIC HEALTH	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Allotments	168	0	0
Start Active, Play Active, Stay active	220	0	0
Wirral Way - widening and safety improvements	13	0	0
Total Expenditure	401	0	0
Resources			
Grant - Other	401	0	0
Total Identified Resources	401	0	0

TECHNICAL DETAILS

1.0 CAPITAL EXPENDITURE

- 1.1 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure incurred on the creation, purchase or enhancement of a tangible asset required over the long term to carry out the activities of an organisation. Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue. The Local Government Act 2003 amended the definition to allow expenditure on computer software and on the making of loans or grants for capital expenditure by another body to be treated as the capital expenditure of a local authority.
- 1.2 Local Authorities can also apply to the Secretary of State for a determination to re-classify revenue spend as capital spend based upon a Capitalisation Direction. Whilst the Government are proposing changes over the use of capital receipts from 2015/16 so they can be used to transform and reform services the use of capital receipts in this way will still be subject to Secretary of State approval.

2.0 SOURCES OF CAPITAL FUNDING

- 2.1 There are a variety of different sources of capital funding, each having different complications and risks attached.

Borrowing

- 2.2 The Prudential Capital Finance system allows local authorities to borrow for capital expenditure without Government consent, provided it is affordable. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.
- 2.3 As a guide, borrowing incurs a revenue cost of approximately 8% of the loan each year, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual revenue cost i.e. for every £1 million of borrowing our revenue borrowing costs are around £0.8 million.
- 2.4 The Government has given Local Authorities greater freedom in the way they provide for their debts. Local Authorities have to earmark revenues each year as provision for repaying debts incurred on capital projects. When the MRP regime changed on 31 March 2008 it became a duty on each local authority to make provision for debt which the local authority considers prudent.

- 2.5 The Council has determined that the most prudent method of earmarking revenues to repay unsupported borrowing is by matching the debt repaid each year to the life of the asset which the borrowing helped to finance. As an example, if the Council borrowed £5 million to build a new asset with a life of 20 years then revenue costs would be £0.25 million each year for 20 years plus the interest cost of the borrowing.

Grants

- 2.6 The challenging financial environment means that national government grants are reducing, or changing in nature. A large proportion of this funding is currently unringfenced which means it is not tied to particular projects but it is often tied to a particular area such as education or highways so we do not have complete freedom on where to spend our grants. Our aim is to use only up to the level of grant provided and we will not use unsupported borrowing to 'top up'. However, we must also meet our statutory obligations and where the grant is not sufficient, other sources of funding will be sought to fund the gap.

Capital Receipts

- 2.7 Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes / Magenta Living for the sharing of receipts from sales of former Council houses. Receipts are critical to delivering our capital programme and reducing the level of borrowing we require.

Revenue / Other Contributions

- 2.8 The Prudential Code allows for the use of additional revenue resources within agreed parameters. Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools.