



COUNCILLOR PHIL DAVIES

CABINET
20 FEBRUARY 2017
CAPITAL PROGRAMME
AND FINANCING 2017/20

Councillor Phil Davies (Leader of the Council) said:

“Our Capital Programme is about investing in Wirral’s future – improving the infrastructure in the borough, helping residents enjoy better flood protection, transport and highways and improving our schools.

The Capital Programme will also help us meet our financial challenge by generating additional income through seeking investment opportunities and realising major savings by supporting transformation projects to redesign how services are delivered.”

REPORT SUMMARY

This report provides Cabinet with the draft Capital Programme 2017/20 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2017/20 Capital Programme therefore represents a combination of Schemes originally approved as part of the 2016/19 Programme and updated through the Capital Monitoring reports in 2016/17 and new bids for inclusion as detailed in this report. This also includes the new themes around the Transformation Programme and the acquisition of investment properties.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1. That the new bids as detailed in Appendix 2 be approved.
2. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.
3. That Cabinet recommend to Council for approval the Capital Programme 2017/20 (as detailed in Appendix 3.
4. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangement.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 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.
- 1.2 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.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 For a scheme to be included in the Capital Programme it must be supported by a Business Case which includes consideration of alternative options and has been reviewed by the Assets and Capital Group.

3.0 BACKGROUND INFORMATION

CAPITAL STRATEGY

- 3.1 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.

ASSETS AND CAPITAL GROUP (ACG)

- 3.2 This Officer Group was re-established during 2013 to improve the co-ordination and management of the Capital Programme with its remit extended to include the Council's asset portfolio. The Group includes representatives from all Directorates and the Terms of Reference include:-
- Review of the Capital Strategy and policies relating to capital.
 - Review and recommend new schemes for inclusion in the Programme.
 - Manage the delivery of the approved Capital Programme.

CAPITAL PROGRAMME

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

- 3.4 Government announcements may include grant support for specific themes but other investment is based upon affordability. When determining previous programmes, where possible, schemes have been funded through generating capital receipts to minimise the need for borrowing. The Autumn Statement 2015 introduced an additional flexibility as receipts generated between 1 April 2016 and 31 March 2019 can now be used to fund Transformation Programmes. This is fundamental if the Council is to deliver the changes and required savings having first call on those allowable capital receipts. Any new schemes not funded by grant will be funded from borrowing which does generate a revenue cost.

NEW SUBMISSIONS

- 3.5 In order to manage demand within the financial constraints there has to be a means to prioritise investment. Criteria have been developed to provide an initial assessment of any capital bids to ensure the Programme is either targeted to Council priority areas or fulfils statutory obligations. Individual bids are scrutinised by the ACG and form the basis for making recommendations to Cabinet as to which could be included in the Capital Programme.
- 3.6 The ACG challenged the justification and deliverability of the submissions (with the aim of reducing significant re-profiling of schemes and minimising the level of new borrowing required) prior to reviewing against the prioritisation criteria.
- 3.7 There were a number of bids relating to sports centres, libraries and the Williamson Art Gallery. Pending the outcome of the current review of leisure and cultural services these schemes are not included in the proposed Programme in Table 3. However, details can be found in the Appendix 2.

TRANSFORMATION PROGRAMME

- 3.8 The Programme contains projects which are key to successfully delivering services differently over the coming years in the areas of Assets, Customers and Children's Services. This encompasses schemes which reduce demand and costs to the Council and public sector partners and / or generate savings in the delivery of public services. These can be achieved through such as service re-configuration or re-structuring or establishing Alternative Delivery Models. The Programme is funded through the flexibilities regarding Capital Receipts with the projects delivering future financial benefits which have been incorporated into the Budget 2017/18 and Medium Term Financial Strategy.
- 3.9 Within Children's Services this is to transform the quality of social work provision, leadership and performance for which additional capacity is required in order to safely manage the change and also ensure that intervention is at an earlier stage. This investment will decline in future years whilst delivering benefits through the management of future demand.

COMMERCIAL OPPORTUNITIES

- 3.10 The Council presently has a number of investment properties such as industrial units which generate an income stream. Like other local authorities the Council is identifying opportunities to increase income and the acquisition of properties can meet this aim as well as enhancing the progression of strategic developments across the borough. The expectation is that the revenue from the acquired assets will provide income in excess of the running costs, including any borrowing costs.
- 3.11 The Council is working with partners to provide access to funding to provide the investment that will deliver future savings. The initiative for 2017/18 relates to an arrangement with the waste contractor whereby the Council sources the investment for the acquisition of waste vehicles. This then delivers both a return on the investment and a reduction in the contract.

WIRRAL WATERS INVESTMENT FUND

- 3.12 Regulations allow for any business rates growth within the Enterprise Zone (EZ) to be re-invested to stimulate further development. This growth can be used to access and fund borrowing to increase investment within the Wirral Waters element of the Merseywaters EZ in order to bring forward development more quickly and to promote further growth. The borrowing costs are funded from the increase in Business Rates that will be generated.

2017/20 CAPITAL PROGRAMME

- 3.13 The 2017/20 Capital Programme therefore represents a combination of:-
- a) Schemes approved as part of the 2016/19 Programme and updated through the Capital Monitoring reports in 2016/17. The latest position updates the Quarter 3 position to include the indicative Highway Structural Maintenance funding for each of the three years.

Table 1: Capital Programme (per previous monitoring reports)

Analysis of Capital Programme	2017/18	2018/19	2019/20
	£000	£000	£000
Business	14,963	300	0
Environment	11,021	2,470	470
People	12,250	4,000	0
Total Expenditure	38,234	6,770	470
Financing			
Unsupported borrowing	17,006	3,770	470
Capital receipts	1,937	0	0
Grants	19,141	0	0
Revenue/reserves	150	3,000	0
Total Financing	38,234	6,770	470

- b) New bids for consideration at this meeting. The emphasis has been to ensure that these support the delivery of the Wirral Plan and the 20 Pledges. Appendix 1 details the criteria against which schemes were scored and Appendix 2 provides a summary of each scheme.

Table 2: New bids for inclusion in the Programme

New Bids by Theme	2017/18	2018/19	2019/20
	£000	£000	£000
Business	17,797	18,200	18,200
Environment	5,748	0	0
Transformation Programme	15,740	TBC	TBC
Total	39,285	18,200	18,200

- 3.14 The proposed Capital Programme combines Tables 1 and 2 together with an estimate for grant to be received for Schools Modernisation and Basic Needs of £3.3 million in 2018/19 and 2019/20. The detail can be found in Appendix 3.

Table 3: Proposed Capital Programme 2017/20

Proposed Capital Programmer	2017/18	2018/19	2019/20
	£000	£000	£000
Business	32,760	18,500	18,200
Environment	16,769	2,470	470
People	12,250	7,300	3,300
Transformation Programme	15,740	TBC	TBC
Total Expenditure	77,519	28,270	21,970
Financing			
Unsupported Borrowing	35,121	13,770	10,470
Capital Receipts	17,677	0	0
Grants	20,571	9,500	6,500
Business Rates	4,000	5,000	5,000
Revenue/Reserves	150	0	0
Total Funding	77,519	28,270	21,970

Note : Unsupported Borrowing includes the Investment in Properties for which the borrowing costs will be met from the resulting income stream.

- 3.15 In forecasting a 3 year Programme it is recognised that there are many variables and factors that will impact on future requirements. The Programme will be subject to regular review to ensure the most effective use of resources whilst providing the opportunity to update agreed schemes and add any new schemes which will arise as new funding is identified and delivery plans are developed along with Council partners.

CAPITAL RECEIPTS

- 3.16 Available capital receipts at 1 April 2016 were £8.047 million. Table 4 assumes the proposed spend in Table 3 is agreed.
- 3.17 Additional flexibilities regarding the use of receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019, excluding Right-To-Buy receipts, can be used to fund Transformation provided the Council has agreed a Transformation Programme setting out the projects, costs and deliverable benefits / savings
- 3.18 A fundamental review of the Council's asset portfolio is currently being undertaken. It is intended that this will highlight those assets that Members may wish to consider for disposal, a critical decision given the funding of the Transformation Programme is reliant upon the generation of capital receipts. Tables 4 and 5 split the Receipts based upon the Flexibility arrangements.

Table 4: Projected Capital Receipts for traditional capital schemes

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Capital Receipts Reserve	8,047	1,937	400	800
In - Receipts Assumption	454	400	400	3,900
Out - Funding (Capital)	-6,564	-1,937	TBC	TBC
Closing Balance	1,937	400	800	4,700

- 3.19 In respect of the major receipts. For Manor Drive the Council should receive £2.2 million in 2017/18 with a similar amount in 2018/19. The sale of Acre Lane is now likely to occur in summer 2017 and the first receipt of £3.5 million received with similar amounts for 2018/19 and 2019/20. No account has been taken for any potential receipt from the former Rock Ferry High School.
- 3.20 The in-year receipts are based on the latest known projections which accord to £7.085 million. The required target for 2017/18 is in the region of £15.3 million with 2018/19 subject to review as the Transformation Programme requirements have still to be confirmed for 2018/19.

Table 5: Projected Capital Receipts for the Transformation Programme

	2016/17	2017/18	2018/19
	£000	£000	£000
Capital Receipts Reserve	0	500	60
In - Receipts Assumption	500	15,300	5,700
Out - Funding Transformation	0	-15,740	TBC
Closing Balance	500	60	5,760

4.0 FINANCIAL IMPLICATIONS

- 4.1 The proposed 2017/20 Capital Programme is a combination of the currently approved Capital Programme and New Bids. As the Programme stands this will require a maximum of £29.3 million unsupported borrowing from 2017/18 to 2019/20.
- 4.2 The revenue borrowing costs associated with any re-profiled schemes had already been included in the 2016/17 and subsequent revenue budgets and therefore do not represent an additional requirement.
- 4.3 The spend and funding of the Capital Programme are linked to Treasury Management. With the low interest available for investments the policy of temporary borrowing from positive internal cash flows has been continued. This policy, and the re-profiling of the Programme, defers the need for external borrowing delivering in-year savings but is not sustainable in the medium term.
- 4.4 As Capital Receipts will be used to fund the Transformation Programme and the investment in properties is assumed to be self-funding the net cumulative revenue impact of additional borrowing required to fund new bids is:

Table 6 : Additional borrowing requirement to fund new bids

	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
Additional Revenue cost	140	610	610	610

- 4.5 The Budget 2017/18 includes a reduction of £2 million in capital financing costs. The Budget projections reflect the additional revenue costs resulting from the proposed Programme for 2017/18 as well as covering costs associated with the probability that the process of internal borrowing will have to be reversed as reserves are reduced or when there are likely significant increases to interest rates. As these projections might change during the year the Programme and related Prudential Indicators will be updated.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 The Programme is about investment into the Council assets so does include schemes relating to IT and assets.

7.0 RELEVANT RISKS

- 7.1 The Programme will not be delivered as projected. This could see individual schemes progressing ahead of, or being behind, the projected timetable. The regular monitoring and reporting of the Programme allows actions to be taken to manage the financial position.
- 7.2 Capital receipts are below the level estimated. Regular reporting to ACG on progress of asset disposals allows the Capital Programme to be reviewed should this eventuality arise.
- 7.3 Interest rates increase to a level greater than budgeted for. Regular monitoring of economic forecasts should assist in determining the best time to borrow to fund the Programme.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 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.

9.0 EQUALITY 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.

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APPENDICES

- Appendix 1 – Scoring mechanism for assessing capital bids.
Appendix 2 – Summary of new capital bids 2017/20.
Appendix 3 – Proposed Capital Programme 2017/18 to 2019/20.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Capital Programme 2016/19	22 February 2016
Council – Capital Programme 2016/19	3 March 2016
Cabinet / Council - Capital Monitoring 2016/17	Quarterly reports

CAPITAL PROGRAMME 2017/20

SCORING MECHANISM FOR ASSESSING CAPITAL BIDS

Scheme Title	Score 1-10	Multiplier	Weighted Score
Essential Health & Safety Is there a clearly identifiable requirement to meet essential health and safety or DDA obligations?	10	20	
Objectives and outputs Are the stated objectives specific, measurable, achievable and realistic? Have any outputs been quantified? Have any project constraints been assessed and full consideration given to addressing these? Will not doing the scheme result in a significant drop in the level of service the Council provides?	10 10 10 10	5 5 5 5	
Identification of Alternative Options Have alternative options been fully considered with detailed reasons for rejection evidenced?	10	5	
Finance Business case demonstrates achievable/realistic revenue savings OR generates additional income If yes, score by comparing to the cost of borrowing In which year are revenue savings first anticipate? The scheme requires additional revenue resources over and above capital financing costs Does the scheme receive specific funding from external sources?	10 10 20 10 10	10 10 10 10 10	
Risk Have risks been properly identified and scored?	10	10	
Overall Weighted Score			xxxx

**Scoring Summary and Scheme estimates
New Capital Bids 2017-20 for inclusion**

SCHEME	Comments	Total Scheme Estimate £000
Waste vehicles	Invest to save and increased efficiency.	5,686
Sailing craft purchase - Wirral Sailing Centre	Income generation	62
Thermal mapping	Invest to save/reduce running costs	42
Transformation Programme	Relates to the flexible use of capital receipts. Inward investment. Borrowing costs funded from Business Rates	15,740
Wirral Waters Investment Fund	Investment in Assets to provide income return	14,000
Acquisition of Property Assets	Income generation - subject to proposed saving being agreed	30,000
Car parking pay and display machines	Grant funded - no financing costs	900
Integrated Transport	Grant funded - no financing costs	1,160
Pothole Action Fund	Grant funded - no financing costs	270
Structural Maintenance Programme	Grant funded - no financing costs	9,600
Street lighting column replacement	Health and safety essential replacement/maintenance	500
Dock bridges replacement	To ensure success of the existing replacement scheme	700
Webcasting/audio/electronic voting replacement	Webcasting for committee meetings. Transparency agenda	225
	Total Capital Cost of New Bids	78,885
New Capital Bids 2017-20 relating to the leisure and cultural review		
Europa Pools refurbishment	Income generation	2,500
Arrowe Park golf improvements	Income generation	650
Tennis Centre refurbishment	Income generation	1,340
Williamson Art Gallery refresh and repair	Maintain Accredited Museum Status, small income increase	350
Beechwood Leisure Centre remedial works	Upgrade to ensure sustainability	500
Bebington Central Library refurbishment and repair	Improvements to the building fabric	1,219
Birkenhead Central Library redevelopment and refurbishment	Improvements to the building fabric	467
Wallasey Central Library redevelopment and refurbishment	Improvements to the building fabric	196
	Total Capital Cost of New Bids	7,222

PROPOSED CAPITAL PROGRAMME 2017/18 TO 2019/20

APPENDIX 3

	2017/18	2018/19	2019/20
SUMMARY	£000	£000	£000
Overall Programme			
Business	32,760	18,500	18,200
Environment	16,769	2,470	470
People	12,250	7,300	3,300
Transformation Programme	15,740	TBC	TBC
Total Programme	77,519	28,270	21,970
Funding			
Unsupported borrowing	35,121	13,770	10,470
Capital Receipts	17,677	-	-
Grants	20,571	9,500	6,500
Business Rates (Wirral Waters only - ringfenced)	4,000	5,000	5,000
Revenue/reserves	150	-	-
Total Resources	77,519	28,270	21,970

	2017/18	2018/19	2019/20
Business	£000	£000	£000
Building refurbishment to increase occupancy	1,320	-	-
Fund to assist land assembly and resale	470	-	-
Cleveland Street Transport Depot	492	-	-
Demolish Bebington Town Hall	316	-	-
Demolish former Rock Ferry High School	213	-	-
Treasury Building	510	-	-
Industrial estates	150	-	-
Millennium Centre remodelling	555	-	-
Structural maintenance	3,200	3,200	3,200
Transport for Growth	565	-	-
Coast protection	230	-	-
East Float access	295	-	-
Dock Bridges replacement	5,510	-	-
Preventative maintenance to unclassified/residential streets	500	-	-
Replace highways grass cutting machinery	300	-	-
Business Investment Grants	737	-	-
Growth Fund	300	300	-
Webcasting	225	-	-
Thermal mapping/weather station upgrade	42	-	-
Integrated Transport	1,160	-	-
Pothole Action Fund	270	-	-
Street Lighting column replacement	500	-	-
Parking machines (subject to decision on savings proposal)	900	-	-
Investment in Properties	10,000	10,000	10,000
Wirral Waters Investment Fund	4,000	5,000	5,000
Total Programme	32,760	18,500	18,200

	2017/18	2018/19	2019/20
Environment	£000	£000	£000
Park depot rationalisation	350	-	-
Transport Museum	190	-	-
Flaybrick Cemetery	100	-	-
Soft play areas- leisure centres	300	-	-
West Kirby Marine Lake integrated accommodation	875	-	-
Leasowe leisure centre outdoor 3G pitches	820	-	-
The Oval redevelopment	179	-	-
West Kirby flood alleviation	1,850	-	-
Aids/adaptations and DFG	2,269	2,000	-
Housing renewal	470	470	470
Restore empty homes	374	-	-
Clearance	1,241	-	-
Home Improvement	531	-	-
New house building programme	472	-	-
Housing infrastructure fund	1,000	-	-
Wirral Sailing Centre sailing craft	62	-	-
Waste vehicles acquisition	5,686	-	-
Total Programme	16,769	2,470	470

	2017/18	2018/19	2019/20
People	£000	£000	£000
Pensby Wood day service remodelling/additional classrooms	1,532	-	-
Family support scheme	191	-	-
Stanley Special additional classrooms etc.	132	-	-
School condition allocation ****	3,583	2,500	2,500
Basic Needs ****	2,135	800	800
Primary Places	2,877	-	-
Community Intermediate Care	400	-	-
Extra Care housing	1,400	1,000	-
Extra Care housing (learning disabilities)	-	3,000	-
Total Programme	12,250	7,300	3,300

**** Grant allocation for 2018/19 and 2019/20 will be announced during 2017/18. Estimated figures used.

	2017/18	2018/19	2019/20
Transformation Programme	£000	£000	£000
Transformation Programme – Assets and Customers	5,740	TBC	TBC
Transformation Programme – Children’s Services	10,000	TBC	TBC
Total Programme (funded from capital receipts)	15,740	-	-