

CABINET**25 NOVEMBER 2019****QUARTER 2 2019/20 CAPITAL FINANCIAL MONITORING**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

“We are making major investments in Wirral this year – improving infrastructure, supporting business growth and improving the public realm and local environment which residents are rightly proud of.

This report demonstrates this investment, it provides a helpful overview of our progress, and makes it clear that we are using the resources available to us to their best effect to help improve services, environment and opportunities for local people”.

REPORT SUMMARY

The report provides an update on the progress of the Capital Programme 2019/20 at the end of September 2019. It recommends that Cabinet agree the 2019/20 Capital Programme of £52.889 million which takes account of re-profiling, additional funding requirements and grant variations identified since June.

This matter is a key decision which affects all Wards within the Borough.

RECOMMENDATION/S**Capital**

- 1 That Cabinet recommend to Council the approval of additional funding for the schemes referred to in paragraph 3.3.
- 2 That Cabinet recommend to Council the approval of the revised Capital Programme of £55.889 million for 2019-20.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular monitoring and reporting of the Capital Programme enable decisions to be taken faster which may produce revenue benefits and will improve financial control in Wirral Council.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Capital Programme 2019/20 Position by Directorate

Table 1: Wirral Council 2019/20 Full Year Capital Budget and Forecast Position

	Full Year			
	Budget £m	Forecast £m	Variance £m %	
Adult Care & Health	6.747	2.114	4.633	69%
Children	6.255	7.837	(1.582)	-25%
Business Management	12.915	10.895	2.020	16%
Economic Housing Growth	27.712	6.076	21.636	78%
Delivery	36.454	25.967	10.487	29%
Organisational Total	90.083	52.889	37.194	41%

NB: the full detail of scheme performance is in Appendix 1

- 3.1.1 Table 1 provides an update on the 2019/20 capital Programme. A number of significant variations have arisen since the programme was agreed in March 2019. These include the inclusion of additional grant funded schemes, variations to spend forecasts and the re-profiling of expenditure into and out of the 2019/20 financial year. Further detail is provided below.

3.1.2 Adult Care and Health

- Alcohol Treatment (£0.406m increase): Part of an overall grant of £6 million allocated to 23 authorities. The aim is to assist local authorities to prioritise alcohol treatment, invest in equipment and facilities and ensure that treatment expertise is enhanced to better meet the needs of people with alcohol problems.
- Learning Disability Extra Care Housing (£3.0m decrease): Demand is less than expected due to the private sector finding alternative funding sources to back their developments such as through the supported living regime.
- Extra Care Housing (£2.11m decrease): Two Extra Care developments which have been awarded Council grant are currently on site. Barncroft is scheduled for completion in January 2020 and will provide 21 units of Extra Care and the Woodpecker Close site is scheduled for completion in September 2020, providing 78 units. No other developments are planned for this year.

3.1.3 Children

- Basic Needs (£1.133m increase): An additional grant allocation was notified in May.

3.1.4 Business Management

- Tower Road National Productivity Investment Fund (£0.51m decrease): Design and procurement of the scheme have taken longer than originally anticipated. Contractor has yet to be appointed.
- Key Route Network: Funding brought forward from 2018/19 (£0.3m increase). Additional costs will be incurred in respect of cabling on the A41. Transfer from the savings on the street lighting budget (£0.6m increase).
- TAG Feasibility Studies: Additional grant funding was approved by the Combined Authority on 26th July 2019. The A41 North Corridor scheme (£0.65m increase) and the Wirral Waters scheme (£0.53m increase).
- Sustainable Transport: Funding brought forward from 2018/19 (£0.47m increase)
- Windows 10: the programme to provide all staff with the latest Operating System (Windows 10) and additional software to enable agile working is continuing. Three additional areas of work have been identified: Computer Aided Design and Geographical Information Systems; schools installations; the additional demand for docked type monitors. The net additional requirement for this year (£0.35m) can be funded from savings anticipated in the Digital Corporate Storage scheme.
- Digital Corporate Storage: A reassessment of the budget requirement indicates that costs will be less than anticipated with some of these savings utilised to fund the additional schemes referred to above in the Windows 10 project (decrease £0.46m)
- Enterprise Resource Planning: soft market testing has been undertaken and suppliers have profiled their cloud based offer. We are now approaching the procurement phase but the significant costs will only start to be incurred in the following financial year (decrease £4.1m).

3.1.5 Economic and Housing Growth

- Investment in properties: Costs with respect to the acquisition of specific properties relating to regeneration have been included in the current year projections with other schemes anticipated to commence in 2020-21 (decrease £8.60)
- Wirral Waters Investment Fund: the Marine Energy Automotive Park project does not yet have planning permission and therefore, it is anticipated that it will commence in the last quarter of this financial year at the earliest. Anticipated spend £0.375m (decrease £5.62m).
- Housing Infrastructure Fund Marginal Viability: part of Homes England grant of £6m for infrastructure, land remediation, public realm works and utilities provision at Northbank, Wirral Waters. Estimated grant drawdown this year is £1m with the balance reprofiled into 2020/21 (decrease £2.0m).
- Community Bank: A due diligence exercise will review the case to establish a North West Regional Community Bank covering Cumbria, Lancashire and Merseyside. Depending on the outcome the majority of the Council's contribution will not be required this financial year (decrease £4.25m).
- New Ferry Regeneration Strategic Acquisitions: 25 properties have been identified for acquisition with 4 completed to date. Not all those identified will be completed this year (decrease £0.7m).

3.1.6 Delivery

- Transport for Growth: Adjustment to Integrated Transport grant allocation £1.1m and balance of funding brought forward from 2018/19 (increase £2.10m).
- Aids, adaptations and DFGs: Substantial additional grant funding was included in the original budget. In May the Council received a further £4.3m. A realistic level of grant

allocation is estimated to be £2.5m based on applications and resources available. The balance of funding has been re-profiled into 2020/21 (decrease £3.33m).

- West Kirby flood defence: The expected tender period is December and January with appointment in February. Start on site will not be until the end of the financial year so apart from the ongoing consulting costs and some preliminary site work there will not be any significant capital outlay (decrease £2.37m).
- LED street lighting/column replacement: Contract awarded in September, works commencing October. Majority of expenditure will be incurred December onwards (decrease £5.47m).
- Leasowe Leisure Centre/Evolutions: Various design options are still being considered in order to provide the most economical and effective solution. The scheme itself is unlikely to start until the new financial year (decrease £1.0m)

3.2 Capital Funding Requirements

Table 2: Financing the Capital Programme 2019/20

Capital Programme Financing	Capital Strategy	Revised Programme
	£m	£m
Borrowing	53.443	30.477
Grants / Loans	30.640	22.037
Capital Receipts	0.000	0.000
Business Rates (Wirral Waters, ringfenced)	6.000	0.375
Total	90.083	52.889

3.2.1 Any re-profiling that reduces borrowing will produce one-off revenue savings. A permanent saving only occurs if schemes cease, otherwise the full budget will be required in 2020-21 when the re-profiled expenditure is incurred.

3.2.2 The Public Works Loans Board (PWLB) has announced a 1% increase in the rate of borrowing. The current capital programme includes a funding requirement of £30 million from borrowing, the full year impact of this will therefore increase financing costs by £300,000 per annum. There will be an increased cost of financing for future capital schemes financed by PWLB borrowing. These costs impact upon the revenue budget but will mainly be incurred from 2020/21.

3.3 Recommendations for Approval to Full Council

3.3.1 Capitalisation in order to achieve revenue savings (£0.317m)

- A full organisational review is in place to identify items which are capital items, but have been funded in the revenue accounts, so that these can be capitalised, which is within the capital guidance. The associated annual borrowing costs can be accommodated with the existing revenue Treasury Management budget.

3.3.2 Birkenhead Town Hall kitchen health and safety works (£0.090m)

- The electrical supply in the kitchen needs to be renewed completely and a new extractor fan installed. The flooring needs to be renewed and up to date kitchen equipment installed.

3.3.3 Studio Refurbishment Les Mills classes (£0.216m)

- This represents a new capital invest to save bid. Group fitness is part of the Invigor8 membership and available to casual (pay-and-play) customers. A quality group fitness offer would not only act as a sales tool, but also as a key retention tool to reduce the attrition rate of current Invigor8 members. Loss making classes will be removed and some replaced with industry leading classes to transform our offer into an income generating programme and provide the right classes for our residents. The intention is to introduce the Les Mills virtual classes brand and to reduce the diversity of fitness classes provided with those remaining categorised into more consumer-friendly groups. At the same time upgrade the cycling and main studios at four leisure centres to incorporate virtual sessions and introduce Les Mills “The Trip” to the Tennis Centre.

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn and progress against the capital Programme. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported monthly at each Directorate Management Team and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

5.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 The possible failure to deliver the Revenue Budget is being mitigated by:
- (i) Senior Leadership / Directorate Teams regularly reviewing the financial position.
 - (ii) Availability of General Fund Balances.
 - (iii) Acceleration of 2020/21
- 7.2 The possibility of failure to deliver the Capital Programme will be mitigated by the monthly review by a senior group of officers, charged with improving performance.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 No because this report is essentially a monitoring report on financial performance.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report has no impact on emissions of CO2

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APPENDICES

Appendix 1 - 2019/20 Significant variations to the 2019/20 Capital programme

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council	4th March 2019
Council Meeting	2nd September 2019

Appendix 1 – 2019/20 Significant variations to the 2019/20 Capital programme

	Original Budget 2019/20	Forecast Outturn 2019/20	Variance	Commentary
	£000	£000	£000	
Business Management				
Tower Road National Productivity Investment Fund	2,700	2,188	-512	Design and procurement of the scheme have taken longer than originally anticipated. Contractor has yet to be appointed
Sustainable Transport Enhancement Programme (STEP)	393	863	470	The variance is accounted for by funding brought forward from 2018/19
Key Route Network	2,964	3,878	914	Funding brought forward from 2018/19 (£0.3m). Additional costs will be incurred in respect of cabling on the A41 which can be funded from savings on the street lighting contract.
Transport Advisory Group Feasibility Studies A41 Corridor and Wirral Waters		1,189	1,189	Additional grant funding was approved by the Combined Authority on 26th July 2019. The A41 North Corridor scheme (£0.651m) and the Wirral Waters scheme (£0.538m).
Windows 10 Rollout	608	958	350	Three additional areas of work have become apparent: Computer Aided Design and Geographical Information Systems replacement; delivering the schools installations has required additional staffing resources; additional demand for the new docked type monitors. The additional

				requirement can be funded from savings anticipated in the digital Corporate Storage scheme.
Digital Corporate Storage upgrade & refresh technologies	1,225	761	-464	A reassessment of the budget requirement indicates that costs will be less than anticipated with some of these savings utilised to fund the additional schemes referred to above in the Windows 10 project
Enterprise Resource Planning (ERP)	4,340	240	-4,100	Soft market testing has been undertaken and following this, suppliers have profiled their cloud based offer to provide greater benefits to our business. The scheme is now approaching the procurement phase but the significant costs will only start to be incurred in the following financial year.
Delivery Services				
Transport for Growth	557	2,659	2,102	Adjustment to Integrated Transport grant allocation £1.1m and balance of funding brought forward from 2018/19
Bridges	551	816	265	Funding brought forward from 2018/19, primarily the balance of funding for Lingham Lane
LED street lighting/ column Replacement	7,102	1,624	-5,478	Contract awarded in September, works commencing October. Majority of expenditure will be incurred December onwards.
West Kirby Flood alleviation	2,854	486	-2,368	The expected tender period is December and January with appointment in February. Start on site will not be until the end of the financial year so apart from the ongoing consulting costs and some preliminary site work there will not be any significant capital outlay.

Aids to navigation	800	80	-720	Contract awarded in June. Estimated costs of design work in 2019/20 are £80,000. The remainder reprofiled as work cannot be undertaken during the bird breeding season coupled with the fact that there is a short weather window during which work can be undertaken. Work will commence in April 2020
Eastham Youth Hub		442	442	Work has been ongoing for a number of years on a scheme to relocate Eastham Youth Club to a new facility co-located with Anselmians' Rugby Club. The funding was approved by Council on 14 th October 2019
Aids, Adaptations and Disabled Facility Grants	5,834	2,500	-3,334	Substantial additional grant funding was included in the original budget. In May the Council received a further £4.3m. A realistic level of grant allocation is estimated to be £2.5m based on applications and resources available. The balance of funding has been re-profiled into 2020/21.
Leasowe Leisure Centre/Evolutions	1,000	0	-1,000	Various design options are still being considered in order to provide the most economical and effective solution. The scheme itself is unlikely to start until the new financial year.
Parks Machinery and Vehicles	1,875	0	-1,875	The budget represents the first year estimate of a 3 year rolling programme to update parks machinery and vehicles. Given the scale of the overall investment required (£3.9m) the programme has been deferred for further consideration.

Economic and Housing Growth				
Wirral Waters Investment Fund	6,000	375	-5,625	The Marine Energy Automotive Park project (£1.5m) does not yet have planning permission and therefore, it is anticipated that it will commence in the last quarter of this financial year at the earliest. The Green/Civilised Streets project was reported to Cabinet On 30 th September, seeking £400,000 of financial support for infrastructure improvement at Tower Road, Birkenhead. Funding will be required in 2020/21.
Housing Infrastructure Fund Marginal Viability	3,000	1,000	-2,000	Part of Homes England grant of £6m for infrastructure, land remediation, public realm works and utilities provision at Northbank, Wirral Waters. Estimated grant drawdown this year is £1m with the balance reprofiled into 2020/21.
Business Investment Fund	1,306	1,036	-270	8 bids have been received for financial assistance from this fund with the latest estimate for likely approval from this year's allocation being £1.036 million.
New Ferry Regeneration Strategic Acquisitions	1,300	600	-700	25 properties have been identified for acquisition with 4 completed to date. Not all those identified will be completed this year.
Investment in Properties	10,106	1,500	-8,606	Closely linked to the progressing Wirral Growth Company it is intended to fund potential acquisitions. Costs in respect of Milton Pavement have been included in the current year projections with other schemes anticipated to commence in 2020/21.

Community Bank	5,000	750	-4,250	A due diligence exercise will review the case to establish a North West Regional Community Bank covering Cumbria, Lancashire and Merseyside. Depending on the outcome the majority of the Council's contribution will not be required this financial year.
Adult Care and Health				
Alcohol Treatment Capital Fund		406	406	Part of an overall grant of £6 million allocated to 23 authorities. The aim is to assist local authorities to prioritise alcohol treatment, invest in equipment and facilities and ensure that treatment expertise is enhanced to better meet the needs of people with alcohol problems.
LD extra care housing	3,000	0	-3,000	Demand is less than expected due to the private sector finding alternative funding sources to back their developments such as through the supported living regime.
Extra Care Housing	2,560	450	-2,110	Two Extra Care developments which have been awarded Council grant are on currently on site. Barncroft is scheduled for completion in January 2020 and will provide 21 units of Extra Care and the Woodpecker Close site is scheduled for completion in September 2020, providing 78 units. No other developments are planned for this year.

Children's Services				
Basic Needs	577	1,710	1,133	Grant allocation notified in May