

CABINET

27 JULY 2020

QUARTER 1 2020/21 CAPITAL FINANCIAL MONITORING

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

“The Council initially set out details of its Capital Programme for 2020/21 on 2 March 2020 shortly before the whole country was plunged into the unprecedented crisis of Covid-19 which, as everyone knows, meant the council – almost overnight – had to completely re-prioritise and re-design how it operated and delivered services.

“The pandemic has meant that many schemes have had to be delayed or deferred. It has also placed extreme financial pressures on the local authority overall, so a review of the Capital Programme is taking place to see how any financial savings could be made as a result of either delaying, deferring or withdrawing some schemes altogether from the programme.”

REPORT SUMMARY

This report provides an update on the progress of the Capital Programme 2020/21 at the end of June 2020. It recommends that Cabinet agree the 2020/21 Capital Programme of £131.7 million which takes account of re-profiling, additional funding requirements and grant variations identified since the Capital Programme was formally agreed on 2nd March 2020.

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

RECOMMENDATION/S

- 1 The Cabinet recommends to Council the approval of additional funding for the schemes referred to in paragraph 3.3.
- 2 The Cabinet recommends to Council the approval of the revised Capital Programme of £131.7 million for 2020-21.

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 2020/21 Position by Directorate

Table 1: Wirral Council 2020/21 Full Year Capital Budget and Forecast Position

Programme	Budget £m	Forecast £m	Variance £m	Variance %
Adult Care & Health	7.747	9.195	1.448	19%
Children, Families & Education	5.500	7.534	2.034	37%
Cross Cutting Initiatives	5.500	5.500	0.000	0%
Neighbourhoods	25.136	38.934	13.798	55%
Regeneration & Place	51.646	61.150	9.504	18%
Resources	8.314	9.347	1.033	12%
Total	103.843	131.660	27.817	27%

NB: items of significant scheme variation are included below

3.1.1 Table 1 provides an update on the 2020/21 capital Programme. A number of significant variations have arisen since the programme was agreed in March 2020. These include the re-profiling of expenditure into and out of the 2020/21 financial year, inclusion of additional grant funded schemes, variations to spend forecasts and the inclusion of potential new capital schemes that are seeking funding via this report. Further detail is provided below.

3.1.2 Table 2 below categorises the increase in the forecast programme:

Table 2: Movement between previously approved Capital Budget and Forecast Position

Programme	Approved Budget £m	Reprofiling from 19-20 £m	New Grant Funding £m	New bids £m	Revised Budget £m
Adult Care & Health	7.747	1.448	-	-	9.195
Children, Families & Education	5.500	2.034	-	-	7.534
Cross Cutting Initiatives	5.500	-	-	-	5.500
Neighbourhoods	25.136	10.487	3.299	0.012	38.934
Regeneration & Place	51.646	4.466	4.163	0.875	61.150
Resources	8.314	1.033	-	-	9.347
Total	103.843	19.468	7.462	0.887	131.660

3.2 Reprofiling of expenditure from 2019/20

3.2.1 Since the approval of the Capital Programme a number of schemes have had reprofiled budget into 2020/21 from 2019/20. The schemes with significant variation are shown in the table below.

3.2.2 A number of these schemes were those that only received full formal permission to be included in the programme in March 2020, leaving little time for the schemes to start within that financial year.

3.2.3 Another major influence on the programme has been the impact of the COVID-19 outbreak, with schemes being delayed or deferred due to resource constraint and workload reassessment. In light of the enhanced extreme financial pressures the Authority finds itself as a result of the COVID response, a review of the Capital programme will take place to identify which schemes can either be delayed, deferred or even withdrawn to reduce the ongoing financial commitments that result from the programme.

Table 3: Significant variations – Major Re-profiling since Programme approval

<u>Scheme</u>	£'000
Adult Care and Health	
Assistive Technology	191
Citizen and Provider Portal/Integrated I.T.	160
Adult Social Care Equipment	500
Telecare Ecosystem	500
	1,351
Children, Families & Education	
Basic Needs	389
Family Support	157
School remodelling and additional classrooms (School Place Planning)	1,147
	1,693
Neighbourhoods	
Beach Cleaning - Replacement of equipment	122
Bebington Library	-143
Bridges	652
Dock Bridges replacement	552
Floral Pavilion	175
Highway Maintenance	429
Illuminated Lighting and street signage - upgrade / replace	306
Key Route Network	159
Landican Chapels	119
LED street lighting/column - Replacement (SALIX)	127
Major Infrastructure Development & Strategic Transport Forward Planning	387
New Ferry Rangers Community Clubhouse	300
Onstreet Residential Chargepoint Scheme	
Soft Play Areas Leisure Centres	310
Solar Campus 3G	375
Sustainable Transport Enhancement Programme	420

Scheme	£'000
Neighbourhoods	
Studio refurbishment Les Mills classes	138
Surface Water Management Scheme	111
TAG Feasibility Studies A41 Corridor and Wirral Waters	1,056
Tower Road National Productivity Investment Fund (NPIF) -	2,144
Town Link Viaduct	332
Transport for Growth	172
Urban Tree Challenge Fund	600
Washdown Facilities	160
West Kirby Flood alleviation	216
	9,321
Regeneration & Place	
Bebington Oval Facility Upgrade	221
Beechwood Recreation Centre	310
Business Financial Assistance Grant	383
Business Investment Fund	866
Community Bank	750
Housing Infrastructure Fund (Enabling Infrastructure)	624
Housing Infrastructure Fund Marginal Viability (Northbank)	433
Investment in Properties	1,085
Legislative Compliance	-186
New House Building Programme - slippage	231
Restore Empty Homes	290
West Kirby Marine Lake/Sailing Centre – accommodation	-337
Wirral Waters Investment Fund	375
	5,045
Resources	
Customer Experience Improvements Project	674
Digital Corporate Storage - upgrade & refresh technologies	117
	791
Major items requiring re-profiling	18,201

3.3 Grant Funded Schemes

- 3.3.1 The Authority has been successful in its application for grant funding to enable the following schemes to take place. There is no request for new Council funding to be considered as part of these schemes. In the event of any notable grant awards being achieved in the future, the relevant schemes will be introduced into the capital programme via the regular monitoring reports.
- 3.3.2 **Integrated Transport Block Funding - £1,150,000** of allocated to Wirral Council by Liverpool City Region Combined Authority to support the delivery of the Combined Authority Transport Plan Programme in 2020/21. The programme is a package of schemes designed to support increased numbers of journeys to be undertaken by sustainable active modes reducing resident's reliance on the private car and reducing carbon emissions.
- 3.3.3 **Highways Maintenance Funding - £2,149,000** of allocated to Wirral Council by the Liverpool City Region Combined Authority to support maintenance of the network in

2020/21. The programme of investment in our highway assets will support improvements to roads/footways/bridges and lighting.

3.3.4 Disabled Facility Grant - £4.163,000 allocated to Wirral Council by the Ministry of Housing, Communities and Local Government to provide grants for people with a permanent disability of any sort – including physical and learning disabilities, sensory impairments and mental illness. The grants are to help towards making changes or adaptations to a home to allow the person to continue living there.

3.4 Recommendations to Full Council: Approval for Funding

3.4.1 Empty Property Grant Scheme (£1.500m)

Intention of project is continuation of Empty Property Grant (EPG) funding to provide assistance to owners of long-term empty properties to undertake essential capital improvement works to enable the return to use of long-term empty properties in the borough. This project is delivered by the existing Housing Standards Team.

EPGs have been made available for a number of years. This project submission proposes two grants with one up to £5000 for strategically located empty properties across the Borough and a second up to a maximum of £7000 for properties located in the Selective licensing Areas.

As part of a co-ordinated approach, owners of long-term empty properties within Selective licensing areas will be particularly encouraged to apply for empty property grant assistance to enable their properties to be returned to use to increase the supply of good quality housing. Long term empty property owners will be advised of the grant assistance available through targeted communications and events which highlight the benefits of returning properties to use whilst also emphasising the likely cost of leaving a premises vacant and the negative impact this can have on a neighbourhood and local residents.

The grant scheme will enable additional properties to be brought into use. The subsequent increase in Council Tax receipts will enable the scheme to finance any additional capital financing costs. There may be further benefit from any New Homes Bonus grant depending upon eligibility and thresholds set for New Homes Bonus.

3.4.2 Tree Decay Detection Equipment (£0.012m)

In order to improve the safety and minimise the risk to the public of Council owned trees within Wirral across all land in its ownership, the Council has sought to consolidate its approach to tree risk management and carry out regular cyclical inspections on all trees throughout its estate.

Tree decay detection requires the use of specialist detection equipment. The use of such equipment allows a full and considered decision to be made on the most appropriate course of action to deal with safety of the tree. Sonic and electrical impedance tomography provides cross section images of the tree stem clearly displaying the extent of hollowing and the regions of decaying and weakening timber.

3.4.3 Birkenhead Regeneration Framework delivery (£0.821m)

This scheme covers key feasibility work to deliver the Council's brownfield first development strategy in support of the Local Plan.

This proposal is seeking additional funding to continue this work, specifically to produce feasibility plans and masterplan for key urban development sites within Birkenhead, and to resource a small capital projects team to deliver the Birkenhead Town Centre regeneration and transport programme. This bid is not requesting funding for the totality of the regeneration project team, just those posts which will be directly managing the creation of assets for the Council through initial feasibility and design work, development and acquisition.

As stated in 3.2.3, a review of the programme is to take place to identify schemes that can be reengineered or deferred to reduce the financial impact on the Authority. Within this review it will be investigated as to whether this scheme can be financed from previously approved funding, rather than requiring the additional funding.

3.4.4 Strategic Acquisitions Fund – No new funding required

Within the Capital Programme there is funding allocated to the purchase of strategically key sites. Amongst these acquisitions, this funding has been used to acquire retail units. The purchase of one such site has involved a s25 notice being served to the current tenant in May 2020 that we will not be renewing the lease come October based on development grounds. In October 2020 the lease expires and compensation payment to be made thereafter, with this fund being used to finance this completion transaction.

3.5 Capital Funding Requirements

Table 2: Financing the Capital Programme 2020/21

Source of Financing	Original Programme £m	Revised Programme £m
Borrowing	55.617	71.554
Grants / Loans	28.425	39.930
Capital Receipts	4.500	4.500
Revenue/Reserves	0.021	0.021
Enterprise Zone NNDR Uplift	15.280	15.655
Total	103.843	131.660

3.5.1 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 2021/22 when the re-profiled expenditure is incurred.

3.5.2 The Public Works Loans Board (PWLB) last year announced a 1% increase in the rate of borrowing. The current capital programme includes a funding requirement of £71 million from borrowing, the full year impact of this would increase financing costs by £710,000 per annum if new PWLB was chosen as the funding source. There would be an increased cost of financing for future capital schemes financed by PWLB borrowing. These costs would impact upon the revenue budget. The PWLB change has had limited impact so far, as the Council's Treasury Management strategy utilises cheaper short term non-PWLB sources of finance to fund the Capital Programme.

Capital Receipts

- 3.5.3 In accordance with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 can be used to support expenditure that is 'Transformational' in nature.
- 3.5.4 Within the Capital Programme for 2020/21 is the scope for use of up to £4.5 million of capital receipts to fund expenditure that meets the conditions of the flexible receipts allowance. The costs are being managed through revenue monitoring as this is more appropriate for operational reasons but will be reported as capital at year end.
- 3.5.5 Application of receipts to fund such expenditure is predicated on the realisation of the receipts within this financial year. Key sales that are still in process include Rock Ferry High School. If the anticipated receipts do not come to fruition, this will cause a subsequent pressure in the revenue budget as the costs will need to remain within the revenue budget for funding, rather than via capital receipts.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn and progress against the capital Programme. The Council has systems 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.
- 4.2 The revenue impact of the additional borrowing required to fund all the new bids is:

Table 6: Additional financing costs to fund new bids

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Additional revenue cost	18	42	59	74

- 4.3 It is estimated that these costs will peak in 2050/51 at £0.133 million reflecting the fact that the principal repayment associated with debt (the Minimum Revenue Provision) increases over the expected life of the asset funded from borrowing.

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) Where possible, reprofiling of 2020/21 projected Capital expenditure
- 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 Capital bids are welcomed that support the Council's Climate Emergency Plan that was compiled following the declaration of a Climate Emergency by the Council in May 2019. Within the existing capital programme there are projects that positively contribute to environmental issues. Amongst the requests for new funding contained within this report is a further example of environmentally friendly scheme:

- Tree Decay Detection Equipment – to improve the regular cyclical inspections on all trees throughout the Council's estate.

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APPENDICES

BACKGROUND PAPERS

SUBJECT HISTORY

Council Meeting	Date
Budget Council – 2020/21 Capital Programme	2nd March 2020
2019/20 Capital Outturn	27th July 2020