



POLICY AND RESOURCES COMMITTEE

Wednesday, 11 November 2020

REPORT TITLE:	CAPITAL MONITORING QUARTER 2 2020/21
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report provides an update on the progress of the Capital Programme 2020/21 at the end of September 2020. It recommends that Committee agree the revised 2020/21 Capital Programme of £95.1 million which takes account of re-profiling, virements, 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 That the Committee recommends to Council the approval of additional funding for the schemes referred to in section 3.5 of the report.
- 2 That the Committee recommends to Council the approval of the revised Capital Programme of £95.1 million for 2020-21, including the virements referred to in paragraph 3.7 of the report.
- 3 The Committee agrees that the outcome of the on-going review and reprofiling of the Capital Programme is reported to members in the next quarterly capital monitoring report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular monitoring and reporting of the Capital Programme enables 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	7.550	6.832	(0.72)	-10%
Children, Families & Education	5.500	4.410	(1.09)	-20%
Cross Cutting Initiatives	5.500	6.000	0.50	9%
Neighbourhoods	22.625	35.614	12.99	57%
Regeneration & Place	54.354	33.915	(20.44)	-38%
Resources	8.314	8.347	0.03	0%
Total	103.843	95.118	(8.73)	-8%

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 Given the budgetary pressures that the Council faces, which have been exacerbated by the COVID-19 outbreak, a review of the programme is currently underway to try and identify schemes that may no longer be financially viable, essential or deliverable. The initial stages of this review have resulted in scheme reductions totalling £0.55 million and the reprofiling of budget into future years of £43.65 million. It is anticipated that further reductions and/or deferrals of budget will be made as the review continues and an update will be provided in the next monitoring report.
- 3.1.3 Table 2 below categorises the movement in the forecast programme:

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

Programme	Budget £m	Reprofiling from 19-20 £m	Additional Grant £m	New Bids £m	Scheme Reduction £m	Reprofiling to Future Yrs £m	Forecast £m
Adult Care & Health	7.55	1.39	-	-	(0.55)	(1.56)	6.83
Children, Families & Education	5.50	1.87	2.26	0.24	-	(5.46)	4.41
Cross Cutting Initiatives	5.50	0.00	-	0.50	-	-	6.00
Neighbourhoods	22.63	9.32	7.82	0.20	-	(4.36)	35.61
Regeneration & Place	54.35	5.73	4.16	0.94	-	(31.28)	33.92
Resources	8.31	1.03	-	-	-	(1.00)	8.35
Total	103.84	19.35	14.24	1.89	(0.55)	(43.65)	95.12

3.2 Reprofiling of expenditure

3.2.1 Since the approval of the Capital Programme a number of schemes have had reprofiled budget into 2020/21 from 2019/20.

3.2.2 A major influence on the programme has been the impact of the COVID-19 pandemic with schemes being delayed or deferred due to resource constraint and workload reassessment. In light of the enhanced and extreme financial pressures the Authority finds itself facing as a result of the COVID response, a review of the Capital Programme is under way to identify which schemes can either be delayed, deferred or even withdrawn to reduce the ongoing financial commitments that result from the programme.

3.2.3 Those schemes that have encountered significant delays as a result of COVID and/or other operational reasons are included with the items of significant variations, summarised in Appendix 1. A review of the profiling of expenditure within the Capital Programme is continuing and is likely to lead to a further reduction in anticipated spend for the year. The outcome of the review will be reported in the next quarterly capital monitoring report.

3.4 Grant Funded Schemes

3.4.1 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.

3.4.2 Special Educational Needs (SEN) Funding - £0.849 million

The Grant is from the Education & Skills Funding Agency for the sole use to improve SEN provision in our Schools. It is in Grant form delivered in two halves in 2020/21. Officers within the Directorate have identified that the Grant is to be spent on

creating additional space (new construction) to Foxfield Special School and creating additional space in Stanley Special school.

3.4.3 Coronation Park Sustainable Drainage - £0.180 million

Grant Aid funding to deliver a Natural Flood Management Scheme that will reduce the risk of surface water flooding from Coronation Park to adjacent properties. 14 properties will be better protected from the current level of risk and the scheme will also introduce adaptations which make the park more resilient to the impact of climate change thereby meeting a key objective of the Resilient Parks Project and the Climate Emergency Action Plan.

3.4.4 Highways Funding

There have been several awards announced in relation to the Highways programme of works, as per the following list:

- **Key Route Network 'Top Slice' Funding - £1.026 million**
This funding was separated from the transportation funding (former Local Transport Plan) to be spent only on the Key route network projects.
- **Highway Challenge Fund 1 - £0.500 million**
Funding issued by the Department for Transport to be spent on all roads; works will include some drainage works and road restraint barriers.
- **Pot-Hole Fund - £0.203 million**
This is funding for pot-hole repair and reducing the formation of potholes and can be spent on all roads.
- **Highway Challenge Fund 2 - £2.279 million**
This is specific project funding for drainage and surface improvements to Poulton Bridge Rd / Dock Rd junction.

3.4.5 Active Travel Funding - £0.308 million

Emergency Active Travel Grant from the Department for Transport to increase levels of cycling and walking as part of COVID response.

3.5 Recommendations to Full Council: Approval for Funding

3.5.1 Children's System Rationalisation (£0.826m over a three-year period)

Children's Services currently maintains two distinct case management/information systems. Funding is required to replace the two systems with a single system (through the extension of the 'Liquidlogic' system already in use).

In addition to the service and information improvements, it would be possible to decommission a set of servers and associated infrastructure, thus reducing demand on IT Services and avoiding future costs associated with the maintenance and upgrade of this infrastructure.

3.5.2 Tree Strategy Delivery (£0.208m over a four-year period)

On the 28th of July, the Council approved and endorsed the Wirral Tree, Woodland, and Hedgerow Strategy (herein referred to as 'The Strategy') in full. The Strategy outlines an ambitious target of doubling Wirral's tree cover over the next decade equating to 210,000 net new trees in Wirral.

The Strategy was developed in response to high level corporate initiatives, namely the declaration of a 'Climate Emergency' which seeks to reduce the Council's own impact on climate change. The aim is to plant enough trees in Wirral to establish healthier and more environmentally sound living conditions for us all. In addition, trees represent a natural and significant solution for carbon capture, as they remove and store carbon dioxide from the atmosphere. Trees also remain the most cost-effective way to improve environmental quality and foster many additional positive benefits such as biodiversity gain, ecosystem services, improved health and wellbeing and increased aesthetic appeal.

The capital bid will not incur any additional revenue costs to the Council as the repayments, plus interest, will be paid from the committed Climate Emergency budget (c. £0.25 million per annum).

3.5.3 Allotments Sites Expansion (£0.127m)

This funding is to extend 3 allotment sites to reduce waiting lists. The Bebington Road site proposal is for raised plots, which are smaller raised beds ideal for beginner gardeners and those with disabilities. The expansion sites proposed are currently waste land within the outlined allotment sites.

The bid is the result of the recommendation of the Environment Overview and Scrutiny Committee, in January 2020, to increase the number of allotment sites across the Borough.

Other grant funding sources are being explored but are in the early stages. Funding via borrowing is being requested as an underwriting to endeavours to secure external funding.

3.5.4 Birkenhead Temporary Market Pre-Development Costs (£0.050m)

On 24 March 2020 Cabinet agreed that Birkenhead market should be re-provided on part of the current market site. For business continuity a temporary location is required to accommodate the market traders. It is intended that traders will operate out of converted bespoke containers.

This funding is for the pre-development works, including design and cost analysis to take forward a temporary market solution for planning.

3.5.5 Concerto Development Asset Management System (£0.042m over a two-year period)

The Concerto system is the Council's Corporate Asset Management System. It was procured in September 2014 and has been developed in subsequent years with the

aim of achieving a strategic model. This is designed to encompass all disciplines and practices essential to the strategic and operational management of the Council's property portfolio.

Funding is required to further develop the system focusing on Health and Safety Compliance, Security & Governance and Capital Schemes.

3.5.6 Capitalisation of Salaries (Funding required £0.500m)

Under Capital rules the Council can charge the costs of officers working on capital projects to the capital programme, providing certain conditions are met. An exercise is underway to identify officers and schemes to which this ability can be exercised. This will ease pressure on the revenue budget and spread the costs over the life of the corresponding asset. During the year individual schemes will be adjusted as required to transfer these costs. Initial funding was agreed for £1.00 million as part of the 2020/25 Capital Strategy, however an additional £0.500 million is requested to expand this exercise and realign the Capital programme with the Revenue budget.

3.6 Other Scheme Matters

3.6.1 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 Birkenhead Market. As part of the purchase of the market, payments are to be made to market traders in respect of the surrender of existing tenancy agreements, with this fund being used to finance this completion transaction.

3.6.2 West Kirby Sailing Centre

This scheme is nearing completion and considerable problems have been encountered during its delivery. Officers are currently producing a detailed account of the scheme. The main contract which is still on site has suffered a number of significant challenges due to unforeseen foundation problems, which in turn resulted in major redesign of the building and resultant on-site delays. A summary of these difficulties is found below. Additional funding is being identified from existing budgets.

Additional costs have been incurred on the scheme due to the following difficulties:

- (i) Major foundation problems which resulted in steel work redesign and increased costs
- (ii) Design changes caused site close down as no works could be progressed
- (iii) Design challenges have caused programme delay (glazing framework)
- (iv) Site security during close down
- (v) Delays i.e. glazing/frame 8 weeks lost in programme, the Contractors have applied for extra time.
- (vi) Specific issues regarding the material composite because of the location on the sea front i.e. anodised rather than galvanised. Design issues between architect and main contractor have also incurred programme delay

- (vii) COVID delays since March 2020 still to be quantified

As reported in the 2019/20 Capital Outturn, this project has overspent and it is estimated that approximately £0.87 million will be required to complete the project this financial year. In terms of funding this remaining cost, Asset Management have identified budget of £0.38 million that can be reallocated to his scheme from other projects within the programme, details that are found below. Officers will examine the existing Capital programme to try to identify any further budget that can be repurposed to fund this requirement.

3.7 Virements

The following budget virements have been proposed where schemes have been identified as not requiring the full budget allocation as originally expected. It is proposed that this resource be reallocated to schemes that require additional resource to fully complete the works.

Table 3: Proposed Virements

Area	Scheme	Proposed Virement £m	Proposed Reallocation
Regeneration & Place	Beechwood Recreation Centre	0.31	West Kirby Sailing Centre
Regeneration & Place	Pool Covers	0.07	West Kirby Sailing Centre
Regeneration & Place	New House Building Programme	0.23	Clearance (Beaufort Rd Scheme)

3.8 Capital Funding Requirements

Table 4: Financing the Capital Programme 2020/21

Source of Financing	Original Programme £m	Revised Programme £m
Borrowing	55.62	51.27
Grants / Loans	28.43	39.23
Capital Receipts	4.50	4.50
Revenue/Reserves	0.02	0.02
Enterprise Zone NNDR Uplift	15.28	0.10
Total	103.84	95.12

3.8.1 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.

3.8.2 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 £51 million from borrowing, the full year impact of this would increase financing costs by £510,000 per annum if new PWLB borrowing 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

- 3.8.3 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.
- 3.8.4 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.
- 3.8.5 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. Any gap is reported in the Revenue Reporting.

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 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 new bids is:

Table 5: Additional financing costs to fund new bids

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Additional revenue cost	0.010	0.060	0.099	0.158

- 4.3 It is estimated that these costs will peak in 2027/28 at £0.170 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 report provides an update on capital activity which forms part of the Council's overall budgetary position. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114 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 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.

7.2 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

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 Strategy Delivery – The aim is to plant enough trees in Wirral to establish healthier and more environmentally sound living conditions for all.

REPORT AUTHOR: Gary Mitchell
Senior Finance Business Partner
telephone: (0151) 666 3418
email: garymitchell@wirral.gov.uk

APPENDICES

Appendix 1 Summary of Significant Programme Variations in Quarter 2

BACKGROUND PAPERS

The Capital Programme incorporates financing from agreed business cases and funding from external grant agreement documents.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council – 2020/21 Capital Programme	2nd March 2020
2019/20 Capital Outturn	27th July 2020
2020/21 Quarter 1 Capital Financial Monitoring	27th July 2020