



POLICY AND RESOURCES COMMITTEE

Wednesday, 17 February 2021

REPORT TITLE:	CAPITAL MONITORING QUARTER 3 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 December 2020. It recommends that Committee agree the revised 2020/21 Capital Programme of £86.0 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 The Committee recommends to Council the approval of additional funding for the schemes referred to in section 3.5 in this report.
- 2 The Committee recommends to Council the approval of the revised Capital Programme of £86.0 million for 2020-21, including the virements referred to in Appendix 3 in this 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 Other reporting frequencies could be considered, but quarterly reporting is a standard practice.

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	0.991	(6.56)	-87%
Children, Families & Education	5.500	3.614	(1.89)	-34%
Cross Cutting Initiatives	5.500	17.470	11.97	218%
Neighbourhoods	22.625	34.304	11.68	52%
Regeneration & Place	54.354	26.871	(27.48)	-51%
Resources	8.314	2.754	(5.56)	-67%
Total	103.843	86.004	(17.84)	-17%

NB: items of significant scheme variation are included below.

Capital Programme 2020/21 Position by Committee

Table 2: Wirral Council 2020/21 Full Year Capital Budget and Forecast Position

Programme	Budget £m	Forecast £m	Variance £m	Variance %
Adult Social Care & Health	7.550	0.991	(6.56)	-87%
Children, Young People & Education	5.500	3.614	(1.89)	-34%
Economy, Regeneration & Development	60.362	40.972	(19.39)	-32%
Environment, Climate Emergency & Transport	21.851	32.805	10.95	50%
Housing	7.806	6.123	(1.68)	-22%
Tourism, Communities, Culture & Leisure	0.774	1.499	0.72	94%
Total	103.843	86.004	(17.84)	-17%

- 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 continues to try and identify schemes that may no longer be financially viable, essential or deliverable. This review has resulted in scheme reductions totalling £5.81 million and the reprofiling of budget into future years of £61.56 million. It is anticipated that further reductions and/or deferrals of budget will be made as the review continues. Such deferrals will reduce the borrowing costs incurred during 2020/21 (the effects of which are included within the Quarter 3 revenue monitoring) and also delays the resultant MRP charges into future years.
- 3.1.3 Appendix 1 of this report categorises the movement in the forecast programme.

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 2 of this report. 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.

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 **Future High Streets Fund - £24.581 million (over a four-year period)**
The Council has been successful in its application for funding from the 'Future High Streets Fund'. Investment will support areas to recover from the pandemic and help transform underused town centres into vibrant places to live, work and shop. It will enable the delivery of ambitious regeneration plans and fund new local projects such

as improvements to transport infrastructure, new homes and the transformation of underused spaces. £24.6 million has been awarded to the Authority to support the delivery of 186 new homes, road safety improvements and a permanent new space for the historic market in Birkenhead.

3.4.3 Disabled Facilities Grant (DFG) Funding - £0.561 million

Additional DFG grant is to help support local authorities to deliver more home adaptations for those people with disabilities who qualify for a DFG.

3.4.4 Town Fund - Birkenhead - £1.000 million

Ministry of Housing, Communities & Local Government (MHCLG) Grant to fund a government programme with the ambition of creating jobs and building stronger and more resilient local economies and communities.

3.5 Recommendations to Full Council: Approval for Funding

3.5.1 Birkenhead Park World Heritage Project Team (£0.085m over a three-year period)

The World Heritage project team currently consists of two employees with projected annual costs of £0.085 million currently funded from the Heritage Project Reserve. A lottery bid was submitted in Feb 2020 and if accepted, phase 1 funding would have been confirmed in June 2020. The delay in securing the grant has meant that the remaining funding in the reserve is being used to fund the remaining salary costs of the project team for 2020/21. The £0.085 million is required as Wirral's contribution to draw £0.395 million lottery funds. Eligibility to capitalise these costs has been researched. Capitalisation of salaries is on the basis that the posts are purely dedicated to the project and result in the enhancement of a designated asset.

Inclusion of this bid into the Capital programme is subject to the outcome of the Lottery Funding bid being successful.

3.5.2 Connecting Wirral Waters-Detailed Design (£0.610m over a two-year period)

The Connecting Wirral Waters scheme seeks £0.610 million to undertake detailed design work and surveys to support the full business case development. As part of the development of the business case the cost estimate needs to be refined to provide assurance to the Liverpool City Region Combined Authority (LCRCA), who are the accountable body for the Transforming Cities Fund (TCF) which the council are seeking to utilise to deliver the scheme. The current cost estimate for the scheme through the Outline Business Case is £11.1million of external investment into the borough with the opportunity in the future to claw back some of the capital design costs from the LCRCA in the future.

The scheme will help to connect two areas of regeneration within Birkenhead, at Hind Street in the south and Wirral Waters to the north of the scheme. The scheme has the opportunity for wider benefits to the borough, it will open up parcels of land that have previously been isolated due to the nature of the railway cutting and create regeneration opportunities that will help to transform the town centre. Avison Young

have currently been commissioned as part of the Birkenhead Regeneration Framework to develop the economic case for regeneration of these plots along the corridor.

3.6 Other Scheme Matters

3.6.1 MHCLG Capitalisation Directive - £24.45m over a two-year period

The Council applied to the MHCLG for a capitalisation directive known also as 'Exceptional Financial Support.' This would allow the Council to charge to capital additional COVID-19 related costs. Under normal accounting convention such costs would be a revenue item, but the exceptional COVID-19 circumstances have required us to seek capitalisation.

The Ministry have indicated that they are content to approve a capitalisation direction up to a maximum value of £14.8m for 2020/21, subject to conditions. The Policy and Resources Committee as part of the 2021/22 Budget Report, includes a recommendation to Full Council that:

The Council proceeds with the request for exceptional financial support with the conditions outlined in the letter from the Minister of State for Regional Growth and Local Government dated 2 February 2021.

3.7 Virements

Appendix 3 of this report lists the 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.

3.8 Capital Funding Requirements

Table 3: Financing the Capital Programme 2020/21

Source of Financing	Original Programme £m	Revised Programme £m
Borrowing	55.62	52.89
Grants	28.43	31.81
Capital Receipts	4.50	1.20
Revenue/Reserves	0.02	0.00
Enterprise Zone NNDR Uplift	15.28	0.10
Total	103.84	86.00

- 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. In recent years, the Council has minimised the use of PWLB borrowing as short-term market loans offer lower rates, this could have led to increased costs of approximately £0.5m per annum if borrowing were financed from PWLB. The rate increase has now been reversed but a number of restrictions have been placed upon Local Authorities. These would prevent or limit access to PWLB borrowing in any year where the council seeks to use capital expenditure for any scheme with a primarily yield/return objective.

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 £1.2 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. 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. In 2020/21 there has been a deterioration of the capital receipts forecast, from an original £4.5 million to a forecast as at quarter 3 of £1.2 million.

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 3 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 Committees, 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 4: Additional financing costs to fund new bids

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Additional revenue cost	0.012	0.029	0.036	0.037

4.3 It is estimated that these costs will peak in 2050/51 at £0.042 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 114 to make a report to all Members of the Council 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.

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APPENDICES

- Appendix 1 Movement between previously approved Capital Budget and Forecast Position
- Appendix 2 Summary of Significant Programme Variations in Quarter 3
- Appendix 3 Proposed Virements

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
2020/21 Quarter 2 Capital Financial Monitoring	11th November 2020

Appendix 1

Movement between previously approved Capital Budget and Forecast Position

<u>Programme</u>	Budget £m	Reprofiling from 19-20 £m	Additional Grant £m	Funding Adjustments £m	New Bids £m	Scheme Reduction £m	Reprofiling to Future Yrs £m	Forecast £m
Adult Care & Health	7.55	1.39	-	-	-	(0.77)	(7.18)	0.99
Children, Families & Education	5.50	1.87	0.85	1.41	0.24	-	(6.26)	3.61
Cross Cutting Initiatives	5.50	0.00	-	11.97	-	-	-	17.47
Neighbourhoods	22.63	9.32	7.80	0.03	0.59	(0.07)	(6.00)	34.30
Regeneration & Place	54.35	5.71	5.87	0.49	0.94	(0.12)	(40.38)	26.87
Resources	8.31	1.03	-	-	-	(4.85)	(1.74)	2.75
Total	103.84	19.33	14.52	13.90	1.78	(5.81)	(61.56)	86.00

Appendix 2

Summary of Significant Programme Variations in Quarter 3

Area	Scheme	Original Programme £m	Forecast Q2 £m	Forecast Q3 £m	Variance from Q2 £m	Comment
Adult Care and Health	Extra Care Housing	2.60	2.60	0.14	(2.46)	Slippage due to delays in Housing 21 scheme as a result of Covid-19, scheme now merged with Learning Disability extra care housing.
	Learning Disability extra care housing	3.00	3.00	0.00	(3.00)	Slippage due to delays in Housing 21 scheme as a result of Covid-19, scheme now merged with Extra Care Housing.
Children, Families & Education	Special Educational Needs (SEN) and Disabilities	0.00	0.85	0.05	(0.80)	Works on Foxfield Special School due to commence in 21-22 due to Covid-19
Cross Cutting Initiatives	MHCLG Capitalisation Directive	0.00	0.00	14.80	14.80	Please refer to point 3.6 of this report
	Transformational Capitalisation	4.50	4.50	1.20	(3.30)	A deterioration to the forecast of receipts achievable in 2020/21, with some rephased into 2021/22.

Area	Scheme	Original Programme £m	Forecast Q2 £m	Forecast Q3 £m	Variance from Q2 £m	Comment
Neighbourhoods	Connecting Wirral Waters: Detailed Design	0.00	0.00	0.31	0.31	New scheme
	Moreton Sandbrook Drainage	0.29	0.29	0.01	(0.28)	Virements, please see list of virements in Appendix 3 of this report.
	Parks Machinery	1.32	0.66	0.00	(0.66)	Covid-19 resulted in suppliers on lockdown resulting in ordering being delayed.
Regeneration & Place	Health & Safety - Condition Surveys	5.00	0.80	0.30	(0.50)	Unprecedented circumstances of Covid-19 and the knock-on effect to both the construction and project teams.
	Leisure Health & Safety Compliance	1.00	1.00	0.15	(0.85)	Unprecedented circumstances of Covid-19 and the knock-on effect to both the construction and project teams.
	New Ferry Rangers Community Clubhouse	0.80	0.80	0.15	(0.65)	Slippage, due to tender January 2021.
	Aids, Adaptations and Disabled Facility Grant	6.34	10.50	5.04	(5.46)	Slippage and new funding.
	Town Fund B'head	0.00	0.00	1.00	1.00	New funding, please refer to paragraph 3.4.3 of this report for further details.
Resources	ERP	7.00	7.00	1.40	(5.60)	Slippage and original budget revised in line with tenders received.

Appendix 3

Proposed Virements

Area	Scheme	Proposed Virement £m	Proposed Reallocation
Adult Care and Health	Assistive Technology	0.191	Telecare & Telehealth Ecosystem
Adult Care and Health	Learning Disability extra care housing	3.000	Extra Care Housing
Neighbourhoods	Frankby Cemetery, burial sections	0.200	Cemetery Extension & Improvements
Neighbourhoods	Moreton Sandbrook Drainage	0.050	Aids to navigation
Neighbourhoods	Moreton Sandbrook Drainage	0.010	West Kirby Marine Lake Study
Children, Families & Education	School Conditiona Allocation	0.022	Eastham Youth Hub
Regeneration & Place	Heswall Day Centre (part only)	0.070	Pensby Wood
Regeneration & Place	Home Improvements	0.074	Beaufort Rd Clearance
Regeneration & Place	New House Building Programme	0.231	Beaufort Rd Clearance
Regeneration & Place	Pool cover energy	0.070	West Kirby Sailing Centre
Regeneration & Place	Beechwood Leisure Centre	0.310	West Kirby Sailing Centre
Regeneration & Place	Home Improvements	0.150	Clearance
Regeneration & Place	Restore Empty Homes	0.100	Empty Property grant scheme
Regeneration & Place	Health & Safety	0.042	Bebington Library