

# **WIRRAL COUNCIL**

## **CABINET**

**25 JUNE 2009**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **CAPITAL OUT-TURN AND DETERMINATIONS 2008/09**

##### **1. EXECUTIVE SUMMARY**

1.1 This report informs Cabinet of the capital out-turn for 2008/09 and the resources used to fund the programme. Under Part IV of the Local Government and Housing Act 1989, the Authority is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2008/09 financial year.

##### **2. CAPITAL PROGRAMME 2008/09**

2.1 The Capital Programme 2008/11 was approved by Council on 17 December 2007 and confirmed by Council, as part of the budget for 2008/09, on 3 March 2008. Other than the impact of decisions by Council / Cabinet the revisions relate to slippage resulting in both the spend and the resources being similarly deferred to later years.

2.2. On 22 May 2008 a report detailing the Schools Capital Funding 2008/09 was provided by the Director of Children & Young People. The same meeting also agreed to provide financial support for the works to the Bidston Viaduct. This major initiative, subject to a final decision by the Department for Transport, will require a Council contribution of £2.9 million between 2009 and 2012.

2.3. On 26 June 2008 the Capital Out-turn and Determinations report was submitted as part of the year-end accounts for the 2007/08 financial year and detailed the slippage into the 2008/09 financial year.

2.4. On 25 September 2008 the budgets for the Department of Law, Human Resources and Asset Management were established including the transfer of those elements within the capital programme.

2.5. On 16 October 2008 as part of the Transformation of Adult Social Care it was agreed that the project, and funding, for Poulton House be cancelled. To the same meeting it was reported that following the Audit of the Statement of Accounts for 2007/08 the amount included for the capitalisation of highways maintenance in 2008/09 was reduced by £2 million.

2.6. On 10 December 2008 the Capital Programme 2009/12, including the new submissions, was approved and agreed by Council on 15 December 2008. As part of the Estimates 2009/10 to Cabinet on 23 February 2009 the programme was updated to incorporate the agreed grant allocations and new approvals.

### 3. CAPITAL OUT-TURN

- 3.1 The capital spend for the year on the accruals basis amounted to £69.5 million. This compared to the base programme of £77.8 million and the latest revised programme of £75.4 million. This is summarised in the following table:-

<b>Spend</b>	<b>Original Approval £000</b>	<b>Forecast March £000</b>	<b>Final Out-turn £000</b>
Adult Social Services	2,952	3,128	493
Children & Young People	32,221	21,336	20,282
Corporate Services	410	1,160	800
Law, HR and Asset Mgt	1,860	2,111	1,764
Regeneration	29,079	37,276	36,574
Technical Services	11,318	10,433	9,606
<b>Total spend</b>	<b>77,840</b>	<b>75,444</b>	<b>69,519</b>

#### 3.2 Adult Social Services

- 3.2.1 The Director reported regularly to Cabinet on the progress on Transforming Adult Social Care which includes a review of intermediate care. This review resulted in the scheme for Poulton House being deleted from the programme. Consultation is underway that will set the agenda for places like Girtrell Court and impact upon decisions regarding adult accommodation provision. The future works remain subject to review and the £2 million programme and associated resource have been re-allocated to 2009/10.
- 3.2.2 There was an award of IT Infrastructure Grant for the three years 2008/09 to 2010/11 to support effective information sharing between health and social services. The Mental Health and Single Care grants for the same period were received and the 2008/09 grants of £0.4 million are to be spent in 2009/10.

#### 3.3 Children & Young People

- 3.3.1 A report on the Schools Capital Funding for 2008/09 was presented to Cabinet on 22 May 2008 which provided details of all aspects of the programme and the plans for the year. On 26 May 2009 Cabinet considered the 2009/10 report which also included a review of the 2008/09 financial year.
- 3.3.2 The Building Schools for the Future (BSF) – One Pathfinder project for Woodchurch High School is progressing in accordance with the timescales agreed with the Department for Children, Schools and Families. A start on site was made during March 2009 and the spend in the year exceeded the initial projections.
- 3.3.3. Under the national scheme to develop Children’s Centres Phase 1 and Phase 2 all 19 centres have now been opened with work continuing on the smaller scale schemes in Phase 3.

- 3.3.4. A major element of the programme is the Formula Capital allocated to schools. The implementation of individual projects is managed jointly by the school and the Council comprising a large number of essentially smaller value schemes. The timing of the schemes is largely down to the schools and so the level of spend can vary from the initial projections and schemes with resources re-profiled into 2009/10.
- 3.3.5 The Targeted Capital programme to build teaching accommodation at West Kirby Grammar and Wirral Boys Grammar saw both schemers successfully completed this financial year.
- 3.3.6 With the re-phasing of the Computers for Pupils Initiative to cover two financial years and the Early Years Quality and Access Initiative and Home Access Targeted Groups schemes deferred to 2009/10 the grant funding has also been re-allocated to 2009/10.

### **3.4 Corporate Services**

- 3.4.1 The Think Big Investment Fund has helped support businesses, and given the changing economic environment Cabinet on 23 April 2009 agreed to amend the operation of the Fund. £0.2 million of agreed support has been re-profiled to 2009/10.
- 3.4.2 The IT software management scheme was an Invest-To-Save scheme that was successfully completed during the year. The savings are being achieved with the full £170,000 deliverable from 2010/11.

### **3.5 Law, Human Resources and Asset Management**

- 3.5.1 The most significant area is Property Maintenance with the programme building upon the Condition and Health & Safety surveys in order to prioritise the works each year. As part of the completion of the accounts an assessment was made as to the capital nature of the schemes.
- 3.5.2 The programme included the progression of the Strategic Asset Review. Given subsequent developments the works to the buildings identified including One Stop Shops has seen the £0.5 million overall programme plus resourcing deferred until 2009/10.
- 3.5.3 The new Archive and Record Management facility was successfully opened and has received national recognition from The National Archive (TNA) which regulates the service. TNA inspected the facility in July 2008 and granted a licence for it to open to the public. A decision by TNA on whether Wirral becomes one of 30 accredited sites for the place of deposit for Public Records would further enhance the facility.

### **3.6 Regeneration**

- 3.6.1 The year saw the Oval Sports Centre successfully re-open after a substantial programme of works. There has been a claim submitted by the contractor for increased costs which may result in a report to a future Cabinet. This main scheme was complemented by the additional provision of 5-a-side football facilities with this Invest-To-Save scheme generating increased revenue income. A similar initiative at the Wirral Tennis Centre also produced the expected benefits from increased income.
- 3.6.2 The redevelopment of New Brighton includes the creation of the new Floral Pavilion. This was officially opened in December 2008. The contractor and their partners were recognised by a Best Practice Award at the Northwest Regional Construction Awards in May 2009, with the project seen as helping to change the image of New Brighton and kickstart regeneration.
- 3.6.3 Whilst commitments are made in respect of Disabled Facilities Grants the timing of the works and therefore the incurring of spend is largely determined by the grant applicants. As a consequence commitments and associated funding were deferred to 2008/09. The planned works at Landican Cemetery have been re-programmed so that the works will be largely undertaken during 2009/10.
- 3.6.4 The Special Initiatives element of the programme includes schemes and related funding in respect of Objective One and the Single Regeneration Budget. Schemes such as New Brighton Promenade and the business park developments at Bromborough are included within the Merseyside-wide programme of schemes. The programme totalling £10 million is due to be completed in 2010 with £2 million of investment taking place in 2009/10.
- 3.6.5 The Housing Market Renewal Initiative (NewHeartlands) continues to progress although the impact of the worldwide and national financial situation is affecting developers. The size and nature of the programme (£14 million in 2008/09) requires the programme and funding to be flexible with the re-phasing of expenditure and resources kept under review to maintain continuity of progress.

### **3.7 Technical Services**

- 3.7.1 The Highways Structural Maintenance Programme 2008/09 was approved by Cabinet in March 2008 and updated in June 2008 when the plans for Road Safety schemes were also agreed.
- 3.7.2 Cabinet, as reported previously, agreed to a reduction in the amount of highways maintenance to be capitalised. For 2008/09 the sum deemed as capital was £1.5 million primarily for carriageway works.

- 3.7.3 Following the award of increased Coast Protection grant funding to reflect that particular element of the scheme the contract for works to the West Kirby Marine Lake commenced. The need to replace the initial contractor should still see the scheme completed within existing allocations during summer 2009 with an element of the programme, and funding, re-profiled to 2009/10.
- 3.7.4 Operational slippage occurred in respect of the next phase of the energy efficiency programme and the waste infrastructure projects with £0.3 million of these schemes re-programmed into 2009/10.

#### 4. CAPITAL FINANCING

- 4.1.1 When setting the annual programme account is taken of potential slippage and an element of 'over-programming' is built into the programme. At the end of the year the following resources were used to finance the expenditure and formal approval of the actual resources used is required:-

<b>Resources</b>	<b>Original Approval £000</b>	<b>Forecast March £000</b>	<b>Final Out-turn £000</b>
Borrowing	31,092	24,796	17,777
Grant – HMRI	9,800	8,900	8,961
Grant – Education	20,899	15,060	12,319
Grant – Other	11,636	22,225	24,126
Revenue / Reserves	413	463	2,336
Capital Receipts	4,000	4,000	4,000
<b>Total resources</b>	<b>77,840</b>	<b>75,444</b>	<b>69,519</b>

- 4.1.2 Within the programme schemes funded by borrowing, grant or reserves which were delayed, deferred or slipped into 2009/10 similarly saw the resources carried forward. The opportunities offered by the receipt of additional grants, particularly for housing initiatives and cultural services schemes, and the benefits from cash flow management meant the requirement to use capital receipts was reduced from the earlier expectations.

#### 4.2 Use of Borrowing

- 4.2.1 The Local Government Act 2003 introduced a new system of capital finance effective from 1 April 2004 that replaced the previous system of borrowing determined by the issue of Credit Approvals, with a system governed by local affordability and prudence.
- 4.2.2. During 2008/09 the borrowing strategy was amended so as not to undertake any long-term borrowing to meet the cost of the capital spend, and as investments matured the money was used to temporarily fund the capital spend. This was a short-term response to complex and unique market conditions that would not normally be cost-effective but was beneficial in 2008/09. The amount referred to in the table above represents the underlying need to borrow which can be different from the amount actually borrowed.

### **4.3 Use of Grants**

4.3.1 In financing the 2008/09 capital expenditure the Authority applied £45.406 million which has been, or is expected to be, reimbursed by other parties through grants such as those for schools within Children & Young People and for NewHeartlands Housing Market Renewal, the Floral Pavilion, and special initiatives within Regeneration.

### **4.4 Expenditure Financed From Reserves and Revenue Accounts**

4.4.1 The Authority applied £2,336,000 of reserves and revenue to finance the 2008/09 capital expenditure with this primarily from Children & Young People including schools.

### **4.5 Use of Usable Capital Receipts**

4.5.1 The generation of capital receipts through the sale of assets is used to fund the programme and this income offers flexibility in the timing of its use. In financing its 2008/09 capital expenditure the Authority applied £4 million of its usable capital receipts.

### **4.6 Minimum Revenue Provision (MRP)**

4.6.1 In 2008/09 the Authority made payments from the General Fund revenue account of £8.3 million as provision for the repayment of external debt.

4.6.2 The Local Authorities (Capital Financing and Accounting) Regulations 2008 amended the rules governing debt redemption and the Minimum Revenue Provision (MRP). In terms of the MRP policy Cabinet on 16 April 2008 agreed that for 2008/09 the Council will make a repayment of not less than 4% of the Capital Financing Requirement (the requirement to borrow). The sum provided in 2008/09 meets this policy.

## **5. STAFFING IMPLICATIONS**

5.1 There are no specific implications arising out of this report.

## **6. LOCAL MEMBER SUPPORT IMPLICATIONS**

6.1 There are no specific implications arising out of this report.

## **7. LOCAL AGENDA 21 STATEMENT**

7.1 There are no specific implications arising out of this report.

## **8. PLANNING IMPLICATIONS**

8.1 There are no specific implications arising out of this report.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1 There are no specific implications arising out of this report.

10. **HUMAN RIGHTS IMPLICATIONS**

10.1 There are no specific implications arising out of this report.

11. **BACKGROUND PAPERS**

11.1. Local Government Act 2003 and subsequent amendments.

11.2. Local Government (Capital Finance and Accounting) Regulations 2008.

12. **RECOMMENDATIONS**

12.1. That the actions regarding the progress in delivering the programme and the slippage from 2008/09 to 2009/10 be agreed.

12.2 That the capital out-turn and financing for 2008/09 be agreed.

12.3. That the formal Capital Determinations be agreed.

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DIRECTOR OF FINANCE

FNCE/193/09