

<b>Report to:</b>	Cabinet Council	<b>Date of Meeting:</b>	9 January 2020 23 January 2020
<b>Subject:</b>	Revenue and Capital Budget Update – Additional Capital Estimates		
<b>Report of:</b>	Executive Director and Head of Corporate Resources	<b>Wards Affected:</b>	All Wards
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

The Council's Capital Investment Programme has been developed to enable the Council to continue to deliver financial sustainability, to stimulate economic growth and strategic investment. Key to the development of the investment programme is ensuring the best use of existing assets and the generation of council resources to finance upfront capital expenditure.

### Recommendations:

**Cabinet** is asked to approve:

1. The following supplementary capital estimates:

#### Investment Programme

- Approve Strategic Acquisitions – Land at Bootle, funded by an external contribution of £0.998m from the Combined Authority;
  - Approve Town Centre Commission work funded by an external contribution of £0.750m from the Combined Authority;
  - Recommend to Council the redevelopment of the Cambridge Road Centre funded by an external contribution of £1.145m from the Combined Authority;
  - Recommend to Council the Crosby Lakeside Redevelopment Project to be funded by an external contribution of £3.100m from the Combined Authority (Standalone Report submitted to Cabinet on 7<sup>th</sup> November 2019);
2. That the Cabinet be requested to commend the report and recommendations to the Council for approval.

**Council** is asked to approve:

1. The following supplementary capital estimates:

Investment Programme

- Approve the redevelopment of the Cambridge Road Centre funded by an external contribution of £1.145m from the Combined Authority;
- Approve the Crosby Lakeside Redevelopment Project to be funded by an external contribution of £3.100m from the Combined Authority (Standalone Report submitted to Cabinet on 7<sup>th</sup> November 2019);

Invest to Save Programme

- Approve the Purchase of the Winter Service Facility funded by £2.632m of prudential borrowing.

Capital Programme Additions

- Approve additions to the Transport Programme of £2.680m funded by capital receipts;
- Approve Essential Maintenance (Victoria Baths) £0.570m funded by capital receipts;
- Approve Essential Maintenance (STCC) £1.244m funded by capital receipts;
- Approve to Council Essential Maintenance (Council wide) £2.834m funded by capital receipts.

2. Approve delegation to the Head of Corporate Resources (Section 151 Officer) and Cabinet Member for Regulatory, Compliance and Corporate Services any decision to incur short-term borrowing to bridge any funding gap on the basis that the cost of borrowing can be contained within the Growth and Strategic Investment budget and the Council's Prudential Indicators

**Reasons for the Recommendation(s):**

The Investment Programme is an important mechanism within the Council's major change programme – the Framework for Change – through which the aims and objectives contained within the Vision for 2030 and Core Purpose, will be delivered.

**Alternative Options Considered and Rejected:** (including any Risk Implications)  
None

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

Projects that are in the design and feasibility stage of development will attract revenue costs, but all these are all contained within the approved revenue growth budget.

If short-term borrowing is required, whilst assets are in the process of being disposed, the revenue costs will be funded from within the Growth and Strategic Investment revenue budget earmarked for in-year project expenditure.

## **(B) Capital Costs**

The Investment Programme contains £15.954m of expenditure profiled across 2019/20 and 2020/21.

It is to be funded through External Contributions £5.994m, Capital Receipts £7.328m and Prudential Borrowing £2.632m.

### **Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
Proposals may have an impact on physical assets and/or ongoing revenue income and expenditure and this will be assessed during the business case approval process.
<b>Legal Implications:</b>
The Council's decision-making processes resulting in the implementation of any capital programme must be transparent.
<b>Equality Implications:</b>
N/A

### **Contribution to the Council's Core Purpose:**

<b><u>Protect the most vulnerable:</u></b>
The Investment Programme will enable the Council to continue to seek to protect the most vulnerable within available resources.
<b><u>Facilitate confident and resilient communities:</u></b>
The Investment Programme demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.
<b><u>Commission, broker and provide core services:</u></b>
The Investment Programme recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.
<b><u>Place – leadership and influencer:</u></b>

The Investment Programme will see the Council continue to demonstrate strong and effective leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process.

The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.

**Drivers of change and reform:**

The Investment Programme demonstrates the Council playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.

**Facilitate sustainable economic prosperity:**

The Capital Strategy clearly articulates the Council's approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.

**Greater income for social investment:**

The Investment Programme recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.

**Cleaner Greener:**

The Investment Programme recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Head of Corporate Resources (FD5867/19) is the author of the report and the Chief Legal and Democratic Officer (LD4051/19) has been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

N/A

**Contact Officers:** Sarah Kemp / Stephan Van Arendsen  
**Tel:** 0151 934 4770/4082  
**Email:** [Sarah.Kemp@sefton.gov.uk](mailto:Sarah.Kemp@sefton.gov.uk)  
[Stephan.VanArendsen@sefton.gov.uk](mailto:Stephan.VanArendsen@sefton.gov.uk)

## **1.0 Introduction and Background**

- 1.1 The Investment Programme is an important mechanism within the Council's major change programme – the Framework for Change – through which the aims and objectives contained within the Vision for 2030 and Core Purpose, will be delivered.
- 1.2 There are four pillars that underpin the programme and which will help the Council deliver against its stated objectives. These are:
  - Economic Growth – physical regeneration and enabling infrastructure for our economic growth priorities;
  - Public Sector Reform – Service Transformation Projects to address demand management.
  - Service Delivery Options – making efficiencies and savings to ensure a financially sustainable Council in a time of continued financial challenge; and
  - Strategic Investment – supporting investment opportunities the Council may wish to directly sponsor or support in an enabling or commissioning role where there is a sound commercial and financial justification/reason to do so.
- 1.3 One of the fundamental requirements and drivers of the investment programme is the change in the way local government is to be financed in future with a greater emphasis on locally generated income (e.g. Council Tax and Business Rates). The reliance on local income to support the delivery of frontline services means that it is important that the Council, working with its partners, optimises revenue generating opportunities.
- 1.4 The Capital Strategy 2019/20 to 2022/23, which was approved on the 28<sup>th</sup> February 2019, recognised that economic growth will play an important role in continued financial sustainability, that regeneration is a priority and that where it is appropriate to do so the Council should acquire strategic property for regeneration purposes where business cases provide a satisfactory payback period and profile.
- 1.5 The Capital Strategy provided the framework from which capital expenditure and investment decisions in Sefton are made. It outlines the necessary governance required for the development, management and monitoring of capital investment and the use of capital resources.
- 1.6 The investment programme decision-making process considers stewardship, value for money, prudence, sustainability and (short and long-term) affordability. Each project's suitability and priority is tested by reviewing cost and benefit(s) against the following:

- An overview of the governance process for prioritisation, approval and monitoring of capital expenditure;
- A longer-term view of capital expenditure plans;
- An overview of asset management planning;
- The authority's approach to commercial activities including due diligence and risk appetite;
- Expectations around debt and use of borrowing to support capital expenditure;
- The knowledge and skills in the authority in relation to capital investment activities.

1.7 This report brings forward the first phase of the Investment Programme following an extensive review against the criteria above and, where necessary, a detailed option appraisal process and the development of robust business cases.

## 2.0 Additional Capital Estimates (2019/20 and 2020/21)

2.1 This paper presents for approval a number of new schemes which will form the first phase of the Council's Investment Programme; other projects are presented as invest to save schemes; and there are budget additions to the traditional Council capital programme – all of which is summarised in Table 1 below.

2.2 Some of the proposed projects, including those that seek to deliver an ongoing revenue return to the council, are presented separately in standalone reports in order to outline business cases detail and due diligence. Other schemes, which are not commercial in nature and therefore not subject to additional scrutiny of future returns on investment, are explained in further detail in this paper.

2.3 Table 1: Additional Capital Estimates 2019/20 to 2020/21

Programme / Project	Total Capital Estimate £	2019/20 £	2020/21 £	Further Information
<b>Growth and Strategic Investment Programme</b>				
Strategic Acquisitions - Land at Bootle	998,500	998,500		This report
Bootle & Southport Town Centre Commission	750,000		750,000	This report
Cambridge Road Centre	1,145,000		1,145,000	This report
Crosby Lakeside Activity Centre (CLAC)	3,100,000		3,100,000	Standalone report
<b>Total - Growth and Strategic Investment Programme</b>	<b>5,993,500</b>	<b>998,500</b>	<b>4,995,000</b>	
<b>Invest to Save</b>				
Winter Service Facility	2,632,000		2,632,000	Standalone report
<b>Total - Invest to Save</b>	<b>2,632,000</b>	<b>0</b>	<b>2,632,000</b>	

<b>Traditional Capital Programme</b>				
Transport Contributions (10%)	2,680,000	1,240,000	1,440,000	This report
Essential Maintenance - Victoria Baths essential works	570,000	242,000	328,000	This report
Essential Maintenance - STCC essential works	1,244,000	1,008,000	236,000	This report
Essential Maintenance - Council wide programme	2,834,000	112,500	2,721,500	This report
<b>Total - Traditional Capital Programme</b>	<b>7,328,000</b>	<b>2,602,500</b>	<b>4,725,500</b>	
<b>Total</b>	<b>15,953,500</b>	<b>3,601,000</b>	<b>12,352,500</b>	

### **Land Acquisitions in Bootle (£0.998m)**

- 2.4 Redevelopment of The Strand Shopping Centre and the wider area is a key regeneration and economic development project in the Bootle Town Centre Investment Framework (2016) and links to the Sefton Local Plan. These acquisitions will help to secure vacant possession of land/buildings and is necessary to create a platform so that wider redevelopment can be delivered.
- 2.5 The cost of the acquisitions is £0.998m and is to be funded by Liverpool City Region grant from the Combined Authority Strategic Investment Fund (SIF).

### **Town Centre Commission (£0.750m)**

- 2.6 Following approval by the Liverpool City Region Combined Authority for the Town Centre Commission Fund on the 26<sup>th</sup> July 2019, an indicative allocation of £1m SIF Funding has been made to Sefton Council for Southport and Bootle Town Centres. The grant is earmarked for Southport (£0.500m capital funding) and Bootle (£0.250k capital and £0.250m revenue).
- 2.7 Interventions under the Town Centre Fund will contribute to the sustainability of local communities and improve the environment within which people work and live through:
- I. Enhancing the sustainable vitality of local town and district centres through investment that delivers new employment opportunities and makes those employment opportunities accessible to local residents.
  - II. Place renewal projects, particularly those designed to move away from traditional retail, and broaden the town centre offer and ensure future sustainability.

### **Cambridge Road Centre (£1.145m)**

- 2.8 The project involves a transformational development project to re-develop a well utilised Council owned asset (Cambridge Road Centre), with the objective of providing a fit-for-purpose learning environment, targeting returning learners and facilitating their progression into the labour market in key sectors.

2.9 The redevelopment will be funded from a Combined Authority grant of £1.145m with an additional leverage match funded from the Council's essential maintenance budget of £0.131m.

2.10 In total, there will be 2,537m<sup>2</sup> of new build training/learning floor space.

- Estimated 4,650 residents will take up initial learning (after three years);
- 45% of these progressing to further skills development opportunities;
- 35 newly created/safeguarded permanent FTE jobs;
- 6 apprenticeship posts created.

### **Contribution to the Transport Capital Programme (£1.240m in 2019/20 and £1.440m in 2020/21)**

2.11 In order to progress major road infrastructure works the Combined Authority has approved bids from the Council. As part of this the Council is required to identify match funding of £1.24m as a contribution to a number of highway schemes to improve connectivity around the borough, such as A59 Northway Corridor Dover Road Junction. This is to be funded from the Council's resources.

### **Victoria Baths (£0.570m)**

2.12 Urgent repairs are required to the vacant baths complex which are calculated as £0.242m which includes urgent works required to the wall structure of the subterranean vaults.

2.13 A further £0.328m of immediate works is also required in the next 12 months. In the meantime, marketing particulars will be prepared seeking Expressions of Interest for the development and regeneration of the Baths Complex as a whole or part (being the Council's vacant element). There may be additional costs associated with the requirements on the leaseholder and discussions are currently ongoing to understand the legal position on their area of work. The urgent works are predominantly structural works relating to:

- the main facade stonework to the front elevation
- rear elevation walls, including party walls
- rear elevation brick tower
- various roof areas
- subterranean brick vaults at the front of the building, which includes works to the walls and brick piers.

2.14 The above costs are for urgent and immediate works only and in considering the cost of a full programme of restoration, a figure in excess of £6m has been suggested for the whole complex.

### **Southport Theatre and Convention Centre (STCC) (1.244m)**



- 2.15 Management of the STCC asset has recently returned to the council after a long lease with the previous operator came to an end. A new contractor (Bliss) has recently been appointed on a short-term basis to manage the facility whilst a procurement process is undertaken aimed at securing a long-term lease/operator. In the intervening period Bliss are managing day to day operations, along with identified risks. The award of a long-term lease will ensure future sustainability of the theatre and conference functions.
- 2.16 When the previous operator surrendered the property in 2018 a detailed condition survey was undertaken to identify building condition and essential maintenance liabilities. This information was also used to formulate the basis of the temporary agreement with Bliss, whilst at the same time a consultant was commissioned to undertake a dilapidations survey and produce a schedule of repair. This has recently been finalised and the Council is in the process of submitting a formal dilapidations claim.
- 2.17 Following receipt of the associated surveys, Property Services have reviewed all essential maintenance items highlighted through this process and have prioritised these for action. In order to ensure safe operation of the theatre in the interim period, a range of essential works (relating to electrical systems, roof repairs and fire safety matters, at a cost of £0.235m) have been approved for implementation by the Section 151 Officer in conjunction with Cabinet Member, Regulatory, Compliance and Corporate Services on 12<sup>th</sup> April 2019 as per the Council's Financial Procedure Rules, under rules for approving supplementary capital estimates. The essential works are to be funded from the forecast income due from the dilapidations claim. Additional works are also required in replacement of the main theatre ceiling, along with more wide-ranging roof repairs, forming part of a longer term and more detailed maintenance plan.
- 2.18 Given the extensive nature of this work there is a requirement to close the theatre for several weeks in order to complete replacement of the ceiling structure along with associated mechanical, electrical and roofing works. It is necessary to agree a programme for this to take place during the quietest period of operation, which is expected to be between January and April 2020. The cost of these further works is estimated to be in the region of £1m and the costs will be met from the essential maintenance budget until such time as the dilapidations claim is resolved. Any residual balance will need to be met from Council resources.

**Essential Maintenance Programme (Total five year planned investment of 11.367m – Initial approval for £2.834m)**

- 2.19 An assessment has been made of the Council's current approach to the planning and management of building maintenance works in order to ensure that it provides for the most effective utilisation of funding resources. As a result of this it has been identified that a cyclical programme of ongoing maintenance is required.
- 2.20 Therefore, as part of the first phase of the Investment programme it is proposed that a five-year maintenance strategy (circa £12.5m) aimed at arresting the deteriorating condition of the existing portfolio is approved. A detailed

programme of works for the remainder of 2019/20 and 2020/21 has been developed. The total estimated cost of outstanding works across the corporate property portfolio, as of April 2019 is identified as £30.5 million

- 2.21 In summary, the capital schemes presented in the report need additional capital estimates of £15.954m. Of this £5.994m will be funded via external contributions from the Combined Authority. The remaining funding gap of £9.960m will need to be found from Council resources, namely capital receipts or prudential borrowing.

### **3.0 Asset Management Strategy**

- 3.1 A core part of the Council's Investment Programme is informed by the Asset Management Strategy. The schedule of capital improvement works required to the Council's operational property portfolio is derived from this strategy. The Asset Management Strategy sits alongside the Asset Disposal Policy and overarching Capital Strategy.
- 3.2 The main objectives of capital expenditure on operational assets is to ensure that they continue to be able to meet service requirements in providing services to residents and communities, they meet health and safety standards, are fit for purpose in terms of statutory guidance and legislation, as well as helping the Council to reduce costs from unnecessary revenue expenditure on poorly maintained and/or redundant stock. A key objective of the Capital Strategy is that the Investment Programme links with the Asset Management Strategy to protect current buildings and long-term assets to avoid incurring significant future costs, essentially spending now to save money in the future.
- 3.3 The asset management capital expenditure decision making process must consider the Council's Asset Disposal Policy. Therefore, a review of all Council owned assets, to identify whether assets should be held for operational or heritage purposes, should form part of the Council's future investment and/or capital programme or should be disposed of is underway and the first tranche of recommended disposals, are presented to Members within this report as they inform decision making and funding of phase 1 of the Investment Programme.
- 3.4 There are eight sites recommended for disposal which are presented in the Disposals paper elsewhere on the agenda. These will generate the funding required from Council resources for the schemes presented for inclusion in phase 1 of the Investment Programme.

### **4.0 Capital Resources (Financing)**

- 4.1 Capital Expenditure must be incurred in line with the Financial Procedure Rules. The Head of Corporate Resources (Section 151 Officer) is responsible for ensuring that an Investment Programme which contains new projects funded from Council resources is prepared for consideration by Cabinet before submission to Council for approval as appropriate.

4.2 Capital resources are held corporately and are allocated according to the priorities outlined in section 2. The Council will seek to maximise the use of external grants and contributions and to consider joint funding initiatives with partners if the benefits of doing so align with Council priorities.

4.3 Capital expenditure is typically funded from:

- Government Grants
- Section 106
- External Contributions
- Prudential Borrowing
- Capital Receipts

4.4 The additional capital estimates are shown in Table 1 (paragraph 2.3) and reproduced below alongside a financing plan to fund schemes that require Council resources.

<b>Programme / Project</b>	<b>Total Capital Estimate £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>
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<b>Total</b>	<b>15,953,500</b>	<b>3,601,000</b>	<b>12,352,500</b>

Financed by:			
External Grants / Contributions	5,993,500	1,748,500	4,245,000
Capital Receipts	7,328,000	2,602,500	4,725,500
Prudential Borrowing	2,632,000	0	2,632,000
<b>Total</b>	<b>15,953,500</b>	<b>4,351,000</b>	<b>11,602,500</b>

- 4.5 A separate report is included on this agenda which provides members with detail of the proposed asset disposal process to be undertaken from the first stage of the asset review.
- 4.6 The disposals will provide sufficient funding for the Council to finance the Investment Programme schemes presented in this paper without a requirement to borrow, other than for the purchase of the Winter Service Facility for which the borrowing costs are funded from overall savings within the business case for the scheme.
- 4.7 However, if there is a delay in the generation of receipts or the profile of capital expenditure changes and there is a need to incur some short term borrowing then this will be delegated to the Head of Corporate Resources (Section 151 Officer) on the basis that the cost of borrowing can be contained within the Growth and Strategic Investment budget and the Council's Prudential Indicators.