

Report of	Meeting	Date
Group Director A	Overview and Scrutiny Committee	19/01/2006

## CAPITAL PROGRAMME 2005/06 PROGRESS REPORT

### PURPOSE OF REPORT

- To update members on the progress of the 2005/06 Capital Programme and to outline the achievements of the Capital Programme Board.
- To seek member approval and support for a number of recommendations from the Capital Programme Board.

### CORPORATE PRIORITIES

- The schemes within the Capital Programme contribute to the achievement of all of the Council's corporate priorities.

### RISK ISSUES

- The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation	✓	Regulatory/Legal	
Financial	✓	Operational	
People		Other	

- The Capital Programme sets out the Council's strategic investment plans and if these are not delivered it will not fully achieve its strategic objectives and runs the risk of damaging the Council's reputation.
- In addition the Capital Programme carries a significant financial risk. This is in terms of ensuring value for money, maximising resources available and managing the programme to ensure impact on the revenue account.

### BACKGROUND

- The Council has established a Capital Programme Board to maintain a strategic oversight of the Council's Capital Programme. The Board is chaired by the Group Director A and is supported by the Project Support Officer who was appointed towards the end of 2004.
- The Board's first meeting was on 3 May 2005 and since then it has met on 5 occasions. To date work has focused on a number of key areas aimed at putting into place firm foundations for the future performance management and control of the Capital Programme. These include:
  - The development of key performance indicators.

- (b) The categorisation of the programme to distinguish between fully approved and financed schemes and those waiting in the pipeline for future consideration and approval.
  - (c) Continuing the roll out of the Council's project management methodology.
9. Whilst significant progress is being made in each of the areas listed above, Members must recognise that there are only limited resources devoted to this and it will take time to fully implement the changes. This is especially true of the planned roll out of the project management methodology given that there are over 100 projects in the programme all at differing stages of delivery. All new schemes are now subject to full use of the methodology with existing schemes being brought into the framework in a planned way under the guidance of the Project Support Officer.

**HOW ARE WE PERFORMING?**

10. The Capital Programme Board is making good progress but as it does so a number of issues and problems are coming to light which need addressing. These are inherent in the way that the programme has been managed and operated in the past and it is the structured approach now being applied that has brought them to the fore giving the opportunity to correct them going into the future.
11. In considering the progress and issues to date I will discuss in turn each of the Programme Board's key areas of work outlined at point 8 above.

**(A) The development of Key Performance Indicators**

12. High level monitoring of the Capital Programme is carried out through 4 Performance Indicators. A full description of each of these indicators was given to Executive Cabinet on 3 November 2005. Table 1 lists these and shows targets and current performance against that last reported to Executive Cabinet on 3 November.

**Table 1 - Capital Programme 2005/06 - Key Performance Indicators**

Performance Indicator	Target 2005/06	Performance	
		At 03/11/05	Current
1. The % of the Capital Programme budget actually spent	% 70	% 42	% 66
2. The % of capital schemes intended to be completed during the year actually completed	To be determined	22	36
3. The % of projects using the toolkit	50	15	22
4. The % of successful projects (from those measured)	80	No data available	100

13. Performance is improving against each of the indicators in Table 1. This is encouraging and shows that the work of the Board is beginning to make a difference. However, there is much to do and it is estimated that it will take a future 12 to 18 months to fully embed the project management methodology.

**(B) Categorisation of the Programme**

14. The Capital Programme has been broken into categories to improve monitoring and control procedures. Some confusion has arisen over the meaning and use of these and to clarify the situation the Board have approved the following definitions and guidance -

**The Capital Programme:**

This constitutes the schemes that are approved and fully funded. It incorporates both Category A and B schemes with the distinction being:

Category A - those schemes that are in the implementation phase. It is these schemes that are monitored using the 4 Performance Indicators shown in Table 1.

Category B - those schemes that are approved and fully funded but not yet in the implementation phase. Once commitments are made, or the work starts, these schemes transfer to Category A and are included for monitoring in the 4 Performance Indicators.

**The Pipeline (Category C):**

This constitutes a reserve list of schemes for which an outline business case has been approved but there is no funding allocated and no authority to progress. Schemes can only move from the pipeline into the Capital Programme upon formal approval by the Council.

15. At Executive Cabinet on 3 November 2005 expected capital spending in 2005/06 of £18,950,450 was reported. The Director of Finance reported at that meeting that to finance this level of expenditure may require increased borrowing of up to £2.5 million.
16. Since that meeting the Capital Programme Board have continued to carefully monitor the situation and can now report that expected capital spending in 2005/06 has reduced to £15,749,770. Table 2 summaries the position and full details are provided in Appendix 1.

**Table 2 - Capital Programme 2005/06 - Total Capital Spending**

Executive Cabinet Date	Details	£	Note
3 Nov 2005	Total Spending	18,950,450	A B
	<u>Less</u>		
	(1) Slippage to future years	(3,098,100)	
	(2) Other changes	(102,580)	
12 Jan 2006	Revised Total Spending	15,749,770	

Note A : A scheme by scheme analysis of the expenditure slipping into future years is given in column 3 of Appendix 1

Note B : A scheme by scheme analysis of the other changes is given in column 4 of Appendix 1 and further comments are provided in Appendix 2.

17. At this lower level of expected capital spending in 2005/06 it is anticipated that there will be no borrowing requirement to finance the programme. This does however depend upon the capital receipts forecast for the remainder of the year actually being received.
18. Whilst the position in 2005/06 is much improved from that previously reported, members need to understand that the slippage of £3,098,100 will impact directly on future years. The Director of Finance is currently compiling a report looking at the 3 year Capital Programme 2006 to 2009 which he will present to Executive Cabinet on 9 February 2006.

**(C) Continuing to roll out the Council's Project Management Methodology**

18. This is the most time consuming part of the work and yet the one that will deliver the biggest benefits. To date 22% of projects are using the methodology in some form and it is a requirement for any new schemes to be fully compliant.
19. A project management training programme is due to commence early in the new year which will include overview training of the toolkit, surgery sessions, one to ones and training for board members. This combined with comprehensive documentation, will help to increase the percentage of projects using the toolkit.

**PROGRAMME BOARD RECOMMENDATIONS**

20. As the project management methodology is rolled out there will increasingly be issues referred to the Board which have resource implications or require a decision for the inclusion of a project in the programme. The Board has no powers to take these decisions but will make appropriate recommendations to Executive Cabinet and Council for consideration.
21. Set out below is a summary of requests received at the last meeting of the Capital Programme Board on 14 December 2005 and in each case the Board's recommendation. These are listed under the two headings of Exception Reports and New Schemes and Projects -

***Exception Reports***

22. Using the project management methodology any bid for additional resources must be in the form of an 'Exception Report' which provides reasons for the proposed increase and requests such additional funds.

**(A) Housing Revenue Account - Housing Investment Programme (HIP) 2005-06**

An exception report was submitted by the Head of Housing Services showing significant overspending of £375,000 in this year's programme. Much of this has either been spent or committed without any prior approval and the Head of Service was requesting extra resources to cover this.

Board Recommendation - That the Head of Housing Services reduce expenditure on other categories of the Housing Revenue Account - HIP 2005/06 to keep within current budget.

**(B) Chapel Street Scheme**

An exception report was submitted by the Head of Public Space Services requesting an additional £95,000 to carry out Phase 3 of the scheme. Phases 1 and 2 together have a total cost of £385,000 against an approved budget of £400,000. This leaves only £15,000 available for Phase 3 which is expected to cost £110,000 (shortfall £95,000).

Board Recommendation - To categorise Phase 3 of the Chapel Street Enhancement Scheme as Category 'C' and as such on the pipeline reserve list for future consideration when resources become available.

**(C) Car Park Improvements**

An exception report was submitted by the Head of Public Space Services requesting an additional £20,000 to carry out works to two of the Council's car parks:

- Fleet Street Car Park : refurbishment and relocation of the staff parking area
- Friday Street Car Park : convert the lorry park into a Pay and Display car park from Monday to Saturday (8am to 6pm) and a lorry park outside these hours. Also incorporates new lighting for the whole car park.

Board Recommendations - (1) To complete the Friday Street Car Park scheme in 2005/06 from the existing approved capital budget. (2) To request that the Head of Public Space Services brings forward an Outline Business Case for the proposals relating to the Fleet Street Car Park for consideration at a future meeting of the Capital Programme Board.

### ***New Schemes and Projects***

23. As the Council strives to achieve its strategic objectives there will inevitably be requirements for capital investment in new projects and schemes. To facilitate this a clear process is required which is understood by all members and officers.
24. The process that we will use from now onwards is defined by the project management methodology. This uses as its starting point the submission of an outline business case to the Capital Programme Board. If, after considering this, the Board feel that the scheme or project has a good fit with the Council's strategic objectives it will recommend that it is approved as a Category C scheme. This means that it is placed on the reserve list awaiting the submission and approval of a full business case and, of particular importance, the formal approval by Council of resources to fund the scheme or project. At this stage it will move out of the pipeline and into the Capital Programme with a classification of either 'A' or 'B' depending on the implementation start date.
25. At the Capital Programme Board meeting on 14 December 2005 a number of outline business cases for new schemes or projects were submitted for consideration. These have been attached to this report in full as outlined in Table 3.

***Table 3 - Outline Business Cases for proposed New Capital Schemes and Projects***

Strategic Objective	Outcome	Outline Business Case	Appendix No.
Develop the character and feel of Chorley as a good place to live	More people will be satisfied with Chorley as a place to live	1. Warden Patrol Vans and CCTV Digital Recorders	3
		2. Enhanced Recycling - Phase 3	4
		3. Kerbside Recycling - Service and Capacity Improvements	5
		4. Recycling Bring site expansion	6
		5. Litter bin replacement programme and On Street litter/dog waste/Recycling bins	7

**Table 3 (continued)**

Strategic Objective	Outcome	Outline Business Case	Appendix No.
Ensure Chorley	Community	Legal Case Management	8

Borough Council is a performing organisation	aspirations are delivered through the efficient use of resources and effective performance management	ICT System	
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Board Recommendation - That each of the new schemes and projects listed in Table 3 be included as Category 'C' schemes and as such on the pipeline reserve list for future consideration when resources become available.

## SUMMARY

26. The work of the Capital Programme Board is now having an impact but it will take time for it to become fully effective. The key to this is for the project management methodology to be rolled out and embedded in the management of the programme.
27. In the current year (2005/06) savings have been made and slippage of expenditure identified which allow the programme to be financed without recourse to borrowing. This is encouraging but members need to note that slipped expenditure will have a direct impact on future years. The Director of Finance will report separately on this to Executive Cabinet on 9 February 2005.
28. To maintain the financing position in 2005/06 the Capital Programme Board have made a number of recommendations regarding schemes or projects that are either overspending or require extra resources.
29. In addition the Board have also recommended for approval a number of new pipeline schemes (Category C).

## COMMENTS OF THE HEAD OF HUMAN RESOURCES

30. There are no direct capacity implications contained within this report. However, HR fully support the use of the project management material and the current training which is currently being provided.

## COMMENTS OF THE DIRECTOR OF FINANCE

31. It is now estimated that the financing of the 2005/06 capital programme will not require the use of prudential borrowing. In brief, the reasons are as follows:

	£
Estimated borrowing as at 3 November 2005	2,500,000
Less slippage of expenditure to 2006/07	(2,034,070)
Less expenditure savings in 2005/06	(149,420)
Add expenditure increases in 2005/06	29,540
Sub total	<u>346,050</u>
Less increased use of capital receipts	(346,050)
<b>Estimated borrowing as at 12 January 2006</b>	<b><u>0</u></b>

32. In order to achieve the financing of the 2005/06 programme without resorting to borrowing, it is still necessary to achieve capital receipts from approved disposals at Crosse Hall Lane, King Street Depot and Harrison Road Adlington before the end of the year, and for Right To Buy sales of dwellings to reach the estimated level.
33. The Capital Programme Board is preparing recommendations in respect of the 2006/07 to 2009/10 Capital Programme, which will be presented to the next meeting of Executive

Cabinet. This report will take account of the slippage to 2006/07 of expenditure in respect of committed schemes that otherwise would have been financed by borrowing in 2005/06.

## **RECOMMENDATION(S)**

34. That the Revised Capital Programme for 2005/06 in the sum of £15,749,770 be approved.
35. That the following recommendations of the Capital Programme Board be approved -

### Exception Reports

- (a) That the Head of Housing Services reduce expenditure on other categories of the Housing Revenue Account - HIP 2005/06 to cover the reported overspending of £375,000 and to keep within current budget.
- (b) That Phase 3 of the Chapel Street Enhancement Scheme be placed on the pipeline reserve list (Category C) for future consideration when resources become available.
- (c) That the Head of Public Space Services be requested to complete the Friday Street Car Park Scheme in 2005/06 from the existing approved capital budget.
- (d) That the Head of Public Space Services be requested to bring forward an Outline Business Case, for the proposals relating to the Fleet Street Car Park, for consideration at a future meeting of the Capital Programme Board.

### New Capital Schemes and Projects

- (e) That the following new schemes and projects be placed on the pipeline reserve list (Category C) for future consideration when resources become available:
  1. Warden Patrol Vans and CCTV Digital Recorders
  2. Enhanced Recycling - Phase 3
  3. Kerbside Recycling - Service Capacity and Improvements
  4. Recycling Bring Site expansion
  5. Litter bin replacement programme and On street litter/dog waste/recycling bins
  6. Legal Case Management ICT Systems

## **REASONS FOR RECOMMENDATION(S)** **(If the recommendations are accepted)**

36. To revise the 2005/06 Capital Programme to bring spending into line with resources without the need for external borrowing.
37. To minimise the impact on the 2005/06 capital programme of schemes that are either overspending or require additional resources.
38. To bring forward new schemes which members may consider for inclusion in the future Capital Programme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

39. None.

PAUL MORRIS

GROUP DIRECTOR

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Paul Morris	5101	3/1/2006	Capital Programme Progress Report January06