

Report of	Meeting	Date
Executive Director – Corporate & Customer and the Director of Finance (Introduced by the Executive Member for Resources, Councillor G Morgan)	Executive Cabinet	29 June 2006

DRAFT PROVISION CAPITAL OUTTURN 2005/06 AND 2006/07 MONITORING

PURPOSE OF REPORT

- To report to members the provisional outturn figures for the Council's Capital budget for the financial year 2005/06.
- To update members of the progress of the 2006/07 Capital Programme and also to outline the progress made by 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 the Council's corporate priorities.

RISK ISSUES

- The issue 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, running the risk of damaging the Council's reputation.
- The Capital Programme also carries a significant financial risk. This is in terms of ensuring value for money, maximising resources available, and managing the performance to ensure that the impact on the General Fund or HRA revenue budgets is affordable. There may be an adverse impact on revenue budgets if capital expenditure exceeds the approved total to a significant degree, or estimated capital receipts or external contributions are not achieved in full. Should unplanned borrowing be required to meet a resource shortfall, there would be a cost to revenue in subsequent years.

BACKGROUND

8. During the financial year the Executive Cabinet received regular monitoring reports forecasting the likely Capital Programme outturn for 2005/06. This final monitoring report for 2005/06 indicates an in year overspend of £489,114 (General Fund schemes £254,169; Housing Revenue Account schemes £234,945).
9. The figures outlined in the report are provisional and are subject to final checking and external audit. However it is not expected that these figures will change significantly, if at all. If subsequently any material differences arise these will be reported back to members.

Capital Outturn 2005/06

10. The original Capital Programme for 2005/06 allowed for expenditure of £7,854,000 including both the General Fund and Housing Revenue Account Category A and B schemes. Subsequently budget holders identified delays to the completion of some schemes and slippage to 2006/07 plus supplementary schemes were approved, leaving an approved capital programme of £10,541,950.
11. The provisional outturn of 11,031,064 is £489,114 more than the approved programme. Attached in Appendix 1 is a detailed analysis of the provisional outturn against the approved programme. This appendix also presents the proposed financing of the 2005/06 Capital Programme. Despite the overspending on General Fund schemes, it should be possible to finance that programme without use of borrowing in 2005/06. However, there will be a knock-on effect of the overspending, because capital receipts that could have been used in future years instead of borrowing will be used in 2005/06. The prudential borrowing of £269,389 indicated in Appendix 1 is in respect of Housing Revenue Account capital schemes. Though the balance in-hand at 31 March 2006 of capital receipts restricted to housing purposes exceeds the borrowing, these capital receipts are required in future years for budgeted purposes.
12. Whilst there were some minor under spends in completed schemes, there were also some overspends, some of which are within acceptable tolerances, others which were more significant, namely:

	£
Town Hall Disabled Access and Refurbishment	253,093
Capitalised Restructuring Costs	26,237
Traffic Calming/Estate Improvements	36,974
Disabled Facilities Grants	25,798
Housing Revenue Account (HRA)	234,945

Consultants have been appointed in order to review the issues surrounding the Town Hall project and also to investigate the possibility of recovering some of the costs from the contractor due to delays. The outturn figure takes account of the accrued recovery of some costs: should this not be achieved there would be a further financial impact.

The other major area of overspending is the Housing Revenue Account. There was a delay in implementing the Cotswold House CCTV installation, so expenditure of £34,730 on this scheme will need to slip to 2006/07. Excluding this project from the analysis, the overspending on all other HRA schemes was £269,675. It is proposed that this overspending is financed by borrowing to avoid the reduction in capital receipts restricted to housing purposes that are required to finance the Housing Improvement Programme in 2006/07 and subsequent years. In order to offset the impact of this borrowing, it is proposed that the 2006/07 HRA Capital Programme is reduced to use only the Major Repairs Allowance for the year. (This proposal is shown in Appendix 3.)

The Cabinet is required to approve the financing of the Capital Programme.

Capital Receipts Monitoring

13. The provisional outturn for usable capital receipts is presented in Appendix 2. The use of unrestricted capital receipts in the proposed financing of the programme has increased by £195,360 because of overspending. This means that the balance of usable receipts that would have been available in 2006/07 will be less than intended.

HOW ARE WE PERFORMING?

14. The Capital Programme Board has made good progress over the past year. Previously the Capital Programme has seen year-end under spends with many schemes slipping to following year and therefore not completed as intended. The introduction of the Capital Programme Board and the project management toolkit have lead to a more controlled and successful delivery of the programme this year. However members must recognise that there are only limited resources devoted to this, and there is still a lot of work to do.

(A) Key Performance Indicators

15. High level monitoring of the Capital Programme is carried out through four performance indicators, which have been described in previous Executive Cabinet reports. The table below lists these and shows targets and year-end results against the performance last reported to Executive Cabinet on 9 March 2006.

Performance Indicator	Target 2005/06	Performance	
		At March 06	Year End 05/06
	%	%	%
1. The % of the Capital Programme budget actually spent.	80	92	105
2. The % of capital schemes intended to be completed during the year actually completed.	80	67	82
3. The % of project using the toolkit.	50	29	34
4. The % of successful projects.	80	100	100

16. At the end of 2005/06 three of the four performance indicators have exceeded target.

In recent years the Capital Programme has struggled to deliver. This year the outturn shows a year end overspend in the Capital Programme of 5%, with 82% of schemes which we intended to complete within the financial year actually completed.

17. The percentage of projects using the toolkit is below target. Although disappointing it was an ambitious target, with project management only before used for eGovernment projects. Also our last report indicated that we were behind target and that it will take time to fully embed the project management methodology therefore the result was expected.
18. Take up for use of the toolkit in 2006/07 looks promising. A popular and effective training programme is now underway with over 30 staff attending since February and another 20 booked on over the coming months. Also the number of good quality business cases

being submitted to the Capital Programme Board is increasing. The target for 2006/07 is 70%, and the board are confident of meeting this.

The expected increase in use of the toolkit will inevitably also lead to improved results in all the other performance indicators.

In addition continual improvements are being made to the toolkit based of feedback from users, and benchmarking against methods used by other local authorities. This had lead to our toolkit becoming well respected within the North West.

19. While the percentage of successful projects is an important measure, which will increase in value during 2006/07, the year-end figure has little meaning this year due to the small number of schemes who have set and measured success criteria.

Capital Monitoring 2006/07

20. The latest Capital Programme forecast for 2006/07 shows a reduction in total budget to £12,160,320. The table below summarises the changes. Appendix 3 presents the 2006/07 programme in detail and Appendix 4 show the estimated capital receipts totals.

Executive Cabinet Date	Details	£
30/03/06	Approved Capital Programme	£12,351,330
	<u>Less</u>	
	Slippage to 2006/07	£127,110
	Other changes	(£318,120)
29/06/06	Revised Capital Programme	£12,160,320

21. The slippage of £127,110 from 2005/06 had been reported to Executive Cabinet on 9 March 2006 but had not so far been added to the 2006/07 programme.
22. Of the other changes, the most significant is the proposed reduction of Housing Revenue Account capital expenditure by £264,330, to match the Major Repairs Allowance for the year. The budgets for Computer Network Improvements and Capitalised Redundancy Costs are reduced by £3,400 and £26,240 respectively, because the expenditure was incurred in 2005/06 instead of 2006/07. It is recommended that the budget for S106 funded Transport Improvements is reduced by £24,150 because the S106 resources were required in 2005/06 instead.
23. The budget for Duxbury Park Golf Course Capital Investment moves from Category B to Category A because expenditure has now started.

PROGRAMME BOARD RECOMENDATIONS

24. Set out below are a summary of requests received at the last meeting of the Capital Programme Board on the 5 June 2006, and in each case the Board's recommendations.

New Schemes and Projects

25. A number of business cases for new schemes or projects have been submitted to the Board for consideration. These have been uploaded onto the Loop and can be found here, <http://theloop/section.asp?sectionType=list&catid=12334>, under 'New Projects for Consideration'.

Project	Priorities	Outcome	Estimated Budget
Integration Software	Performance	6.2	£40,000
Union Street/Market S/St Thomas's Road Mini Roundabouts and Zebra Crossings	Prosperity, People, Place	1.3 4.1 5.4	£114,000
APP/Civica Housing Assessment Module	People, Place, Performance	2.1 5.2 6.3	£6,218

26. The Board recommends that each of the new projects listed in the table above be included as a category 'C' schemes and as such on the reserve list for future consideration when resources become available.

Project	Priority	Outcome	Financing
Euxton Villa Football Club	People & Place	2.2 3.1 5.1 5.3	CBC Match Pot Funding - £10,000 Football foundation grant - £231,075 Euxton Parish Council - £5,000 Private individual - £35,000 Harris Trust - £5,000 Foundation for sport and arts - £1,000 Euxton Villa Football Club - £68,425 Total Cost £355,500
Music Café Project	People & Place	2.2 3.1 5.4	CBC Match Pot Funding - £20,000
Gillibrand Street Site Assembly	Prosperity	1.2	£370,000 – to be funded through a back to back agreement with the developer
Affordable Housing Project	Place & People	2.3 3 5.1	£980,000 – to be funded through a back to back agreement with the developer
Website Refresh	Performance	6.4	£50,000 – to be funded from the eWorkforce reserve.
Migration to OS Master Map	Performance	6.3	£29,262 – to be funded from the Planning Delivery Grant
eDevelopment and Building Control Project	People, Prosperity & Place	1 2 3 4 5	£152,000 – to be funded from the Planning Delivery Grant
Pedestrian Improvements to Southport Road and St Thomas's Road Chorley	People & Place	3.1 4.2 5.4	£30,000 – to be funded from the traffic calming budget
Section 106 Funded – Various Highway Improvements linked	People & Place	3.1 5.4	£100,000 – to be funded from S106 money.

to Gillibrand Estate and Southlands High School			
Various Traffic Calming/Local Road Safety Schemes	People & Place	3.1 5.4	CBC Traffic Calming Budget - £18,000 LCC Contribution - £50,000 Total Cost - £68,000
Litter/Dog Waste/On-street Recycling Bins	People	4	£42,940 – to be funded from a DEFRA Grant.

27. The Board recommends that the new projects shown in the table above, be included as a Category B scheme on the 2006/07 Capital Programme.

COMMENTS OF THE HEAD OF HUMAN RESOURCES

35. There are no comments from the Head of Human Resources.

RECOMMENDATION(S)

29. That the outturn be noted
30. That members approve the financing of the Capital Programme.
31. That members approve the reduction in the HRA budget for 2006/07 due to the overspending in 2005/06.
32. That members approve the Capital Programme for 2006/07 be reduced to £12,160,320, as presented in Appendix 3.
33. That the following recommendations of the Capital Programme Board be approved:

New Capital Schemes and Projects

- (e) That the following new schemes be placed on the reserve list (Category C) for future consideration when resources become available:
1. Integration Software
 2. Union Street/Market S/St Thomas's Road Mini Roundabouts and Zebra Crossings
 3. APP/Civica Housing Assessment Module
- (f) That the following new scheme be placed in Category B of the 2006/07 Capital Programme:
1. Euxton Villa Football Club
 2. Music Café Project
 3. Gillibrand Street Site Assembly
 4. Affordable Housing Project
 5. Website Refresh
 6. Migration to OS Master Map
 7. eDevelopment and Building Control Project
 8. Pedestrian Improvements to Southport Road and St Thomas's Road Chorley
 9. Section 106 Funded – Various Highway Improvements linked to Gillibrand Estate and Southlands High School
 10. Various Traffic Calming/Local Road Safety Schemes

11. Litter/Dog Waste/On-Street Recycling Bins

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

34. The financing of the 2005/06 Capital Programme as presented avoids the use of borrowing to finance General Fund schemes in part by maximising the use of external contributions such as S106 commuted sums. Borrowing has been restricted to financing the HRA schemes to avoid an adverse impact on the General Fund revenue budget.
35. The Capital Programme for 2006/07 needs to be updated to take account of slippage and other changes.
36. To bring forward new schemes which members may consider for inclusion in the future Capital Programme.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

37. Prudential borrowing to finance HRA schemes in 2005/06 could be avoided by using restricted capital receipts. This has been rejected because those receipts are required to finance the General Fund Housing Investment Programme from 2006/07 onwards.

PAUL MORRIS
EXECUTIVE DIRECTOR – CORPORATE & CUSTOMER

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Rebecca Ostapski Michael Jackson	5779 5490	16 June 2006	Capital Outturn Report 200506