Chorley Council

Report of	Meeting	Date
Executive Director – Corporate & Customer and the Director of Finance (Introduced by the Executive Member for Resources, Councillor A Cullens)	Executive Cabinet	22nd February 2007

CAPITAL PROGRAMME MONITORING 2006/07

PURPOSE OF REPORT

1. To update Members on the progress of the 2006/07 Capital Programme, and to seek Member support and approval for a number of recommendations from the Corporate Improvement Board.

CORPORATE PRIORITIES

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

RISK ISSUES

3. 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	

4. 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.

5. 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 the least possible impact on the revenue account. Should changes be made to the work programme of grant-funded schemes, there is a risk that the grant awarding bodies will not provide grant funding for such changes.

6. The estimated financing of the programme in 2006/07 takes into account capital receipts from the sales of assets that have not yet been received. Should they not be received some schemes within the programme may need to be frozen or the level of external borrowing increased.

7. In addition, increased borrowing may be required should any project exceed the approved budgets. Overspending may be outside of the control of the project managers in some circumstances. In particular, the basis for settling compensation for the land assembly required for the Gillibrand Link Road may lead to a final payment that exceeds the

Council's budget for the scheme. The financing of the budgeted sum has been amended to use a S106 commuted sum available for transport improvement purposes, but there is a risk that the final compensation total will exceed the sum available.

BACKGROUND

8. Since the last capital monitoring report in November, the Capital and Efficiency Board has become the Corporate Improvement Board. This follows approval by Strategy Group as part of a move to rationalise the number of programme boards, while also identifying options for overseeing other areas of work such as the delivery of the Corporate Strategy.

9. This report details the performance of the Capital Programme followed by recommendations from the Corporate Improvement Board.

10. On the 7th December 2006 Executive Cabinet approved the 2006/07 capital programme budget of £16,695,400. This was made up of the £16,682,490 approve programme plus an extra £12,910 which was approved for kerbside recycling.

HOW ARE WE PERFORMING?

11. The Corporate Improvement Board is continuing to make good progress ensuring a more controlled and successful delivery of the programme.

(A) Key Performance Indicators

12. High level monitoring of the Capital Programme is carried out through 4 Performance Indicators, which have been described in previous Executive Cabinet reports. Table 1 lists these and shows current performance against the targets.

Performance Indicator	Target 06/07	Nov 2006	Jan 2007	-/+
	%	%	%	%
1. The % of the Capital Programme budget actually spent.	90	46	73	+27
2. The % of projects using the toolkit.	70	61	66	+5
3. The % of successful projects.	90	0	0	-
4. The % of capital schemes intended to be completed during the year actually completed.	85	6	21	+15

Table 1 - Capital Programme 2006/07 - Key Performance Indicators

13. Expenditure is increasing as expected, and we expect a further rise during the final quarter to take us up to the 90% target. Part of the increase is due to the slippage of some schemes, which can be seen in Appendix A. The slippage of expenditure on the Astley Park lottery project (£1.258 million) is not expected to delay the final completion of the scheme by the agreed deadline. Delays to work commencing on parts of this project have arisen because of the need to confirm and agree details such as site furniture, fixtures and security with the HLF monitor.

14. The percentage of projects using the toolkit is well on track to achieve the end of year target. Projects not yet using the toolkit are prioritised by the largest, and most high risk projects, which will benefit most from using the project management toolkit, to effectively monitor and control their progress.

15. The percentage of successful projects can only be measured on schemes that both use the toolkit, and that have been completed. As schemes are now starting to complete, project managers need to ensure they complete end project reports, to review how well the project has performed, particularly assessing the critical success factors identified in the business case, which then feeds into this performance indicator.

16. Although the percentage of projects completed is still low, there are a number of schemes that are near completion. All schemes are being closely monitored to ensure that projects will complete on time as intended, or to identify slippage as early as possible.

(C) Capital Monitoring 2006/07

17. The latest Capital Programme forecast for 2006/07 shows a decrease in the programme of £2,928,060 to £13,767,340. Table 2 below summarises the changes.

Executive Cabinet Date	Details	£	Note
07/12/06	Approved Capital Programme	16,695,400	
	<u>Less</u>		
	Slippage to 2007/08	(2,402,730)	A
	Other changes	(525,330)	B
22/02/07	Revised Capital Programme	13,767,340	

Table 2 - Capital Programme 2006/07 - Total Capital Spending

<u>Note A:</u> A scheme-by-scheme analysis of the schemes slipping to 2007/08 is shown in Appendix A.

<u>Note B:</u> A scheme-by-scheme analysis of the 'other changes' is given in appendix 1, with brief explanations of the changes given in Appendix B.

The Department for Communities and Local Government has indicated approval in principle for the capitalisation of restructuring costs (redundancy and pension fund contributions) in 2006/07. Final confirmation of the amount that the Council could capitalise with Government approval was not available at the time of preparing this report. The Director of Finance applied to capitalise up to £1.2 million on the basis that the expenditure would generate immediate revenue savings. This is not yet reflected in the monitoring figures for 2006/07 because the actual total is uncertain and some of the expenditure may occur in 2007/08.

(D) Capital Receipts Monitoring

18. Appendix C gives a high level summary of the capital receipts expected and achieved to date this year. As detailed in the risks above, the financing of the programme depends on these receipts being achieved.

19. Right to Buy (RTB) sales of Council dwellings have continued to be greater than the estimate for the year, so the forecast for the remainder of the year has been increased to reflect this. However, several of the General Fund capital receipts are still outstanding

and one taken account of in figures reported to the 7th December 2006 Executive Cabinet has now been excluded from the latest forecast.

20. Should all capital schemes spend up to budget in 2006/07, without any further slippage to 2007/08, there would be a shortfall of capital receipts requiring an increase in financing by borrowing. To help minimise the risk of variations in resource availability, the Council should develop a programme to dispose of those surplus assets that earn a low rate of return.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

21. There are no direct human resources implications arising from the recommendation.

RECOMMENDATION(S)

22. That the revised Capital Programme for 2006/07 in the sum of £13,767,340 be approved.

23. That the slippage from 2006/07 of £2,402,730 be added to the approved Capital Programme for 2007/08 to 2009/10.

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

24. To revise the 2006/07 Capital Programme.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

25. None.

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
Michael Jackson	5490	29th January 2007	CPB Cabinet Report Feb 07