

| Report of | Meeting | Date |
|---|-----------------------|---------------|
| Executive Director – Corporate & Customer and the Director of Finance | Overview and Scrutiny | 27 March 2007 |

CAPITAL PROGRAMME MONITORING 2006/07

PURPOSE OF REPORT

- 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

- The schemes within the Capital Programme contribute to the achievement of each of 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 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.
- 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 by 31st March 2007 the level of external borrowing would probably be increased to make up the shortfall.

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. This report details the performance of the Capital Programme followed by recommendations from the Corporate Improvement Board.
9. On the 22nd February 2007 Executive Cabinet approved the 2006/07 capital programme budget of £13,767,340.

HOW ARE WE PERFORMING?

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

Key Performance Indicators

11. 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 | Jan 2007 | Feb 2007 | -/+ |
|--|--------------|----------|----------|-----|
| | % | % | % | % |
| 1. The % of the Capital Programme budget actually spent. | 90 | 73 | 77 | +4 |
| 2. The % of projects using the toolkit. | 70 | 66 | 66 | - |
| 3. The % of successful projects. | 90 | 0 | 14 | +14 |
| 4. The % of capital schemes intended to be completed during the year actually completed. | 85 | 21 | 38 | +17 |

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

12. Expenditure in the final quarter is continuing to increase as expected. Part of this is due to the slippage of some projects into 2007/08, the reasons for which are detailed in appendix 1.
13. To achieve the target for the percentage of projects using the toolkit only two further capital schemes need to use it. To achieve this the projects not using the toolkit will be reviewed, and the two largest, and most high-risk projects suitable for using it will be targeted, and given the help and support they need to start using the toolkit.

14. In addition, a campaign to ensure all project managers responsible for capital projects complete the internal training on project management is currently underway.
15. This follows an internal audit of project management where one of the recommendations was that 'everyone who is either undertaking a project manager role or is a member of a project board should attend a project management training session run by the Project Support Officer'. At the time of the audit at the end of 2006 it was found that out of 27 capital projects in category A, 13 of those were being managed by staff that had not attended the training. Training is now underway for these project managers.
16. 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 report, 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.
17. Although the percentage of projects completed continues to be low, there are a number of schemes, which 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.

Capital Monitoring 2006/07

18. The latest Capital Programme forecast for 2006/07 shows a reduction in the programme of £1,442,770 to £12,324,570. Table 2 below summarises the changes.

| Executive Cabinet Date | Details | £ | Note |
|------------------------|------------------------------------|----------------|------|
| 22/02/07 | Approved Capital Programme | 13,767,340 | |
| | <u>Less</u> Slippage to 2007/08 | 1,623,890 | A |
| | <u>Plus</u> Other change | <u>181,120</u> | B |
| 29/03/07 | Revised Capital Programme | 12,324,570 | |

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

Note A: A scheme-by-scheme analysis of the capital sums slipping to/from 2007/08 is shown in appendix 1.

Note B: The other change of £181,120 represents an increase in the budget for capitalised restructuring to agree with the sum approved by CLG.

Capital Receipts Monitoring

19. Appendix 3 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.
20. Right to Buy (RTB) sales of Council dwellings to tenants are on target. The result of the stock transfer ballot does not seem to have had a significant impact on sales this year. Progress in achieving capital receipts other than RTB sales has been slow but we expect to achieve most receipts before the year-end. Two disposals are outstanding at present: the King Street premises and the former Friday Street depot. Should either sale not complete by 31st March there would be a shortfall of budgeted capital resources that would probably have to be met by incurring unbudgeted borrowing.

21. In his report on the Capital Programme 2007/08 to 2009/10 to Executive Cabinet of 7th December 2007, the Director of Finance proposed that the Council develops a programme of disposal of surplus assets that earn a low rate of return in order to ensure the availability of capital resources to finance future capital investment.

PROGRAMME BOARD RECOMMENDATIONS

22. Set out below are a summary of reports received at the last meeting of the Corporate Improvement Board on the 1st March, and the Boards recommendations where appropriate.

Exception Reports

23. (A) Astley Park

The Astley Park scheme is the subject of a separate report on this agenda. In future there will be a regular separate report to Executive Cabinet, updating members on the progress of this project.

- (B) Town Centre Paving Project

There have been a number of issues with Phase 3 of the Town Centre Paving Project relating to drainage and the fit of the pattern to the alignment of the street. The cost of work for both Phases 3 and 4 is expected to be contained within the total budget available.

- (C) Music Café Project

The Director of Policy and Performance has reported that the £20,000 budget allocated for a music café at the interchange has been used by the South Lancashire Arts Partnership to deliver this project at another venue. A music studio and a juice bar have now been created at the community centre very close to the interchange. The café at the interchange is to be let as a retail unit.

Board Recommendation – to note the change of venue.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

24. There are no direct human resource implications of this report.

RECOMMENDATION(S)

25. That the revised Capital Programme for 2006/07 in the sum of £12,324,570 be approved.
26. That the following recommendations of the Capital and Efficiency Programme Board be approved:

Exception Reports

- a. To note the change of venue for the Music Café project.

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

27. To revise the 2006/07 Capital Programme.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

28. 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 |
|----------------------|------------|-------------|---------------------------|
| Barbara Charnock | 5457 | 06 March | CPB Cabinet Report Mar 07 |