Report of	Meeting	Date
Deputy Chief Executive/Executive Director – Corporate & Customer and the Director of Finance (Introduced by the Executive Member for Resources, Councillor A Cullens)	Executive Cabinet	26th June 2007

CAPITAL PROGRAMME OUTTURN 2006/07 AND MONITORING 2007/08

PURPOSE OF REPORT

1. To report the provisional outturn for the Council's Capital Programme for 2006/07.

2. To provide a progress update for the 2007/08 Capital Programme.

3. To seek Member approval and support for a number of recommendations from the Corporate Improvement Board

CORPORATE PRIORITIES

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

RISK ISSUES

5. 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	

6. 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.

7. 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.

BACKGROUND

8. During the financial year the Executive Cabinet received regular monitoring reports forecasting the likely Capital Programme outturn for 2006/07. This final monitoring report for 2006/07 indicates an increase in expenditure of £1,180,942, offset in part by further net slippage of expenditure to 2007/08 of £236,266.

9. The figures outlined in this report are provisional and subject to final checking and external audit. However, while it is not expected that these figures will change significantly, any material differences that do arise at a later date will be reported to Members.

CAPITAL PROGRAMME PROVISIONAL OUTTURN 2006/07

10. The original Capital Programme for 2006/07 allowed for expenditure of £7,635,490 (see Financial Strategy 2006/07 to 2008/09) 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 2007/08, plus supplementary schemes were approved, giving an approved capital programme of £12,324,570. The most significant change was the addition of the Eaves Green Link Road to the 2006/07 programme at a budget of £4,519,650. This scheme had slipped from 2005/06.

11. The provisional outturn of £13,269,246 is £944,676 more than the approved programme. Attached at Appendix 1 is a detailed analysis of the provisional outturn against the approved programme. This appendix also presents the proposed financing of the 2006/07 Capital Programme and identifies slippage to 2007/08 requested by project managers, which totals £236,260. Despite this net increase in capital expenditure, the increase in prudential borrowing required to finance the programme has been restricted to only £7,495.

12. Attached at Appendix 2 is a detailed analysis of the expenditure variations that total £1,180,942.

13. Whilst there was some minor under and overspending on completed schemes that fell within acceptable tolerances, others variances were more significant, namely:

- Project Design Costs — £36,390 under spent
- Invest in Success – Gillibrand Scheme — £1,288,282 additional compensation

The Development and Regeneration directorate's project design budget was not fully utilised because staff did not work on approved capital projects to the extent envisaged when the original programme was approved. The land assembly cost in respect of the Invest in Success – Gillibrand scheme has been provided for in the accounts on the basis of the best information available. The issue of compensation due to landowners was considered at arbitration on 24/25 May and a decision is expected within 4/5 weeks of this date. If the decision has been made by the cabinet date, Members will be given updated information at the meeting. Should the final cost differ from the estimated total to any material extent, it would be necessary to reopen the accounts for 2006/07 and to adjust the financing of the programme as appropriate. A consequence of the previously unanticipated increase in the cost of land assembly is that payment of unbudgeted interest has been provided for in the General Fund revenue account.

The proposed financing of the Gillibrand Link Road land assembly expenditure, including legal and consultancy fees incurred during 2006/07, is shown below:

	£
Budgeted use of S106 transport contribution	757,300
Unbudgeted use of S106 resources	485,642
Use of Gillibrand capital receipt	802,640
Total	**2,045,582**

As negotiations and arbitration continued into 2007/08, there will be further expenditure to finance in the new financial year, but the likely total is not known at this stage.

CAPITAL RECEIPTS & DEVELOPERS' CONTRIBUTIONS OUTTURN 2006/07

14. The provisional outturn for usable capital receipts and S106 contributions from developers is presented at Appendix 3. Housing stock transfer appears not to have had a significant effect on the level of Right To Buy receipts during 2006/07. Capital receipts expected from the sale of King Street and Friday Street properties were not achieved: revised figures will be included in the resource estimate for 2007/08. Due to the increase in the cost of land assembly for the Gillibrand Link Road scheme, it is estimated that English Partnerships will not be due to receive a share of the sale proceeds. These sale proceeds (£802,640) have been treated as being available to the Council to finance part of the increased costs, the balance coming from S106 resources available for transport improvements.

HOW ARE WE PERFORMING?

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

Key Performance Indicators

16. 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 details the targets, and year-end results against last year's outturn figures reported to Executive Cabinet on the 29th June 2006.

Performance Indicator	Target 06/07	Year-end 2005/6	Year-end 2006/7	Variance on target
	%	%	%	%
1. The % of the Capital Programme budget actually spent.	90	105	108	+18%
2. The % of projects using the toolkit.	70	34	71	+1%
3. The % of successful projects.	90	N/A	6	-84%
4. The % of capital schemes intended to be completed during the year actually completed.	85	82	73	-12%

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

At year-end two of the performance indicators have exceed target, with one significantly improving on the last year's performance.

The percentage of capital programme budget actually spent continues to exceed target, with an 8% overspend on the budget this year. This is primarily due to the overspending on the Gillibrand Link Road scheme, which has been explained above and which was beyond the control of the Council. Excluding this scheme, the variance from budget would have been an under spending of around 3%.

As expected the percentage of projects using the toolkit has exceeded target by 1% to 71%, which is a significant improvement on last year's performance of 34%. This shows that the approach to managing capital schemes as projects, is becoming embedded within the Council.

Also contributing is our in house training programme. Over 60 staff and members have now attended training, and a series of workshop/briefings for our project managers is currently underway.

The measure of successful projects currently shows performance significantly behind target. There are two key reasons for this.

Firstly the way the percentage of successful projects is measured has been changed slightly in order to make it a more meaningful indicator. Last year's result of 100% successful schemes was based on those schemes which reviewed their performance when the project was complete. Overall this was a very small percentage, and not representational of the whole capital programme. This year the measure it takes into account all the projects that have completed, which were using the project management toolkit, and therefore which can measure project success.

The outturn figure currently appears so low, because we are waiting on end project reports, which we use to calculate this measure, from the majority of the completed projects.

All outstanding end project reports are expected to be received in the next few weeks. Once these are received this indicator can be recalculated, and reported back to Executive Cabinet, when it is expected that the results will be nearer target.

Finally the percentage of projects intended to be completed during the year actually completed, is below target. In some cases this may be due to schemes only receiving approval part way through the year. Proposal are being developed which will recommend an annual bidding process. Part of the benefit of this will mean that projects will have approval and budget to start projects from the beginning of the year.

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CAPITAL PROGRAMME MONITORING 2007/08

17. The latest Capital Programme forecast for 2007/08 shows an increase in the programme to £8,302,450. Table 2 below summarises the changes. The figure for the Approved Capital Programme includes slippage from 2006/07 previously reported to Members. The detailed programme for 2007/08 to 2009/10 is presented as Appendix 4.

Date Reported	Details	£	£
Council 27th February 2007	Committed expenditure 2007/08	4,976,440	
	Additional schemes added to 2007/08 programme	1,465,860	
	Slippage from 2006/07 previously reported	1,623,890	
	Approved Capital Programme 2007/08		**8,066,190**
	<u>Plus</u> Slippage from 2006/07		236,260
	Revised Capital Programme 2007/08		**8,302,450**

Table 2 - Capital Programme 2007/08 - Total Capital Budget

PROGRAMME BOARD RECOMMENDATIONS – NEW PROJECTS

18. Set out below are proposals received at the last two meeting of the Corporate Improvement Board on the 1st May and the 8th June.

The project documentation has been uploaded to the loop, and can be found at, http://theloop/section.asp?sectionType=list&catid=12726, under 'new projects for consideration'.

Project	Strategic Objective	Estimated Budget
Astley Park – Woodland Management	Develop the character and feel of Chorley as a good place to live	Requires use of £116,000 S106 resources, phased over several years (phasing to be confirmed
Coppull PlayZone	Improving equality of opportunity and life chances	Contribution of £25,000 towards a larger scheme of around £250,000 total cost
Charnock Richard FC – Pitch Improvements	Improving equality of opportunity and life chances	Contribution of £6,000 towards a total project cost of £62,579

Table 4 - Summary of new schemes recommended for approval into Category B

The board recommends that the new projects listed in table 4 be approved into category B of the capital programme.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

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

RECOMMENDATION(S)

20. That the provisional outturn for the Capital Programme for 2006/07 in the sum of £13,269,246 be noted.

21. That the financing of the 2006/07 Capital Programme set out in Appendix 1 be approved.

22. That slippage of £236,260 from 2006/07 be added to the Capital Programme for 2007/08.

23. That the following recommendations of the Corporate Improvement Board be approved:

(a) The addition of the Astley Park - Woodland Management Scheme to the Capital Programme at a cost of £116,000, to be financed from S106 resources.

(b) The addition of the Coppull Playzone £25,000 contribution to the Capital Programme, to be financed from resources provided by the housing developer.

(c) The addition of the Charnock Richard Football Club Pitch Improvements to the Capital Programme, with a £6,000 contribution from the external funding pot.

These schemes do not entail any additional borrowing requirements.

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

24. The slippage of £236,260 to the 2007/08 programme generally represents expenditure that was committed during 2006/07 but that was not incurred for various reasons. Some of the projects would be financed with earmarked resources also carried forward to 2007/08, so that it should not be necessary to increase borrowing to finance this slippage of expenditure.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

25. None.

PAUL MORRIS
DEPUTY CHIEF EXECUTIVE/DIRECTOR – CORPORATE & CUSTOMER

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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