

CAPITAL PROGRAMME 1998/99 - 1999/2000

Accountable Officer: Peter Timmins (Treasurer)

Author: Jacqueline Howe (Corporate Finance Manager) - MK252091

1. Purpose

- 1.1 To inform the Committee of the projected capital outturn for 1998/99 and the implications or the Council's 1999/2000 programme.
- 1.2 To make appropriate recommendations for the delivery of a balanced 1999/2000 programme.
- 1.3 To inform the Committee of the implications of the introduction of Asset Management Planning for the Council.

2. Summary

- 2.1 The 1998/99 capital programme under spent by £3.3m primarily as a result of slippage.
- 2.2 Two out of the five capital blocks still require their programmes for 1999/00 to be agreed.
- 2.3 The Secretary of State for Education and Employment has not yet agreed the sale of the Denbigh School site (estimated receipt £2.7m). As previously reported, if the sale is not completed in this financial year it will jeopardise the Council's ability to finance the 1999/2000 programme.
- 2.4 Department for Education and Employment (DfEE) guidelines require that the Council's Schools Asset Management Plan is complete by December 2000, and as a first stage, condition surveys have to be carried out on all school premises by December 1999. The revenue cost of achieving this is estimated to be £0.2m.

3. **Recommendations**

3.1 This Committee is recommended to:

- (a) note the projected capital outturn figures for 1998/99 (**Annex A**);
- (b) note the prioritised schemes identified in **Annex B** (£0.827m) and instruct officers to review these priorities and report back to this Committee in September '99 when the outcome of the Denbigh School site and other issue should be resolved;
- (c) agree the alternative funding sources identified for specific schemes (£0.118m) at **Annex B B3**;
- (d) agree the revised selection criteria for capital schemes for 2000/01 (**Annex C**), and;
- (e) note the revenue implications of the DfEE's regulations on asset management planning.

4. **Background**

- 4.1 At its meeting in February 1999 this Committee approved funding for three of the five service blocks. Programmes for the two remaining blocks either failed to be presented, or far exceeded resources. Consequently, this Committee resolved that, 'appropriate Committees be requested to prioritise their spending needs for 1999/2000 in respect of both the Social Services and Environmental Protective and Cultural Service blocks'.
- 4.2 The Committee further resolved to adopt an overall Capital Strategy by the middle of 1999/2000 to be applied to future years.

5. **Issues and Choices**

5.1 **Projected Outturn 1998/99**

- (a) The projected outturn figures summarised at **Annex A** show an under spend of £3.3m. This is primarily a consequence of slippage in the programme, (£2.7m) also detailed at **Annex A**. The slippage together with earmarked resources have been carried forward to 1999/2000.
- (b) The capitalisation of (£1.07m) to assist the revenue budget and arising from the sale of the food centre has been achieved in 1998/99.
- (c) Where appropriate, and to protect future resources, capital receipts have been used to fund schemes rather than earmarked reserves.

5.2 **1999/2000 Programme and Strategy**

- (a) The capital report to this Committee in February 1999 stated there were 'significant uncertainties' about the level of resources available in 1999/2000, in particular in relation to the sale of the Denbigh School site. This remains the case, the Secretary of State for Education has still not made a decision as to whether the disposal can proceed. Latest information from the DfEE is that the matter is with the Minister and no time frame for a decision can be given.
- (b) If the disposal is not agreed and completed within this financial year the Council's ability to finance its Capital Programme will be severely restricted (£3.2m). So much so that it may be necessary for this Committee to place a moratorium on uncommitted schemes and or, instruct the architects to manage slippage into 2000/01. This matter would need to be reviewed in September 1999. **Annex D** provides the detail of the programme.
- (c) In accordance with resolution PR144/99 however, Service Committees have identified bids within the Social Services and Environmental, Protective, and Cultural Services blocks totalling £1.624m. In an attempt to match schemes to resources (£0.827m) and devise a strategic approach to capital planning, the Capital

Programme Working Group agreed a set of assessment criteria to prioritise between schemes.

- (d) The exercise identified a number of difficulties regarding definitions and criteria used. As far as possible these have been addressed. The results are shown at **Annex B**.
- (e) The revised assessment criteria are detailed at **Annex C**. The criteria assume that all schemes will meet at least one of the Council's strategic objectives, and attempt to reflect the Council's current financial predicament. Wider application of the criteria may identify further necessary adjustments. However, with this proviso the Committee are recommended to adopt the assessment criteria as the basis for the Council's capital strategy and instruct officers to apply it to all schemes bidding for inclusion in the 2000/2001 programme.
- (f) In reviewing scheme assessments it became clear that alternative funding sources would be appropriate for £118k of specific schemes due to either, the release of subsequent capital receipts, or revenue savings in year 1.
- (g) A report to the Theatre and Gallery Development Sub-Committee on 2 June 1999 identified a number of potential risks with regard to funding, should they materialise there could be an impact upon the Council's capital programme. In light of the difficulties outlined above this matter will need to be reviewed in September 1999.

5.3 **Asset Management Planning**

- (a) Latest DFEE guidance states that the Council's asset management plan for schools must be in place by December 2000. And, more immediately, that condition surveys for all school premises should be completed by December 1999 with the results transmitted to the DFEE by March 2000. The cost of commissioning the surveys is estimated to be £0.2m. As yet this represents an unfunded pressure of £0.17m on the revenue budget.
- (b) An officer working group led by Anne Feeley, Education Planning Manager, has been set up to co-ordinate the implementation.
- (c) Whilst the DFEE are leading the way on AMP's it is feasible that with the introduction of the 'single pot' the Department of the Environment Transport and the Regions (DETR) will seek to introduce them across the board. Consequently, on the back of the schools AMP, the working group are considering the implications for a Council wide approach.

6. **Implications**

6.1 Environmental

None.

6.2 Equalities

None.

6.3 Financial

If the problems in relation to the Theatre overspend and Denbigh sale remain unresolved by September, decisions will have to be taken on £4m worth of schemes, (20% of the programme). This will have a knock on effect on those trading accounts which rely on the implementation of the programme for their income.

6.4 Legal

None.

6.5 Staffing and Accommodation

None.

7. **Conclusions**

7.1 The financing of the 1999/2000 programme is still far from certain. Only once the funding position is secure should the £0.827m be committed.

7.2 The proposed assessment criteria facilitate a more objective assessment of capital bids, and in the current financial climate provide a realistic basis for a corporate capital strategy. Consequently, they will be used to determine the 2000/01 - 2002/03 programme, the planning for which begins in September 1999.

Background Papers: DFEE guidance documents