

Key Decision	Yes
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document	Capital Strategy 2005-06 to 2007-08

CAPITAL PROGRAMME 2006-07 – POSITION AS AT 31 MAY 2006

ACCOUNTABLE CABINET MEMBER: SAM CROOKS

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1. Purpose

1.1 To inform the Audit Committee of the latest position and forecast outturn on the 2006-07 capital programme. This includes changes to the programme agreed under delegated powers.

2. Issues and Choices

Capital Programme Budget

2.1 The original capital programme for 2006-07 to 2010-11 was set by Council on 28 February 2006. The value of the approved programme was £77.288m.

2.2 Once the programme has been set, Cabinet have the delegated authority to approve new capital schemes, and variations to existing schemes, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council. A scheme of delegated decision-making also applies, as set out in the Council’s Constitution and Financial Regulations. The requirements of the Financial Regulations in respect of project appraisals and project variations, which are required to support any changes to the programme, are outlined at Annex A.

2.3 The following changes to the original capital programme have been agreed:

(a) Project appraisals and variations to the value of £35,516k, of which £6,936K relates to the current year, were agreed by Cabinet on 21 March 2006 and 11 April 2006

- (b) A project appraisal to a value of £670K for 2005-06 was approved by delegated decision on 18 April 2006. The details are summarised at Annex B3
- (c) A project appraisal to a value of £261K for 2005-06 was approved by delegated decision on 10 May 2006. The details are summarised at Annex B3.

2.4 The following changes to the original capital programme are proposed:

- (a) A project appraisal to the value of £822K for 2006-07 and £4,500K over the life of the scheme detailed in Annex B1 requires Cabinet approval. This is a CMK Joint Venture scheme; the entire scheme needs Cabinet approval, but only the MK Section 106 funding will be added to the Council's capital programme. – See paragraph 3.17
- (b) Project variations to a value of £3.50K for 2006-07 detailed in Annex B2 require Cabinet approval.

2.5 Table 1, below, summarises the financial impact of the actual and proposed changes outlined in paragraph 3.3 to 3.4 above.

Table 1
Original, latest and proposed capital programme 2006-07 – 2010-11

	2006-07 £m	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
Original capital programme (Council 28 February 2006)	77.228	78.210	61.277	60.759	59.567
Project appraisals and variations agreed by Cabinet 21 March and 11 April 2006	6.936	23.355	5.225	0	0
Project appraisals and variations brought to this Cabinet for noting	0.931	0	0	0	0
Project variations brought to this Cabinet for approval	0.003	0	0	0	0
Project appraisals brought to this Cabinet for approval	0.498	0.502	1.000	0.700	0
Latest proposed programme	85.596	102.067	67.502	61.459	59.567

Expenditure to date and outturn forecast

- 2.6 Cabinet is informed on a monthly basis of the latest position in respect of expenditure against budget, with an explanation of significant variances.
- 2.7 The latest approved capital programme budget, expenditure to 31 May, and projected outturn to the end of the year are shown at Annex C, in summary and by directorate. The annex includes a commentary outlining the proposed amendments to the programme (new projects and project variations), and the reasons for any major variances in forecast outturn against budget. The summarised data is represented in the table below.

Capital Programme 2006-07 - Summary of capital budgets, forecasts and expenditure as at 31 May 2006

Directorate	Latest Approved Budget	Forecast Outturn	Profiled Budget	Expenditure to 31 May 06 (excluding commitments)	Expenditure to 31 May 06 (including commitments)
	£m	£m	£m	£m	£m
Chief Executives	0.352	0.352	0.130	0.098	0.359
Environment	21.523	21.503	0.627	0.541	1.900
Learning and Development	48.500	47.600	5.550	3.081	16.692
Neighbourhood GF	2.120	2.120	0.146	0.132	0.319
Neighbourhood HRA	12.599	12.349	2.122	0.485	1.239
Total	85.094	84.824	8.575	4.337	20.509

- 2.8 The results shown in the table above are shown graphically in Annex D

Financing the Capital Programme

- 2.9 Annex E shows the shift in the programme budget and the financing position from the latest approved budget agreed by Council on 28 February 2006, together with the latest funding gap.

**Table 3
Capital Programme 2006-07 - Financing**

	Capital Programme	Available Funding	Funding Shortfall/ (Surplus)
	£m	£m	£m
Original Programme	77.228	84.563	(7.335)
Project appraisals and variations agreed by Cabinet 21 March and 11 April 2006	6.936	6.936	0
<u>Items brought to this Cabinet</u>			
Project variations for approval	0.0035	0.0035	0
Project appraisals approved by delegated decision	0.931	0.931	0
Project appraisal and variations for approval	0.825	0.825	0
Funding Shortfall/(Surplus)	85.920	93.255	(7.335)
Add back:			
Loan to Radcliffe School		0.966	(0.966)
Funding Shortfall/(Surplus)	85.920	94.221	(8.301)

- 2.10 The total amount of unallocated funding is therefore £8.301m. This includes an amount of £5m uncommitted capital receipts generated by General Fund asset sales during 2003-04 and 2004-05 to be kept in reserve during 2006-07 for the prudent management of the authority's financial position.
- 2.11 Of the remaining balance, £2.2m is to be retained as an earmarked contingency for Education new school builds and £1.01m is to be used towards capital works linked to revenue budget savings for the two years 2007-08 to 2008-09.

- 2.12 The use of the uncommitted capital funding is summarised in the following table.

Table 4
Capital programme 2006-07 - Use of uncommitted capital funding

	£m	£m
<u>Earmarked or ring-fenced resources</u>		
Unearmarked capital reserve to be invested (agreed at 28 February Council)	5.000	
Set aside for Education contingency (agreed at 28 February Council)	2.200	
Capitalisations 2007-08 (agreed at 28 February Council)	0.569	
Capitalisations 2008-09 (agreed at 28 February Council)	0.532	
		8.301
<u>Unearmarked Resources</u>		
Capital Reserve	0	
Total		8.301

Capital schemes funded by Section 106 and 'tariff'

- 2.13 The governance and monitoring arrangements for schemes funded by Section 106 tariff funding from developers in the expansion areas are still being worked up. These are yet to be agreed with Milton Keynes Partnership.
- 2.14 However capital schemes funded in whole or part by Section 106 tariff monies are starting to be put forward into the capital programme. This is because of other pressures on the their timely start and completion, for example time limited government grant funding.
- 2.15 The 2006-07 capital programme includes two such schemes – Junction 14 Area Improvements and Bletchley Leisure Centre Redevelopment. These were both agreed by Cabinet on 11th April 2006. As at the end of May no expenditure or commitments had been recorded against these schemes.
- 2.16 Similarly, schemes funded by Section 106 in the CMK Joint Venture area will require additional governance and monitoring arrangements.
- 2.17 The Portway/North Grafton Capacity Improvement scheme is part of the CMK Joint Venture, and is included in this report for approval. The full value of the scheme is shown in the project appraisal; however only that part which MKC will fund from the Section 106 funding will go into the Council's capital

programme. English Partnership will forward fund the Section 106 contribution until the Section 106 monies due to the Council have been received. This therefore creates a liability on the Council.

- 2.18 From next month (period 3), an annex will be added to the monthly monitoring report to Cabinet showing the latest monitoring position on CMK Joint venture and tariff related schemes.

Capital Programme Slippage from 2005-06

- 2.19 The impact of capital programme slippage from 2005-06 is not included in this report. This is covered by a separate report on this agenda – “Capital Programme 2005-06 – Outturn Position”. The total value of slippage is £14.652m. This will be incorporated into the next monitoring report.

3. Implications

3.1 Policy

The recommendations of this report are consistent with the Council’s capital strategy.

3.2 Resources and Risk

Capital implications are fully considered throughout the report.

Revenue implications may arise from capital schemes in respect of:

- a) Borrowing to fund capital expenditure (principal and interest),
- b) Running costs associated with capital schemes, and
- c) Efficiency savings (e.g. reduced maintenance costs).

These are built into the Council’s debt financing and other revenue budgets as appropriate through the Medium Term Planning process. There are no new or significant revenue or MTP issues arising as a result of this report

Some capital schemes specifically relate to asset management, IT or accommodation issues. There are no new or significant asset management, IT or accommodation issues arising as a result of this report.

Yes	Capital	No	Revenue	No	Accommodation
No	IT	No	Medium Term Plan	No	Asset Management

3.3 Legal

Legal implications may arise in relation to specific capital schemes. In particular a capital scheme may be needed to meet a specific legal requirement. These implications are addressed in the individual project appraisals.

There are no significant legal implications arising as a result of this report

3.4 Other implications:

Other implications may arise in relation to specific capital schemes. These are addressed in the individual project appraisals.

There are no other significant implications as a result of this report.

No	Equalities/Diversity	No	Sustainability	No	Human Rights
No	E-Government	No	Stakeholders	No	Crime & Disorder

Background Papers:

Report to Council 28 February 2006 - Capital Programme 2006-07.

Project Appraisals and Variations:

L & D

4/C/00187 St Pauls Catholic School – Multi Use Games Area

Environment

3/C/00103	Albert Street Toilet Refurbishment
3/C/00161-005	Longfellow Drive, Newport Pagnell
3/C/00161-006	Purcell Drive, Newport Pagnell
3/C/00161-011	Bury Street, Newport Pagnell
3/C/00161-012	Abbey Way, Bradville
3/C/00161-013	Southern Way Wolverton
3/C/00179-004	Pinewood Drive, Fenny Stratford
3/C/00179-005	Plumstead Avenue, Bradwell Common
3/C/00179-011	Angus Drive, Bletchley
3/C/00190-006	Greenleys Lane, Greenleys
3/C/00190-011	Severn Drive, Newport Pagnell
3/C/00219	Saxon Court Refurbishment Phase 2
3/C/00221	Portway/North Grafton Capacity Improvement