

Wards Affected:

All Wards

ITEM 10**CABINET****12 SEPTEMBER 2017****REVISIONS TO CAPITAL PROGRAMME AND SPEND APPROVALS REPORT**

Responsible Cabinet Member: Councillor Middleton Cabinet member for Resources and Innovation

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Executive Summary:

Before spending on any scheme can begin within the Capital Programme, project documentation has to be updated and appraised through a formal review process to ensure projects will deliver required outcomes, are fully funded and provide value for money.

This review point is the spend approval stage, where following officer scrutiny, Cabinet approval is requested to allow spending against allocated resources for individual projects. Once spend approval has been agreed, any changes to either the funding or spending of resources need to be reported to Cabinet for approval.

The report requests spend approval for schemes in the 2017/18 Capital Programme and makes amendments to existing schemes. The proposed changes are summarised in tables 1 and 2 of Annex A.

The changes outlined in this report result in a revised Capital Programme for 2017/18 of £304.57m. Against this programme, £231.77m of spend approval has been given to enable individual projects to commence or continue.

The Council is responsible for the management of the Milton Keynes Tariff, which is a forward funding mechanism to deliver infrastructure in the expansion areas of the borough. Should the recommendations included in this report be approved, the impact will be a revised Tariff Programme for 2017/18 of £40.77m; with the total spend approval for these contributions at £16.48m.

1. Recommendations

- 1.1 That the additions to resource allocation and spend approval for the 2017/18 capital programme be approved.
- 1.2 That the amendments to resource allocation and spend approvals for the 2017/18 capital programme be approved.
- 1.3 That the amendments to resource allocation and spend approvals for the 2017/18 capital programme approved by Delegated Decision on 11 July 2017 be noted.

- 1.4 That the overall funding position for the 2017/18 capital programme be noted.
- 1.5 That the amendments to resource allocation and spend approvals for the 2017/18 tariff programme be approved.
- 1.6 That the current position of the 2017/18 tariff programme be noted.

2. Amendments to the Capital Programme

- 2.1 There are a number of schemes that were not included in the original 2017/18 capital programme but have now completed the officer review process. Cabinet approval for resource allocation and spend approval is now sought to include the new capital projects (summarised in **Annex B**) in the 2017/18 capital programme.
- 2.2 The significant new schemes submitted for inclusion in the 2017/18 capital programme are shown below:
 - Downs Barn School - Heating and domestic water upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.232m in 2018/19) to upgrade the school's water and heating system. This project is funded from a single capital pot grant.
 - Germander Park School - Heating and domestic water upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.316m in 2018/19) to upgrade the schools water and heating system. This project is funded from a single capital pot grant.
 - Tickford Park Primary School - Heating and domestic water upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.280m in 2018/19) to upgrade the school's water and heating system. This project is funded from a single capital pot grant.
 - Wood End First School - Heating and domestic water upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.238m in 2018/19) to upgrade the school's water and heating system. This project is funded from a single capital pot grant.
 - The Walnuts School (Bletchley) - Heating and domestic water upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.316m in 2018/19) to upgrade the school's water and heating system. This project is funded from a single capital pot grant.
 - Southwood School – Pitch Roof Upgrade (resource allocation and spend approval of £0.020m in 2017/18 and resource allocation of £0.634m in 2018/19) to upgrade the school roof. This project is funded from a single capital pot grant.

- Southwood School Roof (resource allocation and spend approval of £0.250m in 2017/18) to replace the hall roof, ceiling and lighting after the partial collapse. This project is funded from a single capital pot grant.
- Whitehouse 12FE Secondary School (resource allocation and spend approval of £0.2m in 2017/18 and resource allocation of £3.8m in 2018/19, £20m in 2019/20 and £16m in 2020/21) to construct a new secondary school in the western expansion area. This project is funded from a single capital pot grant and a Tariff contribution.

2.3 Approval is sought to amend the resource allocation and spend approval for existing projects previously allocated resources within the 2017/18 capital programme. The significant changes are:

- Spend approval request of £1.65m for **MK Gallery - Expansion**, to continue the expansion of the MK Gallery. This is funded from a single capital pot grant and capital receipts.
- Spend approval request of £0.424m for **Newton Blossomville Bridge**, to construct the new bridleway bridge. This is funded from new homes bonus.
- Spend approval request of £0.25m for **Public Rights of Way Bridges**, to complete structural upgrades to pedestrian and bridleway bridges. This is funded from new homes bonus.
- Spend approval request of £0.25m for **Replacement Revenue and Benefits System**, to complete feasibility studies and investigations into appropriate software packages to enable service improvements. This is funded from new homes bonus.
- A transfer of resource allocation of £1.35m from **Whitehouse Health Facility to Brooklands Health Facility**, to realign resources allocated to the 2 health centres in line with the contract for Brooklands and revised estimate for Whitehouse. These projects are funded from a Tariff contribution and prudential borrowing.
- An increase in resource allocation and spend approval of £0.250m for **Kent's Hill School Planning Requirements**, to complete redway improvements along Timbold Drive. This is funded from a tariff contribution.
- A transfer of resource allocation of £0.155m to **Passenger Transport** from **Rural and Urban Bus Stops** £0.069m and **Quality Bus Initiative - Bus Routes** £0.086m, to realign the passenger transport capital programme.

Spend approval of £0.491m is also requested for to **Passenger Transport**, to improve passenger transport infrastructure, including shelters, power and lighting. This is funded from a single capital pot grant.

2.4 The most significant requests for change to the phasing of resource allocation and spend approval for existing projects in the 2017/18 Capital Programme, as set out in **Annex B** is:

- **Coltsfoot New Council Houses**, resource allocation and spend approval of £1.221m is being re-phased to 2018/19 – due to revised completion date.
- **Franklin Croft New Council Houses**, resource allocation and spend approval of £0.797m is being re-phased to 2018/19 – due to revised completion date.
- **Milton Keynes Local Broadband Plan**, resource allocation and spend approval of £1.170m is being re-phased to 2018/19 – next phase of broadband improvements is expected to commence in 2018/19.
- **Future Work Programme**, resource allocation and spend approval of £2m is being re-phased to 2018/19 – due to revised programme timings.

2.5 The changes to the capital programme approved by Delegated Decision 11 July 2017 were:

- Additional resource allocation and spend approval request of £3.2m for **Purchase of Properties**, to purchase additional houses for the Housing Revenue Account (HRA). This project is funded from affordable housing capital receipts and a HRA revenue contribution.
- Resource allocation of £4m for **Additional Temporary Accommodation**, to provide 20 units of temporary accommodation.

A conditional grant of £0.8m to Three Conditions Housing Association was approved to cover 20% of the acquisition cost of each property. This will be funded from affordable housing capital receipts.

In addition the ability to provide a loan of £3.2m to Three Conditions Housing Association was approved subject to arrangements to be agreed by the Chief Finance Officer on terms consistent with the Treasury Management Strategy and Prudential Code. This will be funded from prudential borrowing.

Spend approval was also requested for the full project however, only the £0.8m grant will be included in the capital programme until the terms and conditions of the loan have been agreed.

2.6 A summary of proposed revisions to the capital programme for 2017/18 is shown in **Annex A, Table 1**. These revisions are set out in detail in **Annex B**.

2.7 Project managers have a monthly opportunity to demonstrate to the Capital Programme Review Panel (Corporate Director Resources, colleagues from Finance and the Portfolio Office, and a representative of the Corporate Leadership Team) that the project is well controlled and managed, and that funding is confirmed as available. While some projects have been through

this process and are requesting spend approval, there are a number of schemes not yet ready to start or where the Capital Programme Review Panel has requested further work / assurance before the scheme can be brought to Councillors.

2.8 The revised 2017/18 capital programme by project is available on the Council website at <http://www.milton-keynes.gov.uk/finance>.

2.9 **Table 2** in **Annex A** shows the revised funding position for the 2017/18 capital programme.

3. Spend Approvals Across Multiple Years

3.1 Some major capital schemes require spend approval for more than the current financial year. In approving spend approval for the project resources are effectively being committed for the future. This is usually for major schemes which could not be completed in a single financial year, or where the most effective timing of a project crosses financial years e.g. opening a school in September.

3.2 There are currently eleven projects with spend approval phased across multiple years. These projects are fully funded with all of their funding having been confirmed as available within 2017/18. A summary of these projects along with the phasing of the spend approvals is shown in **Annex A, Table 3** and detailed in **Annex C**.

4. Tariff Programme

4.1 The 15 February 2017 report to Full Council outlined the resource allocation for the 2017/18 Tariff schemes.

4.2 Approval is sought to amend the resource allocation and spend approval for existing projects previously allocated resources within the 2017/18 tariff programme (summarised in Annex B). The significant request is:

- Kent's Hill School Planning Requirements (resource allocation and spend approval of £0.250m in 2017/18) to complete redway improvements along Timbold Drive. This is funded by a transfer of resources from the Tariff Local Roads allocation.

5. Annexes to this Report

ANNEX A	Summary of changes to the Capital Programme and Financing
ANNEX B	Detailed list of changes to the 2017/18 Capital Programme and the 2017/18 Tariff Programme
ANNEX C	Detailed list of projects with Multiple Years Spend Approval

6. Implications

6.1 Policy

The recommendations of this report are consistent with the Council's Medium Term Financial Plan.

6.2 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.

Y	Capital	Y	Revenue	N	Accommodation
Y	IT	Y	Medium Term Plan	N	Asset Management

6.3 Carbon and Energy Management

All capital schemes consider Carbon and Energy Management implications at the capital appraisal stage before they are added to the capital programme. There are no further implications as a result of this report.

6.4 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.

6.5 Other Implications

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

N	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Background Papers: Officer Working Papers, report to all Members
Previous reports to both Cabinet and Council as mentioned within the body of the report.

Annexes: As listed at 5.