

Key Decision	Yes
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document	Capital Strategy 2009-10 to 2033-34

CAPITAL PROGRAMME 2008-09 – DRAFT OUT-TURN

Accountable Cabinet Member: Councillor S Crooks

Contact Officers:

John Neilson (Interim Director of Finance)

Tel: MK252756

Ceri Davies (Finance Manager – Capital and Treasury)

Tel: MK253268

1. Purpose

- 1.1 To inform Audit Committee of the draft outturn for the 2008-09 Capital Programme.

2. Recommendations

- 2.1 That the draft outturn for the 2008-09 capital programme be noted.

3. Capital Programme 2008-09 to 2012-13

- 3.1 The original capital programme for 2008-09 to 2012-13 was approved by Council on 26 February 2008. The value of the approved programme was £103.378m.
- 3.2 Once the programme has been set, Cabinet has 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 the project appraisals and project variations which are required to support any changes to the programme, are outlined at **Annex A**.
- 3.3 At its meeting in February, Council was asked to approve the submission of a further capital programme for 2008-09 once the outcome of the council's bid for additional Government support for Education was determined. The council's bid for Basic Need Safety Valve (BNSV) funding was confirmed by the Department for Children, Schools and Families in May 2008.
- 3.4 The total value of the BNSV allocation was for additional funding of £28m to be spent over the three years 2008-09 to 2010-11. Following confirmation of this

funding, a revised capital programme was submitted to Council for approval on 9 September 2008 which incorporated additional Education schemes funded by BNSV. The revised programme for 2008-09 was also amended at this time for project variations to date and for required slippage from 2007-08.

- 3.5 The value of the approved programme to 30 November 2008 as reported to Audit Committee at its meeting on 27 January 2009 was £168.924m.
- 3.6 The value of the approved programme at 31 March 2009 is £130.628m. The major additions and variations which make up the decrease in the programme value between November 2008 and March 2009 are summarised in **Table 1** below.

Table 1: Summary of major additions and variations approved by Cabinet outside of the original and revised capital programmes

Cabinet Date	Additions £m	Variations £m	Total Programme £m
27 January 2009 (Audit Committee)			168.924
17 February 2009			
CYPS PV568		(0.520)	
PV582		(0.418)	
PV584		(1.886)	
PV586		(1.310)	
PV593		(0.217)	
PV569		(0.133)	
PV570		(5.069)	
PV609		(0.505)	
4/C/00430	0.164		
ENV PV592		(0.149)	
PV604		(0.040)	
PV606		(0.353)	
3/C/00460	0.025		
NGF PV594		(1.334)	
PV602		(1.940)	
PV581		(0.100)	
PV597		(0.256)	
PV598		(0.009)	
PV599		(0.025)	(14.075)

17 March 2009			
CYPS PV631		(0.300)	
PV630		(0.260)	
PV573		(0.050)	
4/C/00431	0.313		
4/C/00433	0.142		
ENV PV577		(0.150)	
3/C/00461	0.084		
3/C/00386	0.100		
SGP PV600		0.010	
PV587		(0.074)	
NGF PV628		(0.239)	
PV614		(0.095)	
PV629		(0.080)	
5/C/00067	0.870		
HRA PV590		(0.200)	0.071
7 April 2009			
CYPS PV633		(0.468)	
PV632		(0.945)	
PV607		(13.845)	
PV613		(0.100)	
PV641		(0.490)	
PV608		(0.196)	
PV644		(0.457)	
4/C/00395	0.017		
ENV PV616		(0.544)	
PV624		(0.050)	
PV627		(0.020)	
PV588		(2.500)	
PV617		(0.040)	
PV622		(0.255)	
PV619		(0.284)	
PV618		(0.010)	
PV623		(2.652)	
PV638		(0.083)	
PV634		(0.024)	
New appraisal	0.018		
SGP PV639		(0.010)	

NGF	PV596		(0.964)	
	PV603		(0.489)	
	PV612		0.052	
	New appraisal	0.027		
HRA	PV615		0.020	(24.292)
Total major additions and variations		1.760	(40.056)	(38.296)
Total Programme				130.628

Main changes agreed by Cabinet on 17 February 2009

- PV582 Oakgrove Secondary Ph 3 £418k reduction in 2008-9 cost and £807k reduction in total cost - risk contingency has been reduced in the light of greater certainty over costs.
- PV584 Hazeley Ph 2a and Ph3 – saving of £1m reflects tender prices lower than anticipated. £1.886m reduction in 2008-9 costs, but part of that is for work transferring to Phase 4.
- PV586 Radcliffe Heating - £900k cost postponed to following year, pending a decision on whether the school is to be re-sited.
- PV594 Bletchley Leisure Centre fitting-out - £1.334m costs slipped to 2009-10, as works do not commence until April 2009.
- PV602 - £1.5m Campbell Park Pavilion postponed to future years pending development of the area; £440k for Westcroft Pavilion pushed into 2009-10 to allow consultation on community objections.
- PV570 – Middleton Primary extension (£445k in 2008-9) delayed until September 2011, reflecting the slowdown in housing development. Relocation of 'The Base' (£950k) has been pushed into 2009-10 as designs previously with AMK are not completed. Walton High roof replacement (£1.4m) delayed by legal proceedings.
- PV287 Oakgrove Secondary Ph 3 – rephasing of £660k costs to 2009-10. Lord Grey reception works (£761k) pushed back because no tenders were received initially.
- A further £2.987m cost reduction in 2008-9 was due directly to postponement of other projects to 2009-10.
- The above items account for a £13.681m reduction in 2008-9 expenditure, from a total of £14.075m agreed at the 17 February Cabinet.

Changes agreed by Cabinet 17 March 2009

- 5/C/00067 Extracare Village 2 increased by £870k in response to approval of grant from the Department of Health. The grant is passed to the Extracare Trust, which is developing the village.
- PV631 £300k slipped to 2009-10 following dispute with contractor over responsibility for re-roofing at Hazeley Secondary School.
- £973k slipped into 2009-20 for smaller delays to projects.

Changes agreed by Cabinet 7 April 2009

- PV632 - £900k for Lord Grey targeted capital works has moved to 2009-10 because of delays to funding (capital receipt from the sale of land at Waterhall Primary).
- PV607 – Expenditure on the Radcliffe Initiative was largely suspended by the end of the financial year, with no major development expenditure proposed imminently. £13.845m unspent was therefore taken out of forecast expenditure and 2008-9 budget.
- PV596 – Funding problems for Emerson Valley Pavilion have resulted in £964k being pushed into 2009-10.
- PV588 - £2.5m for the East-West transport core route which was subject to receipt of Government grant has been taken out of the programme following rejection of the bid.
- PV623 - £2.639m expenditure on Western Expansion Area infrastructure has been postponed pending a recovery in housing development.
- PV603 - £489k of public art projects have been taken out of the programme because of a shortfall in Tariff and s106 funding.
- A further £3.017m cost reduction in 2008-9 was due directly to postponement of other projects to 2009-10.
- The above items account for a £24.354m reduction in 2008-9 expenditure, against a total of £24.292m agreed at the 7 April Cabinet.

Expenditure to date and outturn forecast

3.7 Actual outturn for 2008-9 is £109.134m, an underspend of £21.494m against the budget approved by Cabinet on 7 April 2009. The summarised data is represented in **Table 2** below.

3.8 The reasons for major variances in forecast outturn against budget in the table below are reported in **Annex B**.

Table 2: Capital Programme 2008-09 – Summary of capital budgets, forecasts and expenditure as at 31 March 2009

Directorate	Latest Approved Budget	Forecast Outturn at Period 11	Actual Expenditure 2008-9	Variance to Budget	Variance to Period 11 Forecast
	£m	£m	£m	£m	£m
Children & Young Peoples Services	61.255	54.164	51.569	(9.686)	(2.595)
Environment	40.782	37.021	30.708	(10.074)	(6.313)
Strategy, Governance & Performance	0.589	0.550	0.330	(0.259)	(0.220)
N'hood GF	16.044	15.640	14.761	(1.283)	(0.879)
N'hood HRA	11.958	12.531	11.766	(0.192)	(0.765)
Total	130.628	119.906	109.134	(21.494)	(10.772)

3.9 The results shown at the table above are shown graphically in **Annex C**.

3.10 **Annex B** explains, by directorate, the most significant factors impacting upon projected outturn variations from budget.

3.11 Although the monthly monitoring process operated more strictly than previously in 2008-9, there are clearly still substantial problems in:

- (i) The large volume of project variations being raised during the year, the net effect of which is to reduce the capital programme value once established (largely through postponement of expenditure);
- (ii) The large variance between the latest approved budget and actual expenditure. Although differences are analysed in Annex B, such a large discrepancy is obviously unsatisfactory.
- (iii) The difference between forecast expenditure at the end of February and actual expenditure, and the difference between revised budget and forecast outturn at Period 11.

3.12 Substantial corporate changes are being implemented to the appraisal and management of substantial projects, particularly those in the capital programme. Future emphasis will be on clearer linkage between priorities set out in the Council Plan and the Local Area Agreement, and in setting milestones for both physical and financial progress. This will be matched with greater accountability for project managers and sponsors. The changes are essential, as the existing methodology, though applied more tightly in 2008-9, has still left major underspends to be reported at the year-end.

Financing the 2008-09 Capital Programme

3.13 **Table 3** shows the resources used to finance actual capital expenditure for 2008-9. Financing adjustments for the year-end have not yet been presented to Cabinet, and the decision on how any slippage will be funded is therefore

outstanding. However, the level of underspending during the year means that unused resources at 31 March 2009 will be substantial.

Table 3: Capital programme 2008-09 Financing

Source of Funding	Original Programme £m	Outturn £m
Capital Receipts	18.692	5.010
Supported Borrowing	34.873	18.431
Prudential Borrowing	5.781	10.658
Major Repairs Reserve	7.600	7.600
Government Grants	18.515	44.378
Third Party Contributions	16.088	18.452
Revenue Contributions	1.829	4.605
Total	103.378	109.134

4. Risks

A number of projects are currently under particular scrutiny to manage potential problems:

4.1 Radcliffe

The nature and scale of the project are under review following the collapse of the deal for sale of land for £32.25m. Over £0.7m of investigatory costs incurred by the council to date have been written off to revenue until it is clear that they will be usable for a revised scheme.

4.2 Bletchley Leisure Centre

Members have previously been advised that there is a shortfall in funding of £1.3m for which funding is to be identified, and that the flow of resources inwards is not in line with the original project structure. However, the first receipt from the housing developer for land sale (£2.4m) was received at the end of April 2009.

4.3 Junction 14

At the completion of works, the contractor has submitted a claim for a range of 'compensation events' to a total value of £2.0m. These have not been forecast as liabilities previously by the project manager, but if they were all agreed there would be an equivalent overspend on the project. Such claims are regarded as part of normal procedures at the conclusion of a contract, and will not necessarily give rise to payments. Negotiations over the amounts claimed have been protracted and are not yet complete.

5. Implications

5.1 Policy

The recommendations of this report are consistent with the Council's Capital Strategy.

5.2 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.

<input type="checkbox"/> Yes	Capital	<input type="checkbox"/> No	Revenue	<input type="checkbox"/> No	Accommodation
<input type="checkbox"/> No	IT	<input type="checkbox"/> No	Medium Term Plan	<input type="checkbox"/> No	Asset Management

5.3 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.

5.4 Other implications:

Other implications may arise in relation to specific capital schemes.

These are addressed in the individual project appraisals. There are no significant implications as a result of this report.

<input type="checkbox"/> No	Equalities/Diversity	<input type="checkbox"/> No	Sustainability	<input type="checkbox"/> No	Human Rights
<input type="checkbox"/> No	E-Government	<input type="checkbox"/> No	Stakeholders	<input type="checkbox"/> No	Crime & Disorder

Background Papers:

Report to Cabinet 15 January 2008: Draft Capital Programme 2008-09 to 2012-13

Report to Council 26 February 2008: Capital Programme 2008-09

Report to Council 9 September 2008: Capital Programme 2008-09 to 2012-13

Report to Cabinet 23 September 2008: Future Management of Leisure Centre and Libraries

Report to Cabinet 25 November 2008: Capital Programme 2008-09 Position as at 30 September 2008

Report to Cabinet 16 December 2008: Capital Programme 2008-09 Position as at 31 October 2008

Report to Cabinet 3 February 2009: Capital Programme 2008-09 Position as at 30 November 2008