Division(s):

GROWTH & INFRASTRUCTURE SCRUTINY COMMITTEE

CAPITAL PROGRAMME- 2009/10: POSITION UPDATE- PERIOD 2

Report by the Director of Environment and Economy

Purpose

1. This report informs the G&ISC of the progress made in delivering the capital programmes that have been approved by the Council. It also informs the G&ISC of the current position of capital expenditure and the current position of available resources.

Background

2. On 10 February 2009, the Council approved a capital programme of **£538.5m** for 2009/10 to 2013/14. This capital programme included an estimated spending profile of **£102.1m** for 2009/10. The cumulative position across the 5-year capital programme was reported as **£0.855m** surplus.

3. On 15 September 2009, the Cabinet considered the Capital Programme Update 1 (attached to the Monthly Financial Monitoring Report) and approved an amended capital programme with estimated outturn of **£110.7m** for 2009/10. At this point, the cumulative position across the 5-year capital programme was reported as **£6.1m** shortfall.

4. This report is the first Capital Programme Report to the G&ISC during the 2009/10 financial year. It covers the results of the August 2009 capital monitoring, including revised projections and changes in the expected level of funding.

Programme Progress

5. Overall, the programme progressed slower than planned between 1 April 2009 and 31 August 2009. This was expected following the changes in the expected level of capital receipts, delays in finalising funding agreements with external partners/ agencies for programmes where OCC issue grants as part of the programme delivery, technical delays in project delivery and rephrasing of some major projects. As a result, forecasted capital expenditure for 2009/10 has reduced by **£6.6m** to **£104.1m.** This **£6.6m** has been re-profiled into 2010/11 and future years.

6. Although this movement is significant, the capital programme is progressing well compared to the original programme approved by the Cabinet in February 2009 (**£102.1m**). The projected capital resources total as at 31st August 2009 is **£112m.** The updated capital programme shows a reduced cumulative deficit of -**£5.4m** compared to a cumulative deficit of **-£6.1m** in the

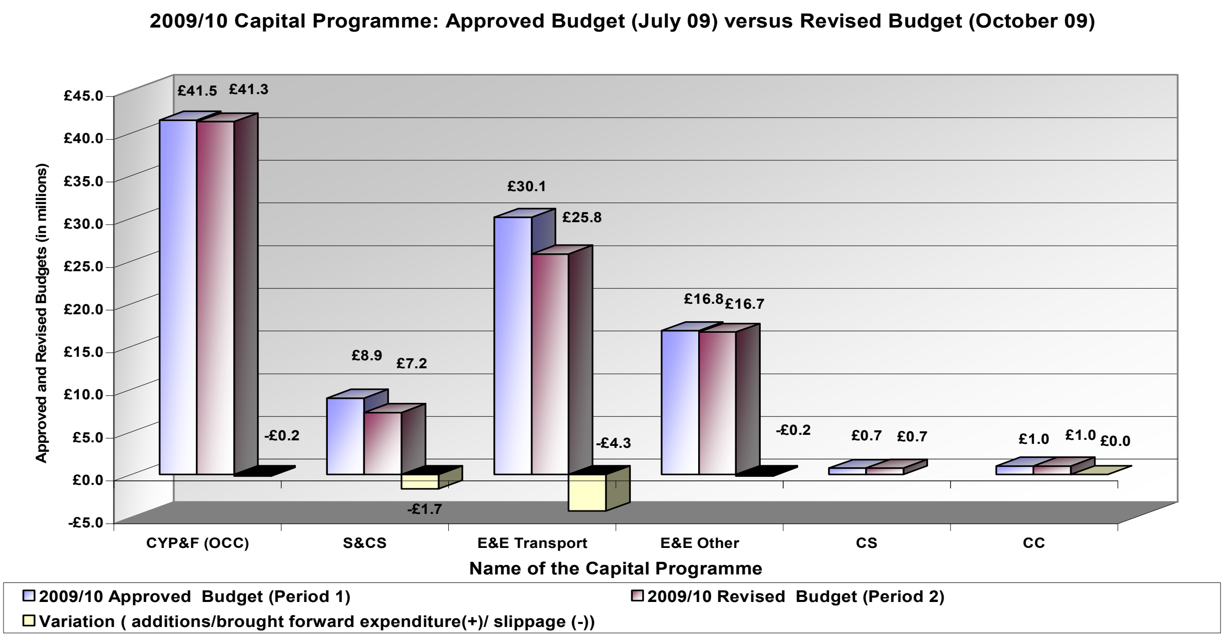
programme agreed by Cabinet in September 2009. This is an improvement of **£0.712m.**

7. The overall cash-flow position has also improved significantly. The in-year programme surplus increased to **£7.8m** from **£3.7m**, which will be carried forward to fund future years capital expenditure. The cumulative deficit level across 2009/10 and 2010/11 has been reduced to more a more manageable level of **£1.5m** from **£8.4m**.

Capital Expenditure to Date & Revised Projections for 2009/10

8. Capital Expenditure to 31 August 2009 totalled **£19.2m.** The majority of this expenditure is related to projects at the physical construction phase or implementation stage. This represents 18% of the total planned expenditure of **£104.1m**. This is in-line with the spend for the same period last year. Total SAP commitments (purchase orders raised) were a further **£24.9m**, therefore total committed expenditure was 42% of total planned expenditure.

9. The approved budget versus revised projections (based on Annex 1) are presented in the graph below:



Strategic Programme Management

10. The Capital Programme is currently being managed by employing a firm and resource-sensitive programme management practice to maintain a balanced capital budget. The current deficit level is a temporary position and the work is ongoing to bring the 5-Year Capital Programme to the balanced position with sufficient level of contingency resources in line with the capital programme management principles agreed by the Cabinet in February 2009.

11. The Capital Programme Manager and the Capital Finance Team are working closely with the directorates to manage the deficit and cash-flow position through the Capital Challenge Panels and the Capital Budget Setting Process. These processes brought significant progress in planning of a more realistic capital programme in 2008/09. They had a direct impact on the Council's use of resources for capital which stands at 90% for the 2008/09 outturn.

12. A new capital governance structure has also been put in place recently to progress the ambitious capital agenda with wider engagement of Cabinet and senior officers. The Capital Steering Group (predecessor of the Capital Investment Board) reviewed the deficit position in its July 2009 Meeting and agreed that the Capital Budget Setting Process for 2010/11 will focus on review of the current capital programme and re-consideration of the delivery timetable for current priorities in light of the updated capital resources profile and of new pressures. Both Capital Investment Board and the Capital Programme Board (the capital governance platforms) endorsed this approach in their first meetings.

13. Clearly, the effective and timely delivery of the disposal programme is the key to successful delivery of capital programmes. There is now a stronger emphasis on monitoring of the disposal programme (in terms of both risk management and programme delivery). A revised 5-Year Disposal Programme will be used as a part of the Capital Budget Setting Report to support a balanced capital programme across the future years.

14. In terms of the Capital Strategy, the priority for 2009/10 is to deliver a Capital Resources Allocation Model (CRAM) based on the corporate priorities set out in the Corporate Plan. The model will be used as a catalyst to drive the priorities for capital investment and to ensure optimum use of limited financial resources.

15. An updated corporate Capital Strategy and AMP will be reported to Strategy and Partnerships, and Growth and Infrastructure Scrutiny Committees in December. They will then be reported to Cabinet in January, along with any comments from the Scrutiny Committees and form part of the budget proposals for onward recommendation to Council in February.

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