

**Meeting Of the Cabinet - 8<sup>th</sup> February 2006**

**Joint Report of the Chief Executive and Director of Finance**

**Capital Programme Monitoring & Capital Programme 2006/07**

**Purpose of Report**

1. To report progress with the implementation of the Capital Programme.
2. To propose the allocation of available capital resources for 2006/07, and certain other amendments to the Council's Capital Programme.
3. To propose the "Prudential Indicators" as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.

**Background**

4. The table below summarises the current 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

<b>Service</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Sector Housing	23643	22200	24687
Other Adult, Community & Housing	6066	2588	1628
Urban Environment	22119	31546	21922
Children's Services	24277	25938	14786
Finance, ICT & Procurement	2540	866	347
Law & Property	3012	875	633
Chief Executive's	1953	1132	370

<b>TOTAL</b>	<b>83610</b>	<b>85145</b>	<b>64373</b>
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5. Note that certain services have not yet had a capital programme agreed for 2006/07 and 2007/08, largely due to uncertainty with regard to likely resource levels. Hence the relatively small figures appearing in the above table for those years. This report will address in particular the allocation of currently available resources for 2006/07.
6. In accordance with the requirements of the Financial Management Regime (FMR), details of progress with the 2005/06 Programme are given in Appendix A. It is proposed that the current position be noted.

## Available Resources for 2006/07

7. The Local Government Act 2003 introduced a new system of “prudential borrowing” from 1<sup>st</sup> April 2004 which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability.
8. The Government continues to support capital expenditure by authorities in the form of direct capital grants and “Supported Capital Expenditure” (SCE) approvals which generate support for the majority of the ensuing debt charges via the Revenue Support Grant (RSG) system. There is no support for any extra borrowing made possible by the “prudential” system.
9. For 2006/07, the majority of SCE approvals have been allocated as part of the Single Capital Pot (SCP) mechanism. The Council's Single Capital Pot SCE for 2006/07 has been calculated as follows.

	<b>£'000</b>
Transport	6633
Education	3675
Social Services (Children & Adults)	210
<b>Total Single Capital Pot SCE</b>	<b>10518</b>

10. As part of the move towards multi-year funding allocations, the Education and Social Services SCEs for 2007/08 have also been calculated as £4.062m and £0.210m respectively.
11. Note that whereas previously the SCP included a Housing element, from 2006/07 onwards, support for work on private sector housing will be in the form of capital grant. Government support for borrowing for public sector housing investment will continue to be made through Housing Revenue Account Subsidy (HRAS).

## Overall Allocation of Resources

12. In theory, it would be possible to treat the overall SCE as a corporate resource in the true spirit of the Single Capital Pot, and devise a methodology for prioritising all capital “bids” against the resources available. In reality however, this would pose major problems, not least the difficulty in devising a prioritisation methodology which could fairly compare and score bids for schemes of all magnitudes and degrees of complexity across the whole range of Council services. In addition, it would probably be seen as unacceptable, both internally and from the viewpoint of Government departments, not to spend capital resources for the purposes they were notionally allocated.
13. Therefore, it is proposed that each service SCE be earmarked to the relevant service, but with a particular emphasis on demonstrating appropriate prioritisation *within* service programmes, and *within* spend headings. As stated in the Financial Management Regime, it is the responsibility of the relevant Directors to make sure that such prioritisation is robust and stands up to scrutiny. Prioritisation should include formal scoring mechanisms or other objective methods wherever possible and appropriate.

14. It is also proposed that, as in the past, Housing capital receipts should be earmarked to be spent on Housing capital schemes.

## **Transport**

15. The Transport SCE of £6.633m comprises £2.863m for Structural Maintenance of Roads and Bridges and £3.770m for Integrated Transport schemes.
16. Resources for Integrated Transport will, as in previous years, be pooled on a countywide basis and reallocated by the West Midlands Districts Joint Committee to each Borough on the basis of agreed priorities. The resources for Structural Maintenance of Roads and Bridges will be allocated to the Council's own priority schemes.
17. Proposals for the detailed allocation of the above resources are being reported elsewhere on this agenda.

## **Housing**

18. Proposals for the Public Sector Housing Investment Programme for 2006/07 are set out in a report on issues relating to the management of the HRA in general, elsewhere on this agenda.
19. As far as the Private Sector Housing Investment Programme is concerned, taking into account the anticipated level of Disabled facilities Grant (DFG) support, and the availability of other Housing capital resources, it is proposed that the following budgets for 2006/07 be agreed:
  - £1.980m for Disabled Facilities Grants (DFGs), funding around 170 grants depending on the nature and cost of the works involved, enabling waiting times to be reduced.
  - £0.946m for Housing Assistance Grants in line with previous years' budgets, enabling further progress to be made in dealing with unfitness in the private sector, funding around 90 grants depending on the nature and cost of the works involved.

## Education

20. The Education Single Capital Pot SCE of £3.675m for 2006/07 and £4.062m for 2007/08 comprise:

	2006/07 £000	2007/08 £000
<b>Basic Need - New Pupil Places.</b> This will be allocated to specific projects following appropriate consultation and evaluation of options	1078	1095
<b>Schools Access Initiative.</b> This funding will be used to meet the needs of individual pupils as they are identified during the year.	585	585
<b>Modernisation Funding - Secondary Schools.</b> To be allocated on the basis of Asset Management Plan (AMP) priorities.	971	1168
<b>Modernisation Funding - Primary Schools.</b> To be allocated on the basis of AMP priorities.	1041	1214
<b>Total</b>	<b>3675</b>	<b>4062</b>

21. The following grant funding will also be available for Education capital investment in 2006/07.

	2006/07 £000	2007/08 £000
<b>Devolved Capital.</b> This will be allocated to projects by schools on the basis of their own priorities.	5069	5331
<b>Modernisation Funding - Secondary Schools.</b> To complement SCE funding.	647	501
<b>Modernisation Funding - Primary Schools.</b> To complement SCE funding.	694	520
<b>Sure Start.</b> Includes previously announced Extended Schools allocations. Can be used for Extended Schools, Children's Centres, and Sustainable Early Years & Childcare projects, in delivering the Government's Ten Year Strategy for Childcare " <i>Choice for parents: the best start for Children</i> " and the Extended Schools Prospectus. This will be allocated to specific projects in due course following consideration of how the funding can best be used to meet these objectives.	2574	2405
<b>Youth Capital Fund.</b> To be used to provide more choice for young people in terms of places to go and things to do - including the upgrading of existing facilities and building new facilities where appropriate. This will be allocated to specific projects in due course following consideration of how the funding can best be used to meet these objectives - including appropriate consultation with young people.	120	120
<b>Total</b>	<b>9104</b>	<b>8877</b>

22. In respect of Modernisation Funding, schools will be expected to identify match-funding from their Devolved allocations where appropriate
23. It is proposed that the above resources, and related schemes be included in the Capital Programme as appropriate.

### **Social Services**

24. Cabinet agreed at its meeting on 21<sup>st</sup> September 2005 that Social Services SCP allocations for the period up to 2008/09 be used to fund a small annual minor works programme and works required to modernise property and other assets as part of the modernisation of Day Opportunity Services.
25. In addition, the Council has been allocated:
  - £408,000 of ring-fenced SCE for Mental Health projects over the period 2005/06 - 2007/08;
  - £180,000 of grant funding for Integrated Children's IT Systems over the period 2006/07 - 2007/08.
  - £314,000 of grant funding for Improving Information Management over the period 2006/07 - 2007/08.
26. The Mental Health resources can be used for Projects that will enable adults with mental health problems to enter and retain work and to access opportunities for Social participation. The Integrated Children's IT resources can be used for IT software and hardware which will enable the recording of work with Children in need and their families to meet the expectations laid down by the DfES. The Improving Management Information resources can be used for IT equipment to support information management.
27. It is proposed that this expenditure be approved and included in the Capital Programme.

### **Other Services**

28. The only resources available for capital investment in Other Services - other than specific grants - will be those generated from disposal of surplus assets. (Specific SCEs are being replaced by grant funding from 2006/07 onwards.)
29. Proposals for the allocation of available resources will be reported in due course.

### **Prudential Borrowing**

30. The Revenue Budget report elsewhere on this agenda contains a number of specific growth proposals for the Directorate of the Urban Environment which involve utilising the flexibilities now available under the "prudential borrowing" regime, as follows:
  - £0.1m expenditure in 2006/07, and a further £0.4m in 2007/08, on the replacement of dangerous, time expired and missing street signage;

- £0.1m expenditure in 2006/07, and a further £0.15m in 2007/08, on the structural replacement of bridges and dangerous structures which are local priorities but do not meet the Local Transport Plan criteria;
- £0.5m investment in 2007/08 to improve access to Council leisure facilities and other buildings used by the Culture and Community Division.

31. It is proposed that subject to these elements of the Revenue Budget Strategy being agreed, the above expenditure be included in the Capital Programme.
32. Proposals to use Prudential Borrowing within the Public Sector Housing Investment Programme are set out in the aforementioned report, elsewhere on this agenda.

### **Asset Management Plan (AMP)**

33. The allocations proposed above do not directly address issues arising from the Corporate AMP. However, the allocation of Structural Repair and Maintenance resources within the Capital Programme (funded from Law & Property revenue budgets and previously approved Prudential Borrowing) will reflect the AMP priorities.

### **Other Capital Programme Amendments**

#### **Adult, Community and Housing**

##### Affordable Housing - Stocking St., Lye

34. Stocking Street is a development of affordable housing in partnership with a local Registered Social Landlord which will be sold under shared ownership arrangements. This will keep the initial outlay down in an area of the borough where there is currently a limited level of affordable housing.

It is proposed that the Council contributes £94,000 to the project from s106 resources set aside for affordable housing, and that this expenditure be included in the Capital Programme.

#### **Urban Environment**

##### Lye Local Centre

35. A masterplan for the development of open space adjacent to Christ Church has been developed in consultation with the Lye & Wollescote Partnership, setting out improvements that can be carried out in a phased manner subject to resource availability. At the moment £14,000 of Section 106 funding is available and it is proposed that this expenditure be approved and included in the Capital Programme to support the current phase 1 improvements.

##### Liveability - Mary Stevens Park

36. Following the completion of a masterplan for the park, officers have been working with the Friends group to implement the prioritised list of improvements including an extension to the existing children's play area. In order to deliver the scheme preferred by the Friends group an additional £8,000 is required, which can be funded from available Section 106 resources. It is proposed that this expenditure be approved and included in the Capital Programme.

#### Liveability - Buffery Park

37. Following the completion of a masterplan for the park, officers have been working with the Friends group to implement the prioritised list of improvements including a new children's play area and park seating. An additional £8,000 of Section 106 funding has become available which can be used to support the implementation of the park seating. It is proposed that this expenditure be approved and included in the Capital Programme.

#### Lister Road Garage Doors

38. Inspection of the vehicle access doors as part of the planned refurbishment/upgrade of the Transport Maintenance Workshops has revealed that they are in urgent need of replacement due to corrosion and wear. The estimated replacement cost is £80,000 can be met from Fleet Management resources. It is proposed that this expenditure be approved and included in the Capital Programme.

#### Car Park Improvements

39. The following priority improvements can be funded from the Car Park Improvement Reserve:
- Pool Road Multi Storey, Halesowen - refurbishment of the vandalised lift cars to include improved lighting and security, replacement of the lift car doors and landing doors, replacement of controls to comply with requirements of the disability discrimination act, provision of sill guards to cover gap to lift shaft, and other sundry mechanical refurbishment work. Estimated cost £90,000.
  - Pool Road Multi Storey, Halesowen - provision of shutter doors to enable the out of hours closure of the upper levels of the car park to reduce criminal damage, vandalism and anti social behaviour. Estimated cost £15,000.
  - Bank Street, Brierley Hill - microasphalting and relining of Zones 2 and 3 to preserve the integrity of the structure of the car park and bring surface up to "safer car park" standard. Estimated cost £16,000.

It is proposed that the above expenditure be approved and included in the Capital Programme.

#### Pedestrian Crossing - Stourbridge Ring Road

40. Following extensive public demand for a surface level pedestrian crossing to the Ring Road, and having undertaken a detailed feasibility exercise, it is now proposed that such a crossing is provided to the Ring Road utilising the large 'splitter island' at the Hagley Road junction. The scheme would commence this financial year with an anticipated completion in June 2006.

The estimated cost of £175,000 can be met from slippage within the Highways Capital Programme.

It is therefore proposed that the project be approved and included in the Capital Programme.

## **Children's Services**

### Big Lottery Fund - Children's Play Initiative

41. The Big Lottery Fund (BLF) has made indicative allocations of funding to each local authority area to improve play provision across England. Dudley has been allocated £690,000.

To access the funding local authorities must produce a Play Strategy which will set out the local priorities, procedures and intended outcomes for the programme. Following the development of the Play Strategy a portfolio of projects must be submitted to the BLF for assessment and approval. Projects can be of a capital or revenue nature and can run up to 2011.

It is proposed that any projects of a capital nature funded from the above initiative be included in the Capital Programme.

### Environment Zone Wind Turbine

42. A project has been developed to install a wind turbine at the Robert St. School Environment Zone. As well as providing energy for the school, the project will facilitate hands on education relating to renewable energy generation as well as climate change and energy efficiency - inspiring local people into taking action to reduce their energy demand and environmental impact.

The estimated cost is just over £25,000, of which half has been promised by the Clear Skies Renewable Energy Grant fund (DTI funding managed by the Building Research Establishment), with £4,500 agreed by the North Dudley Area Committee, and £175 raised by the Friends of the Environment Zone. This leaves just under £8,000 for which a bid has been made to Scottish Power's Green Energy Trust fund - the outcome of which should be known by mid April 2006.

It is proposed that subject to funding being available, the project be approved and included in the Capital Programme.

## **Finance, ICT & Procurement**

43. Corporate Booking System - Dudley Council Plus

In order to meet the need for Dudley Council Plus (DCP) to take electronic bookings for Registrars the Zipporah system has been selected as the most appropriate. This system also has the capacity to handle a wide range of bookings of resources such as rooms, or staff for any service in the authority. On the basis that its facilities will be made widely available outside DCP, the cost of £16,000 can be met from corporate ICT Strategy resources.

It is proposed that this expenditure be approved and included in the Capital Programme.

## **Urgent Amendments to the Capital Programme**

44. Lye Children's Centre

The Early Years and Childcare Team based within the Directorate of Children's Services have been working in partnership with National Children's Homes (NCH) for



the past two years on the development of a Children's Centre (formerly a Family Centre) in the Lye area.

During September 2005 the Council took over the role of lead agency in delivering this initiative from NCH. As the lead agency the capital funding will be provided to the Council to deliver the project developed under the project management of NCH.

The project comprises the Construction of a Children's Centre to include day care and nursery facilities for children from the ages of 0 – 5 years, family rooms, a multi purpose room, health facilities, staff and administration areas and external works.

The total cost of £1,050,000 can be funded as follows: £938,000 – Sure Start capital grant; £70,000 – Sure Start Revenue funding; £42,000 – Sustainability budget already included in the Capital Programme funding.

As the final funding package was not confirmed until 19<sup>th</sup> December, and the majority of funding must be expended by 31<sup>st</sup> March, the Leader of the Council in consultation with the Director of Finance made an Urgent Decision on 13<sup>th</sup> January (Ref. DCS/1/2006) that the Capital Programme be amended to include this project.

### **Post Completion Review of Capital Projects**

45. The Post completion Reviews required by Contract standing orders have now been undertaken for the following schemes, with a copy of the proformas summarising the reviews attached at Appendix B.

#### **Public Sector Housing**

Alteration & Refurbishment of Office Accommodation at Leys Road and Lye.

#### **Children's Services**

The Grange School - New Build Classrooms  
The Grange School - Window Replacement  
Ham Dingle Primary - Replacement of Mobiles  
The High Arcal School - Mobile Replacement  
The Kingswinford School - Mobile Replacement  
Redhill School - Language Centre

It is proposed that these be noted.

### **The CIPFA Prudential Code for Capital Finance in Local Authorities**

46. As outlined above, the Local Government Act 2003 introduced a new system of "prudential borrowing" from 1<sup>st</sup> April 2004 which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
47. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C.

## **Finance**

48. This report is financial in nature and information about the individual proposals is contained within the body of the report.

## **Law**

49. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

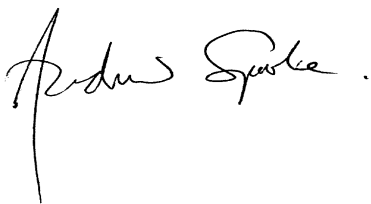
## **Equality Impact**

50. These proposals comply with the Council's policy on Equal Opportunities.

## **Recommendations**

51. That current progress with the 2005/06 Capital Programme, as set out in paragraph 2 and appendix A be noted.
52. That the results of the Post Completion Reviews of capital projects, as set out in Appendix B be noted.
53. That the Council be recommended:
- That each SCE be earmarked to the relevant service, but with a particular emphasis on demonstrating appropriate prioritisation *within* service programmes, and *within* spend headings, as set out in paragraph 13.
  - That Housing capital receipts be earmarked to be spent on Housing capital schemes as set out in paragraph 14.
  - That the Private Sector Housing Investment Programme for 2006/07 be approved as set out in paragraph 19.
  - That the Education capital resources and related schemes be included in the Capital Programme as appropriate, as set out in paragraphs 20-21.
  - That the items of Social Services capital expenditure be approved and included in the Capital Programme, as set out in paragraphs 25-26.
  - That subject to the relevant element of the Revenue Budget Strategy being agreed, the expenditure to be funded from prudential borrowing be approved, as set out in paragraph 30.
  - That the grant towards affordable housing at Stocking St. be approved and included in the Capital Programme, as set out in paragraph 34.
  - That the Section 106 funded expenditure on Lye Local Centre be included in the Capital Programme, as set out in paragraph 34.

- That the expenditure to extend the children's play area at Mary Stevens Park be approved and included in the Capital Programme, as set out in paragraph 35.
- That the expenditure on seating at Buffery Park be approved and included in the Capital Programme, as set out in paragraph 36.
- That the replacement of doors at the Lister Road Transport Maintenance Workshops be approved and included in the Capital Programme, as set out in paragraph 37.
- That the Car Park Improvements be approved and included in the Capital Programme, as set out in paragraph 38.
- That the project to install a Pedestrian Crossing on Stourbridge Ring Road be approved and included in the Capital Programme, as set out in paragraph 39.
- That any Children's Play Initiative projects of a capital nature be included in the Capital Programme, as set out in paragraph 40.
- That subject to funding being available, the project for a Wind Turbine at the Robert St. School Environment Zone be approved and included in the Capital Programme, as set out in paragraph 41.
- Approves the expenditure on a Corporate Booking System and its inclusion in the Capital Programme, as set out in paragraph 42.
- Notes the Urgent Amendment to the Capital Programme, as set out in paragraph 43.
- Agrees the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C.




.....  
**Andrew Sparke**  
**Chief Executive**

.....  
**Mike Williams**  
**Director of Finance**

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**List of Background Papers**

Relevant resource allocation notifications.  
 CIPFA Prudential Code for Capital Finance in Local Authorities.  
 Treasury Management Strategy 2006/07.

## 2005/06 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st December £'000	Forecast £'000	Variance £'000	Reasons for Variance
Public Sector Housing	23643	14665	23643		
Other Adult, Community & Housing	6066	3225	6066		
Urban Environment	22119	9955	22256	+137	See note
Children's Services	24277	16105	24277		
Finance, ICT & Procurement	2540	1779	2540		
Law & Property	3012	894	3012		
Chief Executive's	1953	1259	1953		
<b>TOTAL</b>	<b>83610</b>	<b>47882</b>	<b>83747</b>	<b>+137</b>	

Note: Includes:

- Unavoidable extra costs associated with difficult ground conditions on the Kinloch Drive Footpath & Dibdale Open Space schemes;
- Compensation claims relating to the Hill St. Derelict Land scheme;
- Contractor claims relating to Stone St. Square;
- Extra costs of Town Centre Regeneration schemes, including works at Talbot Passage, Stourbridge not covered by AWM grant;
- Extra costs associated with flooring and windows for the Halesowen Leisure Centre Health & Fitness project;
- Costs greater than expected for the Maybrook House & Ryemarket Car Park refurbishments.

These extra costs can be funded from s.106 contributions and available revenue resources.

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme: H328/11 – Alterations &amp; Refurbishment of Existing Office Accommodation at Leys Road and Units 2 &amp; 3A Tipper Industrial Estate, Park Road, Lye</b>
<b>Date of Executive/Cabinet approval:</b> <u>05/07/2004</u> (i.e. inclusion in Capital Programme)
<b>Original Budget (first reported to Executive/Cabinet):</b> .....£ <u>254,900</u> <b>Planned Completion date:</b> <u>08/04/2005</u>
<b>Outturn Cost (please indicate if still provisional):</b> £ <u>329,000(provisional)</u> <b>Actual completion date:</b> <u>18/05/2005</u>
<b>Variation from Original Budget:</b> .....£ <u>74,100</u> <b>Delay:</b> <u>6 weeks</u>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive/Cabinet):</b> The reason for the additional costs is for unforeseen electrical installation works identified post tender. These identified that the existing installations were in need of major upgrade and posed a health and safety hazard.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> Alterations to stores and office accommodation to improve operational efficiency in front line service delivery as part of the Housing for the 21 <sup>st</sup> Century modernisation agenda.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> Yes

Signed by *[Signature]* (Director of Adult, Community and Housing Services)

Date: 17/1/06



## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

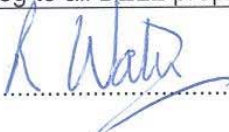
<b>Title of Scheme: The Grange – New Build Classrooms</b>
<b>Date of Executive / Cabinet approval: Part of AMP 2003/04 Programme</b>
<b>Original Budget (as first reported to Executive / Cabinet):..... £ 550,000</b> <b>Planned Completion date: Feb 2005</b>
<b>Outturn Cost:.....£ 549,645</b> <b>Actual completion date: Feb 2005</b>
<b>Variation from Original Budget:.....£ 535 under spend</b> <b>Delay: 0 months</b>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b>  The above project included enabling works to allow the pupils to be decanted into accommodation before mobile classrooms could be replaced.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b>  The project was prioritised by the Directorate's AMP Scoring Matrix ranking highly in terms of the Directorate's Asset Management Plan priorities for the reduction of condition backlog in schools. The objective of the project was to replace temporary mobile classroom accommodation with permanent fit for purpose buildings therefore linking to the main school building with appropriate ancillary areas such as toilets, cloaks and circulation spaces and this formed PhaseTwo works of an overall project. Phase One works as identified above was for additional teaching accommodation by converting caretaker's storage and cloaks areas into teaching accommodation as enabling works for the provision of the those pupils in temporary accommodation. This space was to be timetabled as specialist teaching areas once the overall project was complete.
<b>Have these Objectives been met? (If "No" please provide explanation):</b>  The project objectives have been met. The new teaching areas are of the appropriate size and fit for purpose whilst being integral to the main teaching block. The school has seen an improvement to the teaching environment since the project has been completed and Phase Two has now been completed to form the overall project. The AMP condition backlog has been reduced through undertaking this project therefore ensuring that the Directorate meets one of its main AMP criteria; reduction of condition backlog.

Signed by:..... *R Water* ..... (Director)

Date: ..... *19 Jan 2006* .....

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

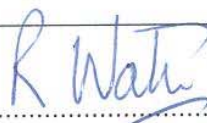
<b>Title of Scheme: Grange School – Window Replacement Scheme</b>	
<b>Date of Executive / Cabinet approval: Part of overall AMP 2003/04 Programme</b>	
<b>Original Budget:</b> .....	<b>£600,000</b>
<b>Planned Completion date: Oct 2004</b>	
<b>Outturn Cost (please indicate if still provisional):</b> .....	<b>£ 593,000</b>
<b>Actual completion date: Dec 2004</b>	
<b>Variation from Original Budget:</b> ..... <b>£ 7,000 under spend</b>	
<b>Delay: 2 months</b>	
<p><b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b></p> <p>The reason's for the delay are that, asbestos works added 2 weeks, additional works to C block, gym, changing rooms and link corridor added to delay, adverse weather added 3 weeks, failing to obtain materials/manufacture materials by due date and delays due to school funded works in the same area (RM computers, fencing, new carpets etc).</p>	
<p><b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b></p> <p>The Directorate's AMP Scoring Matrix identified the project as a priority &amp; funding was allocated accordingly. The objective was to replace the windows graded with the highest AMP condition grade as identified by the School Surveyor to prevent health &amp; safety risk &amp; potential school closure. The windows are the original metal casement windows with protruding hoppers into the school circulation areas and classrooms. Windows were replaced with new powder coated aluminium ones to those areas of the highest condition grade therefore improving safety, weatherproofing and improving energy-efficiency.</p> <p>The Department for Education and Skills (DFES) have approved expenditure of AMP capital allocations on all priority projects identified by the AMP Scoring Matrix.</p>	
<p><b>Have these Objectives been met? (If "No" please provide explanation):</b></p> <p>Yes, the objectives have been met and the building is now watertight and weatherproof. Pupils and staff can move safely around the building and can open and close windows for ventilation purposes. The school have seen an improvement in the internal environment since the project has been completed and the exterior frontage of the school is more aesthetically pleasing also.</p> <p>The AMP condition backlog at the school has been reduced substantially by undertaking this project therefore ensuring that the Directorate meets its AMP target of reducing the overall condition backlog to all DELL property.</p>	

Signed by:  ..... (Director)      Date: 19 Jan 2006



## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme: Ham Dingle Primary – Replacement of Mobiles</b>
<b>Date of Executive / Cabinet approval: October 2003 (AMP Programme 2003/2004)</b>
<b>Original Budget (as first reported to Executive / Cabinet):..... £ 569,000</b> <b>Planned Completion date: Aug 2004</b>
<b>Outturn Cost:.....£ 572,000</b> <b>Actual completion date: Aug 2004</b>
<b>Variation from Original Budget:.....£ 3,000 over spend</b> <b>Delay: 0 months</b>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> Variations to original specification requested by school and to be paid for by school.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> This project was prioritised by the Directorate's AMP Scoring Matrix ranking highly in terms of the Directorate's Asset Management Plan priorities for the reduction of condition backlog in schools. The objective of the project was to replace temporary mobile classroom accommodation with permanent fit for purpose buildings therefore linking to the main school building with appropriate ancillary areas such as toilets, cloaks and circulation spaces.  The Department for Education and Skills (DFES) are informed of and approve all AMP projects.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> The project objectives have been met. The new building is of the appropriate size and fit for purpose whilst linking to the main school building. The classrooms are now watertight and weatherproofed and the school has seen a vast improvement in the internal environment since the project has been completed. The AMP condition backlog has been reduced through undertaking this project therefore ensuring that the Directorate meets one of its main AMP criteria;reduction of condition backlog.

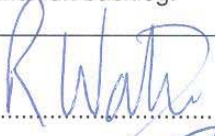
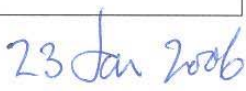
Signed by:  (Director)

Date: *19 Jan 2006*



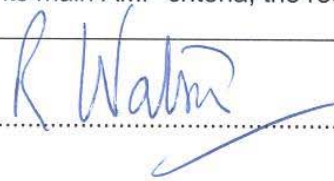

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme: The High Arcal School – Mobile Replacement</b>
<b>Date of Executive / Cabinet approval: Part of AMP 2003/04 Programme</b>
<b>Original Budget :..... £ 689,000</b> <b>Planned Completion date: July 2004</b>
<b>Outturn:.....(provisional) £ 689,000</b> <b>Actual completion date: August 2004</b>
<b>Variation from Original Budget.....£</b> <b>Delay: 1 month</b>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> Inclement weather condition held the job back for two weeks and an extra two weeks were taken to carryout additional works.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> The project was prioritised by the Directorate's AMP Scoring Matrix ranking highly in terms of the Directorate's Asset Management Plan priorities for the reduction of condition backlog in schools. The objective of the project was to replace temporary mobile classrooms with permanent fit for purpose buildings therefore linking to the main school building with appropriate ancillary areas such as toilets, cloaks and circulation spaces.  The Department for Education and Skills (DFES) are informed of and approve all AMP projects.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> The project objectives have been met. The new building is of the appropriate size and fit for purpose whilst linking to the main school building. The classrooms are now watertight and weatherproofed and the school have seen a vast improvement in the internal environment since the project has been completed. The AMP condition backlog has been reduced through undertaking this project therefore ensuring that the Directorate meets one of its main criteria; reduction of condition backlog.

Signed by:  (Director)      Date: 

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme: The Kingswinford School – Mobile Replacement</b>
<b>Date of Executive / Cabinet approval: Part of AMP 2003/04 Programme</b>
<b>Original Budget:..... £ 212,000</b> <b>Planned Completion date: August 2004</b>
<b>Outturn Cost (please indicate if still provisional):.....£ 212,000</b> <b>Actual completion date: August 2004</b>
<b>Variation from Original Budget: .....£</b> <b>Delay: 0 months</b>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> Contract Sum was £183,646 with an agreed final account of £178,960 therefore resulting in substantial savings. The project Architect used Modular construction instead of traditional build resulting in cost savings.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> The project was prioritised by the Directorate's AMP Scoring Matrix ranking highly in terms of the Directorate's Asset Management Plan priorities for the reduction of condition backlog in schools. The objective of the project was to replace temporary mobile classrooms with permanent fit for purpose buildings.  The Department for Education and Skills (DFES) are informed of and approve all AMP projects.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> The project objectives have been met. The new building is of the appropriate size and fit for purpose. The classrooms are now watertight and weather-proofed and the school has seen a vast improvement in the internal environment since the project has been completed. The AMP condition backlog has been reduced through undertaking this project therefore ensuring that the Directorate meets one of its main AMP criteria; the reduction of condition backlog.

Signed by:  (Director)      Date: 



## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme: Redhill School – Language Centre</b>
<b>Date of Executive / Cabinet approval: October 2003</b>
<b>Original Budget (as first reported to Executive / Cabinet):..... £ 210,000</b> <b>Planned Completion date: July 2004</b>
<b>Outturn Cost (provisional):.....£216,000</b> <b>Actual completion date: August 2004</b>
<b>Variation from Original Budget:..... £ 6,000 over spend</b> <b>Delay: 2 weeks</b>
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> A two week extension of time was granted to the contractor to complete works. Additional works requested by school and to be funded by school.
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> The provision of new accommodation to enable a Language Centre to be established so that the school can meet objectives set out to DFES for the award of Specialist College Status.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> The project objectives have been met; the construction of a new Language Centre for the Schools' Specialist College status award.

Signed by:  (Director)

Date: 19 Jan 2006

## Appendix C

### CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* ("the Code"), which is required to be complied with as "proper practice" by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council's capital expenditure and borrowing plans in the light of resource constraints.

The remaining indicators (6-10) are primarily concerned with day-to-day borrowing and treasury management activity. These also form part of the council's Treasury Management Strategy for 2006/07 being considered by the Audit Committee on 8<sup>th</sup> February.

The proposed figures for each indicator have been developed in the light of the Council's overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Affordability;
- Prudence and Sustainability;
- Value for Money;
- Stewardship of Assets;
- Service Objectives;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council's budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council's Capital Strategy and Asset Management Plan.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2005/06, 2006/07 and 2007/08 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

#### **1. Estimated and Actual Capital Expenditure**

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed (together with those relating to public sector housing capital expenditure contained in the relevant report elsewhere on the agenda) the proposed indicators are as follows.

	<b>2004/05</b> £m <b>Actual</b>	<b>2005/06</b> £m <b>Revised Estimate</b>	<b>2006/07</b> £m <b>Revised Estimate</b>	<b>2007/08</b> £m <b>Revised Estimate</b>	<b>2008/09</b> £m <b>Estimate</b>
Non - HRA	41.0	60.1	63.9	46.6	15.3
HRA	24.8	23.6	24.4	24.1	25.2
<b>Total</b>	<b>65.8</b>	<b>83.7</b>	<b>88.3</b>	<b>70.7</b>	<b>40.5</b>

## **2. Estimated and Actual Capital Financing Requirement (CFR)**

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	<b>2004/05</b> £m <b>Actual</b>	<b>2005/06</b> £m <b>Revised Estimate</b>	<b>2006/07</b> £m <b>Revised Estimate</b>	<b>2007/08</b> £m <b>Revised Estimate</b>	<b>2008/09</b> £m <b>Estimate</b>
Non - HRA	199.6	211.7	219.5	225.9	226.2
HRA	45.2	48.4	53.5	58.4	63.3
<b>Total</b>	<b>244.8</b>	<b>260.1</b>	<b>273.0</b>	<b>284.3</b>	<b>289.5</b>

## **3. Net Borrowing and the Capital Financing Requirement.**

In order to ensure that in the medium term, borrowing can be undertaken only for capital purposes, this indicator requires that net external borrowing does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2005/06 to 2008/09.

## **4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents**

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The current proposals to undertake unsupported “prudential borrowing” to fund capital investment are set out in paragraph 30-32 of the report. The forecast debt charges resulting from anticipated borrowing are fully reflected in the figures set out in the budget strategy report elsewhere on this agenda. The impact on Council Tax of these proposals is as follows.

	<b>2006/07</b> £	<b>2007/08</b> £	<b>2008/09</b> £
Increase in Band D Council Tax	0.21	1.29	1.29

The estimated incremental impact of Housing capital investment proposals (set out in the relevant report elsewhere on this agenda) on Housing Rents is zero. This is based on the fact that rents are determined by government rent restructuring guidance and assumes that the Council will continue to comply with this guidance. Borrowing forecasts have been set at levels which will not necessitate a rent increase above guidelines.

## **5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream**

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	<b>2004/05</b> % <b>Actual</b>	<b>2005/06</b> % <b>Revised Estimate</b>	<b>2006/07</b> % <b>Revised Estimate</b>	<b>2007/08</b> % <b>Revised Estimate</b>	<b>2008/09</b> % <b>Estimate</b>
Non - HRA	4.3	4.8	9.2	9.3	9.4
HRA	3.7	4.4	4.2	4.3	4.4

The increase in the Non-HRA ratio between 2005/06 and 2006/07 is almost wholly the result of the transfer of Schools funding to direct grant support via the Dedicated Schools Grant (DSG) thereby reducing the level of overall resources in the calculation. This is a purely technical adjustment and does not affect the underlying affordability of the Council's capital investment.

## **6. The Authorised Limit, Operational Boundary, and Actual External Debt**

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

It is not considered necessary to amend the Authorised Limit and Operational Boundary for 2005/06 set this time last year.

	2004/05	2005/06	2006/07	2007/08	2008/09
			Revised	Revised	
	£m	£m	£m	£m	£m
<b>Authorised limit for external debt:</b>					
Borrowing	n/a	529	535	538	538
Other long term liabilities	n/a	5	7	8	8
<b>Total</b>	<b>n/a</b>	<b>534</b>	<b>542</b>	<b>546</b>	<b>546</b>
<b>Operational boundary:</b>					
Borrowing	n/a	480	469	459	448
other long term liabilities	n/a	5	7	8	8
<b>Total</b>	<b>n/a</b>	<b>485</b>	<b>476</b>	<b>467</b>	<b>456</b>
<b>Actual External Debt:</b>					
Borrowing	415.0	n/a	n/a	n/a	n/a
Other long term liabilities	0.6	n/a	n/a	n/a	n/a
<b>Total</b>	<b>415.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## **7. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services**

This indicator is a fundamental requirement of the new system in so far as it relates to treasury management activity. The Council adopted the CIPFA *Code of Practice for Treasury Management in the Public Services* in March 2002.

## 8. Upper Limits on Fixed Interest Rate and Variable Interest Rate Exposures

These indicators relate to the percentage of net borrowing (gross borrowing less investments) held at fixed or variable interest rates, and allow the Council to manage the extent to which it is exposed to changes in interest rates. The proposed upper limit for fixed interest reflects the fact that it is possible to construct a prudent treasury strategy on the basis of using only fixed rate debt and investments, so long as the maturity dates of these debts and investments are reasonably spread. The same does not apply to variable rates where a 100% exposure could lead to significant year on year fluctuations in the cost of debt. The proposed upper limit for variable rate exposure allows for the use of variable rate debt to offset our exposure to changes in short-term rates on our portfolio of investments. This limit reduces over time as our strategy is to gradually reduce our level of investments.

	2005/06	2006/07	2007/08	2008/09
	%	%	%	%
	Revised	Revised	Revised	
Upper limit for fixed interest rate exposure	100	100	100	100
Upper limit for variable rate exposure	45	30	20	15

## 9. Upper and Lower Limits for the Maturity Structure of Borrowing

The indicator for the maturity structure of fixed rate borrowing is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years. On the basis of prudent treasury management, the following limits are proposed:

Maturity structure of fixed rate borrowing	Upper limit	Lower limit
	%	%
under 12 months	10	0
12 months and within 24 months	10	0
24 months and within 5 years	15	0
5 years and within 10 years	25	0
10 years and above	100	40

## 10. Limits for Principal Sums Invested for Periods Longer than 364 Days

The purpose of the prudential limits for principal sums invested for periods longer than 364 days is to contain the Council's exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested. On the basis of prudent treasury management the proposed upper limit on principal maturing in any one year for sums invested for over 364 days is (as last year) £15m.