

**Manchester City Council
Report for Information**

Report To: Executive – 14 January 2009
Subject: Capital Programme Monitoring 2008/09
Report of: The City Treasurer

Summary

This report informs members of:

1. The latest estimates of forecast spend and resources for the 2008/09 capital programme.
2. Variations to forecast spend since the previous report 19 November 2008.

Recommendations

The Executive is requested to:

1. Note the inclusion of approved increases to the capital programme since the previous monitoring report in November 2008.
 2. Note that the national economic downturn is affecting the level of capital receipts that the City Council generates. As a consequence a review of the current three year capital programme is being conducted.
 3. Note the latest forecast spend based on departmental returns and approved additions is now £324,755,000. This is a reduction of £5,918,000 since the previous capital programme monitoring report 19 November 2008. The actual spend to date reported by departments is £169,668,000.
 4. Note that capital resources will be maximised and managed to ensure the capital programme 2008/09 remains fully funded.
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Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

Reaching full potential in education and employment	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
Individual and collective self esteem – mutual respect	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards this community strategy.
Neighbourhoods of Choice	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Provision has already been made in the revenue budget for repayments in respect of borrowing requirements for the capital budget 2008/09.

Financial Consequences – Capital

Appendix 1 shows the latest forecast spend for 2008/09 is £324,755,000.

Full funding cover for this spend is in place and includes the approved additions to the capital budget of £1,435,000 (see section 3 and appendix 3).

The City Council will endeavour to maximise spending on the programme in 2008/09 but some projects and their sources of funding may carry over into 2009/10.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Report to The Executive 13 February 2008 (Budget 2008/09 – 2010/11)
Report to The Executive 25 June 2008 (Housing Capital Programme 2008-11)
Report to The Executive 23 July 2008 (Housing Capital Programme 2008-11)
Report to The Executive 23 July 2008 (Capital Programme Monitoring 2008/09)
Report to The Executive 10 September 2008 (Capital Programme Monitoring 2008/09)
Report to The Executive 19 November 2008 (Capital Programme Monitoring 2008/09)
Working papers on file in room 132 “Capital Monitoring 2008/09”

1.0 Introduction

1.1 This is the fourth monitoring report on the capital budget 2008/09 that was approved by the Executive on 13 February 2008 (and 23 July 2008 for the revised Housing programme).

1.2 The purpose of the report is to:

- Inform members of the latest forecast spend for 2008/09 compared to the previous report in November 2008 (Appendix 1).
- Inform members of the latest actual spend to date reported by departments (see section 9).
- Confirm that there are adequate levels of resources available to finance the programme (see section 8 Capital Resources).

2.0 Background

The original approved capital budget (excluding housing) for 2008/09 was £169,873,000 and the revised Housing capital budget as approved by the Executive 23 July 2008 was £116,260,000. The approved capital budget including Housing therefore totalled £286,133,000.

The latest collation of figures from individual project monitoring returns indicates a revised programme for 2008/09 of £324,755,000 which is a reduction of £5,918,000 since the previous report to The Executive in November 2008 (see Appendix 1). This figure is a measurement of the total estimated expenditure for the capital programme 2008/09 for which full funding cover exists (see section 8 Capital Resources).

The estimated capital spend and resources for 2008/09 will be kept under constant review and the salient details reported to the Executive within the bi-monthly capital monitoring reports.

The paragraphs below explain the main variations in programme figures for 2008/09 since the last report.

3.0 Additions to the current year programme 2008/09

The Executive has approved further increases to the original budget. Appendix 3 shows the estimated spend and funding profiles of these increases. The total additions to the capital budget 2008/09 since the last report is £1,435,000.

4.0 Cost variations – budget reduction 2008/09

Cost variations within the programme include:

- Northwards Housing reduced costs of £511,000 due to savings on works required and cost reviews across the programme thus contributing to the planned reduction of overprogramming.
- Transport - Shudehill interchange increased costs of £187,000 in settlement of the final account.
- Various smaller cost increases totalling £24,000.

There is an overall net cost reduction of £300,000 across the capital programme.

5.0 Schemes removed from the capital programme 2008/09

- Various small budgets removed from the capital programme totalling £16,000.

6.0 Revised spending profiles – budget transferred to 2009/10

- Strategic changes requiring revision of budgets reducing the 2008/09 forecast spend by £865,000. This comprises:
 - Housing retained stock – IT developments programme £865,000. This relates to savings on projects scheduled for 2008/09 and will be rolled forward into 2009/10 to deliver the next phase of the programme.
- Traditional slippage to 2009/10 reducing the 2008/09 forecast spend by £9,796,000:
 - Housing Private Sector slippage of £6,772,000 is mainly due to:
 - a) delays in negotiations on Miles Platting PFI commercial acquisitions due to changes in market conditions.
 - b) lower than anticipated residential acquisitions in the current financial year.
 - Education BSF programme £681,000. This relates to information, communications and technology costs being reprofiled to later stages of projects.
 - Education Multi Agency projects £450,000. The delivery timetable has been extended because there is a need to identify and co-ordinate asset management works to ensure best value from this investment.
 - Education Extended Services for Schools £555,000. The scope of this programme has been re-appraised involving a detailed examination of individual projects and costs.
 - Education King David primary school £211,000. This project is to be delivered as part of the BSF programme 2009/10.
 - Education Acacias primary school £100,000. This project is to be delivered as part of the BSF programme 2009/10.
 - Chief Executive's Regeneration - Victoria Baths restoration £430,000. This relates mainly to the elements of the project funded by section 106 monies which are now scheduled to spend in 2009/10.
 - Environment & Operations Emergency Control room £220,000. The original location is currently shared with Elections Office staff. The continued use of the location by both units is under review and hence the planned start date has been delayed.
 - Environment & Operations Pavilion green roof at Piccadilly Gardens £127,000. Roof ownership negotiations have not yet completed.
 - Various smaller reductions totalling £250,000.

There is an overall net cost reduction of £10,661,000 across the capital programme.

7.0 Increased 2008/09 spending profiles – budgets b/fwd from 2009/10

- Chief Executive's New East Manchester programme – Clayton Brook £3,304,000. NWDA have agreed to accelerate funding in line with the contractor's revised timescale.
- Northwards Housing £320,000. Better progress than originally anticipated has resulted in reduced contract periods on window replacement and kitchen and bathroom improvement programmes.

There is an overall net cost increase of £3,624,000 across the capital programme.

8.0 Capital Resources

The majority of capital resources required to finance the capital spend in 2008/09 are in place and work will continue up to 31 March 2009 to ensure that the remaining resources required to finance the capital programme are secured (capital receipts in particular). Capital receipts (non-housing) for 2008/09 totalling £5,223,000 have been received in the current financial year to date. The City Treasurer will continue to evaluate the options available to the City Council and the final financing package selected will reflect the funding combination that represents best value to the City Council overall.

The ongoing economic downturn is affecting capital disposals in terms of both the value and the timing of capital receipts. A funding shortfall for the three year capital programme 2008/09 to 2010/11 is expected, although there are still sufficient capital resources available to finance the current year spending plans.

A review of the whole 3 year capital programme is under way to compare spending plans with the revised estimate of resources available. This review is intended to reconfirm priorities and will inform the capital budget process for the new three year capital programme 2009/10 to 2011/12.

9.0 Performance Indicators

Total forecast capital outturn 2008/09 indicated by departmental returns is £324,755,000 (HRA £65,405,000, Non-HRA £259,350,000). The actual spend to date reported by departments is £169,668,000 (HRA £32,650,000, Non-HRA £137,018,000).

10.0 Conclusions

The estimated resources available to the City Council will be sufficient to finance the capital spend 2008/09. The current review of the capital programme is intended to ensure that the capital programme beyond 2008/09 will be fully funded. The City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the City Council.

11.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The capital programme will deliver a number of projects that will offer permanent jobs. In addition it is likely to create temporary employment opportunities within the construction industry for the duration of contract work.

(d) Neighbourhoods of Choice

Many projects in the capital programme are concerned with creating a healthy and safe environment for users of Council facilities and employees. Investing in energy conservation and improvement to the highway network help to improve the environment.

12.0 Key Polices and Considerations

(a) Equal Opportunities

By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

As a result of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. The review is ongoing.

Breakdown of changes to departmental forecasts of capital expenditure 2008/09 compared to the previous forecast spend.

	Housing	Children's Services - Education	Children's Services - Social	Adult Social Care	Local Transport Plan	EPCS	Total Non Housing	Total all Blocks
Forecast Expenditure:	£000	£000	£000	£000	£000	£000	£000	£000
Previous Forecast Spend	126,183	106,812	2,371	6,986	26,032	62,289	204,490	330,673
Latest Forecast Spend	118,278	105,444	2,821	7,719	26,254	64,239	206,477	324,755
Variation	-7,905	-1,368	450	733	222	1,950	1,987	-5,918
Analysis of Variation								
Revised Budget adjustments - Housing	0	0	450	733	70	182	0	0
Approved budget increases	18	0	0	0	187	107	1,435	1,435
Increased Costs	-577	0	0	0	-35	0	294	312
Transfers between blocks	0	658	0	0	0	-658	0	0
Schemes Removed from Capital Program	-15	0	0	0	0	-1	-1	-16
Transfers from 2007-08	0	0	0	0	0	0	0	0
Transfers to 2009-10	-7,651	-2,026	0	0	0	-984	-3,010	-10,661
Exp Accelerated from 2009/10	320	0	0	0	0	3,304	3,304	3,624
Total	-7,905	-1,368	450	733	222	1,950	1,987	-5,918

Breakdown of cumulative changes to departmental forecasts of capital expenditure compared to the original approved capital budget 2008/09

	Housing	Children's Services - Education	Children's Services - Social Care	Adult Social Care	Local Transport Plan	EPCS	Total Non Housing	Total all Blocks
	£000	£000	£000	£000	£000	£000	£000	£000
Original Budget 2008/09 (Revised Budget for Housing)	116,260	105,536	725	83	20,682	42,847	169,873	286,133
Latest Forecast Expenditure	118,278	105,444	2,821	7,719	26,254	64,239	206,477	324,755
Variation	2,018	-92	2,096	7,636	5,572	21,392	36,604	38,622
Analysis of Variation								
Approved budget increases	299	2,741	1,469	7,453	1,651	11,755	25,069	25,368
Increased Costs	481	5,000	0	0	826	213	6,039	6,520
Reduced Costs	-781	-19	0	0	-35	-702	-756	-1,537
Transfers between blocks	0	-5,077	0	0	2,000	3,077	0	0
Schemes Removed from Capital Programme	-122	0	0	0	-44	-3,802	-3,846	-3,968
Transfers from 2007-08	10,478	-4,377	627	183	2,924	5,514	4,871	15,349
Transfers to 2009-10	-9,207	-12,948	0	0	-1,750	-6,516	-21,214	-30,421
Exp Accelerated from 2009/10	870	14,588	0	0	0	11,853	26,441	27,311
Total	2,018	-92	2,096	7,636	5,572	21,392	36,604	38,622

