

Report of Head of Financial Services**CAPITAL OUTTURN – subject to audit****1 Purpose of Report**

- 1.1 The report informs Members of the draft capital budget outturn. This is within the objective of the effective use of resources.

2 Executive Summary

- 2.1 This report identifies the spending against each capital scheme in 2009/10 against the Capital Programme for that year. A detailed analysis of each service area is shown at Appendix A. Members should note that at this point in the accounts closedown these figures remain unaudited.

- 2.2 The capital outturn shows a projected £4m slippage in spending compared to the approved budget of £8.2m. This is due largely to the freeze on spending introduced in November 2009. The main reasons are:

- £1.6m of incorrect profiling of budgets between years resulting in annual budgets that do not reflect the schedule of work, for example this accounts in part for the reported slippage on High Street Regeneration and Town Centre
- No spending has occurred on schemes such as the Leisure Centre resulting in underspending due to the freeze on the Capital Programme.
- Delays to schemes arising from negotiations taking longer than expected, such as work on the High Street.

- 2.3 The weaknesses in the capital control environment have led to delays in the production of the capital outturn, as a result the Capital Programme update for 2010/11 has also been delayed. A review of the schemes that remain frozen suggests that there is only one scheme where there has been a significant change of circumstances – that is the work on Isham Flood prevention. Joint funding from the County Council and Anglian Water have been confirmed. Whilst this scored low on the prioritisation of schemes the level of slippage would allow Members to revisit the funding of this work in the absence of other schemes coming forward.

3 Appendices

Appendix A: 2009/10 Capital monitoring by individual schemes.

4 Proposed Action:

The Committee is invited to RESOLVE to:

- 4.1 Receive this report and note outturn and reasons for variations (Appendix A).**
- 4.2 Reconsider the allocation of resources in relation to the 2010/11 Programme relating to work on Isham Flood prevention.**
- 4.3 Receive an update on plans to improve the control environment to manage the capital programme budget.**

Members may therefore wish to reconsider the allocation of resources to this scheme

5 Background

- 5.1 There was only one capital monitoring update to Members in 2009/10, that being in November 2009.

6 Discussion

- 6.1 At this point in the accounts closedown Finance are finalising internal recharges between capital and revenue. This has long been an area of potential risk and given changes in audit regulations alongside the issues raised during the 2008/09 external audit this has therefore been reviewed carefully, to ensure there is sufficient evidence to support all charges to capital. The external audit of the 2009/10 capital accounting entries commences in July 2010 and thus these figures remain draft subject to that audit. An update on the outcome of the external audit will be provided to Members in September 2010.
- 6.2 A detailed analysis of each scheme is shown at Appendix A. Overall the total spend in 2009/10 was £4.2m, some £4m less than the original budget of £8.2m. The key reasons for this slippage are:
 - **JO15 – Leisure Centre/Swimming pool**, of the £149.8k underspend, £139k of this relates to budget carried forward from 2008/09 that was frozen by Resources Committee in November 2009. Further assessment on the need for this funding is to be considered in revisions to the Capital Programme. The assessment of initial proposals by Finance has identified that the spending would not qualify as capital spend as it relates to such work as feasibility studies that is revenue not capital and would therefore not be capable of being funded from this budget.
 - **JO16 – Disable Discrimination Act**, an £80k underspend arose largely from the capital freeze introduced in November 2009, that resulted in two proposed schemes in parks not going forward.

- **JO18 – Playing/Sports Pitch Development**, £317k undespent due to capacity within Facilities Management to meet the programme workload. This work is funded by means of Section 106 monies, with a deadline for spend of 2017 attached to it. After this date the money must be spent or risk a possible trawl back by the developer. This work was thus frozen whilst the Capital Programme is reviewed and to take account of other proposals coming forward around the Authority's green spaces.
- **JO34 – Replacement/Upgrade Computer Software**, a £440.9k underspend arose due to a variety of factors, including:
 - a £15k underspend on the revised budgets for the CRM & GIS projects,
 - £225k unspending on a number of projects that were scheduled to be undertaken being delayed whilst BCW reviewed its service provision in light of its budget proposals, such as Outlook migration, Choice based lettings, Replacement HR, Replacement Servers and credit card facilities.
 - Work on implementing a new Performance Management system was also cancelled contributing £30k to the underspend.
 - A further £60k underspend against the revised budget arose from slippage on the PC replacement programme.

New controls are needed around the management of this budget, including project initiation, prioritisation and management to ensure schemes are not delayed or altered.

Since this is now operated under a Partnership arrangement and discussions have begun with East Northants to address this as a matter of urgency.

- **JO41 – Non operational property improvements**, £473.3k underspend that is accounted for in large part by the fact that the scheme at 28 Church Street was delayed due to various issues:
 - Tender negotiations to manage costs down that resulted in a delay to when the work could start thus knocking on to the schedule of works as there were then unforeseen works required to be undertaken (eg, the need to remove/prune trees and shrubs)
 - The severe winter weather resulted in additional instructions from the structural engineers and architects - mainly due to unforeseen problems in the original structure; and
 - problems arose in procuring the curtain walling.

This has resulted in the scheme now being some ten weeks late - completion now due early August 2010 - but still about on budget at present. Monies for this scheme will need to be rolled forwards to 2010/11

- **JO42 – High Street Development Strategic Acquisition**, that underspent by £511.7k following delays in agreeing the level of settlement for Compulsory Purchase Orders (CPOs) now expected to be concluded in 2010.
- **JO59 – High Street Regeneration, and JO98 - Town Centre Public Realm** £1,249.6k & £334.3k underspends respectively are both set against one year in the monitoring report as this budget was not profiled over more than one year in BCW's capital programme. As a result the level of underspend shown is overstated in one year. However, a review of the schemes project monitoring does identify that the majority of the spend (£1.6m was due in 2010/11). The monitoring identified there has been a delay in spending in 2009/10 against this scheme due to delays in reaching agreement with Northamptonshire County Council on the preferred contractor to undertake the works. Other delays to the project include a reduction in funding requiring revisions to the scheme and the need to consider a petition against a demolition within the scheme. Future improvements in capital monitoring need to be undertaken to prevent this level of inaccuracies in reporting.
- **K301 – Contributions to affordable housing** was shown as an underspend, however, this is a technical underspend as eco products/heritage features and wheelchair adaptations were ordered in 2009/10, but authorisation for these purchases did not happen until mid April. As such payments of £130K were classified as 2010/11 spend, so there are no issues arising.

6.3 In addition, there were a few schemes that overspent, the largest being:

- **JO43 – Project Preliminary Works**, £70.6k overspend. This relates to preparatory work on 33 projects to bring land to market for disposal.
- **JO48 – Enterprise Court**, a £44.5k overspend on works referred to were ordered/completed before the moratorium fell but no allowance made in the new post moratorium budget to cover this
- **K004 – Decent Homes Grant**, shows on its own a £105k overspend however on November 24th 2009 Resources Committee took an urgent decision to use the £220,000 external funding (East Midlands Regional Development Agency) plus £80,000 BCW funds to fund Renovation and Housing Repair Assistance Grant work in order not to lose potential DHG monies in 2010/11. This was highlighted to save £150k. Erroneously the DHG budget was originally recorded on an estimated spend of £150k and not on the Grant notification. With the decision the reduction in other areas of spend by £150k (£300k - £150k), was not then reflected properly in the base budgets by reduction on the Renovation and Housing Repair Assistance Grant budgets and increasing the DHG budget. Looking at the Renovation and Housing Repair Assistance Grant budgets (K001 and K003) the total under spend on these budgets £108.7k (£47.1k and £61.6k respectively) shows that overall spending in this area is £3.7k under spent rather than the reported £105k overspend. Future improvements in capital monitoring need to be undertaken to prevent this level of inaccuracies in reporting.

- 6.4 Overall these levels of under and over spends are well in excess of those found at high performing Councils, although only slightly out of step with Wellingborough's experiences for the last few years. It is clear that significant improvements are required to improve the controls over the approval, management and monitoring of capital projects.
- 6.5 The weaknesses in the capital control environment have led to delays in the production of the capital outturn, as a result the Capital Programme update for 2010/11 has also been delayed. A review of the schemes that remain frozen as reported to Resources Committee 28th April 2010, suggests that there is only one scheme where there has been a significant change of circumstances – that is the work on Isham Flood prevention. Joint funding from the County Council and Anglian Water has now been confirmed, with an expectation of £56k funding from BCW. Whilst this scheme scored low on the re-prioritisation of the programme, the level of slippage set out in the preceding paragraphs would allow Members to revisit the funding of this work in the absence of other schemes coming forward. The Budget Strategy Group were made aware of the position reported here on the capital outturn and supported making funds available for the work at Isham.

7 Legal Powers

- 7.1 Local Government Act 1992

8 Financial and Value For Money Implications

- 8.1 This report highlights the significant level of under spending overall against the original budgets and raises the need to improve controls over capital spending.

9 Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Error in reported position	Revised outturn and balance	Low due to level of quality assurance	Robust financial arrangements.
Incomplete and delayed capital schemes	Inefficient use of resources	This risk has been increased by infrequent monitoring in 2009/10. Although this was offset somewhat by the Council's freeze and new project management arrangements.	To improve monitoring and controls in 2010/11 and introduce tighter project management arrangements.
Poor decision	Inefficient use of	High due to poor	Improvement

making	resources	control environment	plan to be drawn up.
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10 Implications for Resources

10.1 Finance resources need to be identified to address the poor control environment as a matter of urgency.

11 Implications for Stronger and Safer Communities

11.1 No specific implications.

12 Implications for Equalities

12.1 No specific implications

13 Author and Contact Officer

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15 Background Papers

Financial Services working papers.

Appendix A: 2009/10 Capital monitoring by individual schemes

CODE	SCHEME	ACTUALS	2009/10	Variance
		for Yr End 31.3.10 £000s	TOTAL Budget £000's	
<u>Approved and Contractually Committed</u>				
J003	Vehicles and Plant	43.8	40	-3.8
J008	Finedon Bowling Green	14.4	9	-5.4
J009	Allotment Service Improvements	0.4		-0.4
J010	Nene Riverside Works	10.3	21	10.7
J011	Public Open Space Implementation	42.6	50	7.4
J012	Doddington Road Cemetery	9.2	5	-4.2
J014	Playgrounds	9.2		-9.2
J015	Leisure Centre/Swimming Pool	12.2	162	149.8
J016	Disabled Discrimination Act	5.0	85	80.0
J018	Playing/Sports Pitch Development	0.0	317	317.0
J020	Parks and Open Spaces Refurbishment	0.0	1	1.0
J021	Swanspool Gardens Public Toilet Provision	42.0	57	15.0
J024	Highways Litter Bins Replacement	49.0	48	-1.0
J026	Town Centre Acquisitions	0.6		-0.6
J027	Town Centre Street Furniture	0.4		-0.4
J029	CCTV Strategy Implementation	102.0	119	17.0
J031	Cycle Network	3.6		-3.6
J034	Replacement/Upgrade Computer Software	635.1	1,076	440.9
J035	Redhill Farm-Roads & Sewers Phase 3	6.1		-6.1
J038/J080	Computer Hardware/Software	0.0		
J039	Tithe Barn Thatched Roof	0.0	25	25.0
J041	Non Operational Property Improvements	250.7	724	473.3
J042	High Street Development Strategic Acq.	259.3	771	511.7
J043	Project Preliminary works	137.6	67	-70.6
J044	Paterson Road Employment Land	185.3	230	44.7
J045	Faraday Court Security Improvements	21.9	30	8.1
J046	Allotments Service Improvements	2.1	5	2.9
J047	Bradfield Rd Estate Improvements	0.9		-0.9
J048	Enterprise Court Regeneration	44.5		-44.5
J049	Investment Initiation	3.5	20	16.5
J050	Market St Shops Improvement	12.3	27	14.7

CODE	SCHEME	2009/10		Variance £000s
		ACTUALS for Yr End 31.3.10 £000s	TOTAL Budget £000's	
J051	Orient Way Public Toilet	0.0		0.0
J052	Pebble Lane Shops Improvement	2.3	1	-1.3
J053	Market Square Car Parking	3.0	9	6.0
J054	Land Title Registration	42.5	4	-38.5
J057	Open Space Protection Work	6.5		-6.5
J058	Council Chamber Sound System	0.0	4	4.0
J059	High Street Regeneration	123.4	1,373	1249.6
J061	Leighton Coach House	32.4	96	63.6
J062	On Street Parking Regulations	0.7	3	2.3
J064	17 Market St Repair and Improvement	37.6	43	5.4
J065	Tithe Barn Offices Boiler Replacement	1.1		-1.1
J066	29-30Sheep St Roofing Repair	0.0	26	26.0
J067	Castlefields Bandstand Study	0.6	10	9.4
J068	New Depot	33.5	6	-27.5
J070	Redwell Leisure Centre Improvements	12.1		-12.1
J072	Swanspool Gardens Car Parking	157.9	120	-37.9
J073	Finedon Recreation Ground	0.0	10	10.0
J074	Planning Delivery Grant	41.8		-41.8
J075	Glamis Hall Day Centre	0.0	1	1.0
J076	Park Farm South Sewer Upgrading	0.0	30	30.0
J082	Market Improvements	0.0	3	3.0
J083	Croyland Hall Verandah Repairs	8.6	18	9.4
J088	Glen Bank Improvements	4.2	15	10.8
J091	Cycleways etc	0.0	38	38.0
J093	MSCP Lighting Improvement	0.2		-0.2
J098	Town Centre Public Realm	157.7	492	334.3
K001	Grants Renovation	182.9	230	47.1
K002	Grants Disabled Facilities	616.0	580	-36.0
K003	Grants Home Repair Assistance	48.4	110	61.6
K004	Decent Homes Grant	255.0	150	-105.0
K100	Earls Barton Sports Ground	1.8		-1.8
K201	Hemmingwell Community Skills Centre	54.4		-1.4

CODE	SCHEME	53		Variance £000s
		ACTUALS for Yr End 31.3.10 £000s	2009/10 TOTAL Budget £000's	
K202	John Lea Site Community facilities	52.8	94	41.2
K220	Support for Community Projects	74.0	40	-34.0
K221	Parish Council Irchester	40.0	143	103.0
K222	Parish Council Wollaston	0.0	17	17.0
K223	Parish Council Earls Barton	17.2	52	34.8
K224	Parish Council Bozeat	99.4	102	2.6
K225	Parish Council Finedon	19.4	32	12.6
K227	Parish Council Little Harrowden	0.0	35	35.0
K228	Parish Council Sywell	0.0	25	25.0
k300	Contribs To Affordable Housing	1.4		-1.4
K301	Contributions Towards Aff. Hsg. Additionality	126.9	260	133.1
K303	Contributions Towards Aff. Hsg. Eskdale Cl.	50.0	50	0.0
K400	Town Centre Master Planning	-30.8		30.8
K401	Town Centre Masterplanning Ph2	-5.3		5.3
K500	Housing Residule	-10.8		10.8
	TOTAL	4,163	8,164	4,001

