

Report of the Director of Children's Services and the Director of Resources

CAPITAL PROGRAMME MONITORING 2006/07 - REPORT 2

Summary

- 1 This report is to:
- inform Members of the likely out-turn position of the 2006/07 Capital Programme based on the spend profile and information to the end of September 2006
 - advise Members of changes to existing schemes and reprofiling of expenditure to allow the more effective management and monitoring of the Capital Programme
 - inform Members of any new schemes and seek approval for their addition to the Capital Programme.

Background

- 2 The original capital programme for the financial year 2006/07 was approved at Council on 1 March 2006. A number of amendments to the programme have been approved as part of the 2005/06 out-turn report and also at first monitor. This results in a current approved Education capital programme for 2006/07 which shows gross capital expenditure of £12.879m with £11.792m of other funding which gives a net capital programme cost to the authority of £1.087m.
- 3 The table below details the approved changes to the 2006/07 capital programme since the original programme was approved in March 2006.

Table 1 - Current Approved Children's Services Capital Programme 2006/07

	Gross Spend £m	Other Funding £m	Net Spend £m
Original Capital Programme 2006/07	13.132	(12.266)	0.866
Slippage and Adjustments from the 2005/06 Outturn report	1.345	(1.157)	0.188
Monitor 1 adjustments	(1.598)	1.631	0.033
Current Approved Capital Programme 2006/07	<u>12.879</u>	<u>(11.792)</u>	<u>1.087</u>

Consultation

- 4 Not applicable.

Options and Analysis

Scheme Progress Reports and Updates

- 5 The following section provides an update on all the major schemes in the capital programme with a brief summary of progress to date and any issues arising.

Condition Led Projects

- 6 The funding for this programme was provided via a DfES grant which ended in August 2004. The minor expenditure in 2006/07 represents a retention on the one remaining outstanding scheme.

Devolved Capital

- 7 This scheme represents the devolved capital which has been allocated to schools in 2006/07, net of any contributions which the schools have agreed towards LEA led schemes.

Fulford Secondary Targeted Capital (Scheme Cost £3.518m)

- 8 This scheme is now complete with only retention payments outstanding.

Applefields Targeted Capital Fund (Scheme Cost £3.740m)

- 9 The main work on this scheme is now complete. A small number of issues remain to be resolved, but the remaining budget should be sufficient to deal with these.

Huntington Secondary (Scheme Cost £4.940m)

- 10 Construction is progressing well and the new buildings are on schedule to be open by Easter 2007.

Local Authority Formula Capital (Scheme Cost £11.760m)

- 11 This scheme addresses condition and suitability issues at a number of schools in the city. In order to maximise the resources available schools are invited to bid for this funding and are encouraged to contribute their devolved capital to projects.

- 12 The larger schemes within the Modernisation programme are now all progressing well. The works at Skelton and Scarcroft Primaries, Rufforth Community Hall and Canon Lee are all on schedule to be completed during 2006/07.

- 13 The majority of schemes which have been approved under the modernisation programme are now approaching completion. These schemes had committed all available modernisation funding to the end of 2006/07. However, apart from some funding which has been allocated to support key major schemes within the capital programme, modernisation funding beyond 2007/08 has not yet been allocated.

- 14 A bidding process was therefore carried out with schools over the summer to enable them to put forward projects which addressed particular needs and priorities. The results of this process are set out in an accompanying report on this agenda. The funding to be allocated is based on the remaining funding from the

2007/08 modernisation total plus an estimate of the available funding for 2008/09, as only indicative figures have been announced beyond 2007/08.

Neighbourhood Nurseries Initiative (Scheme Cost £3.254m)

- 15 Clifton Green Integrated Children's Centre is now fully open. All the users have moved into the new accommodation and the feedback so far is extremely positive from all users. The Clifton Green Managers group are working on a number of community projects to enhance the internal and external public spaces. The first open day event was scheduled for 24th November, with an official opening ceremony planned for January 2007.

Robert Wilkinson (Scheme Cost £0.836m)

- 16 This scheme to accommodate additional pupil numbers and Early Years provision is now almost complete.

Schools Access Initiative (Scheme cost £1.487m)

- 17 This scheme, which improves accessibility to school buildings across the city, is funding elements of some larger projects. The remainder of the funding has been allocated to fund more minor improvements at a number of schools, principally to support individual pupils.

Skills Centre (Scheme Cost £2.880m)

- 18 Full planning permission has been obtained for this scheme, a contractor has been appointed and the site is expected to be handed over to the contractor in December.

Sure Start, Extended Schools and Childcare Grant (Scheme Cost £1.297m)

- 19 Detailed development work is now underway on proposals to create five new Integrated Children's Centres utilising this grant together with contributions from the schools concerned. These will be sited at Carr Infant and Junior, Haxby Road Primary, New Earswick Primary, St Lawrence's Primary and Tang Hall Primary.

York High School (Scheme Cost £12.200m)

- 20 This scheme is currently in the planning and design stage with the major scheme expenditure expected in 2007/08 and 2008/09. During the detailed design stage it has become clear that the full scheme cost will be significantly greater than was anticipated at the time of the initial bid. If the scheme is to deliver all of the requirements included in the design brief, the level of investment will need to be increased by £2.05m. The increase is due, in part, to higher than anticipated costs of refurbishing the existing building. Refurbishment is generally responding to both the poor condition of the building and the need to meet new legislation. In so doing the building will need to meet the DfES requirement to achieve a 'very good' rating under BREEAM (Building Research Establishment Environmental Assessment Method) for schools and meet the new Part L building regulations, including the use of renewable fuels. The main elements of this work are the upgrading of the Mechanical and Electrical installation and the replacement of all windows with double glazed units. There are also additional highway and infrastructure costs on the Oaklands site, and a significant programme of work that will be needed on the Lowfield site to ensure that the curriculum can be delivered on that site, whilst the building programme is completed on the Oaklands site.

- 21 To fund this additional investment it is proposed to use £250k funding from the Local Authority Formula Capital programme for each of the next three years to support this key scheme. In addition, it is also proposed to fund £1.3m through prudential borrowing from the Schools Budget. This can be funded from the revenue savings that will arise from the merger of the two schools. This is discussed in more detail in paragraphs 33 to 37 below.

Youth One Stop Shop (Scheme Cost £0.298m)

- 22 This scheme is progressing well, with the main construction work expected to be complete in mid December, and a final completion date of mid January 2007.

Oaken Grove Community Centre (Scheme Cost £0.267m)

- 23 This scheme is for the provision of a Youth and Community facility in the Haxby and Wigginton area of the city utilising former school buildings. The scheme is complete with only retention payments outstanding.

Integrated Children's System (Scheme Cost £0.132m)

- 24 This scheme is for the development of a framework and business processes to help front-line social care staff undertake work with children and families in a systematic manner, underpinned by Information Technology. The capital grant is made available to implement an IT based system to achieve the above objectives. This work is in progress with a system currently being tested.

One School Pathfinder

- 25 A report at the July meeting of Children's Services EMAP informed members of how City of York has been selected as one of 25 Pathfinder authorities to be invited to build a new secondary school under the Building Schools for the Future (BSF) programme. This report recommended that Joseph Rowntree school be nominated as York's pathfinder. This proposal was accepted, and officers were requested to work with the school to prepare and submit a detailed proposal to the DfES.

- 26 To progress the development of the proposal, a Development team has been set up. Initial meetings have been held with planners and statutory consultees and discussions are ongoing. Site survey work has been commissioned and will inform the outline business case to the DfES. Consultation with staff, students, parents and the local community about the new building commenced in November and will continue throughout the process.

- 27 The funding which will be provided for the new school will be in accordance with a cost model supplied by the DfES based on pupil numbers and SEN provision, and will be in the form of capital grant. There are no indications at present of the amount of funding which will be made available. It is proposed that the scheme is not included in the capital programme until the amount of funding is available.

CRAM 2007/08 – Capital Budget 2007-2011

- 28 The current approved Council capital programme runs until March 2009 and is investing over £130m in the asset base of the city, of which the council is financing over £51m through capital receipts and borrowing.

- 29 The Council is legally required to set a 3 year capital budget, however, it is proposed that the 2007/08 budget process considers a 4 year capital programme,

running from 1st April 2007 until 31st March 2011. This will align it with the 4 year political cycle which runs from May 2007 until May 2011.

- 30 The current high level of capital investment, a decline in the amount of surplus assets available to sell, and uncertainty surrounding the capital receipt from the sale of land at Osbaldwick means that the it would be imprudent for the Council to commit to additional capital receipt funded schemes as part of this years process.
- 31 Therefore, apart from continued investment in the rolling programme schemes beyond 2008/09, there is no additional capital receipt funding for new schemes, over and above the current approved programme, which are not fully funded from external sources.
- 32 As the majority of the Children's Services Capital Programme is funded from grant income there are no schemes to be added to the capital programme from the 2007/08 CRAM process, although a separate report on this agenda proposes new schemes within the formula capital allocations.

Prudential Borrowing

- 33 As discussed in paragraph 21 above there is a need to identify further capital funding to meet the revised costs of the York High scheme. The intention is to make this funding available by using the prudential borrowing mechanism.
- 34 The School Finance (England) Regulations 2006 permit the costs of funding a prudential borrowing scheme to be charged to the Schools Budget as long as the following two conditions are met:
- any scheme funded from the Schools Budget must generate sufficient savings to that budget to fund the costs of the prudential borrowing over the lifetime of the borrowing
 - the inclusion of the costs within the Schools Budget must be approved by the Schools Forum
- 35 The effect on the Schools Budget from the rationalisation of the two secondary schools to one is as follows:-

2007/08	£94k additional cost
2008/09	£106k additional cost
2009/10	£357k saving
2010/11 and subsequent years	£430k saving

This is based on the saving of one secondary school lump sum (£183k at 2007/08 values), and estimated savings due to the reduction in floor area (£203k), grounds maintenance (£15k) and rates (£29k), offset by split site funding during the period until the new school is running on one site, and merger protection tapered over three years.

- 36 It is proposed that a sum of £1.3m is funded from prudential borrowing and the costs of this be repaid and charged to the schools budget over a ten year period. To fund this level of borrowing the annual cost to charge to the schools budget will be approximately £168k based on current rates of interest. The total cost will be £1.68m, which compares with a total saving over the ten year period of £3.167m.

- 37 Based on the planned timescale of the capital scheme, it is envisaged that the prudential borrowing will need to be accessed at the end of 2008/09, therefore sufficient revenue saving will be available from the first year that costs will be charged to the School Budget.

Implications

Financial

- 38 Annex A provides a scheme-by-scheme update to the 2006/07 programme, detailing predicted variances and the resulting amendments to the capital programme. At this monitor no amendments are reported to the 2006/07 programme.
- 39 The net effect of the variations reported above and illustrated in Annex A is to produce an Education gross capital programme for 2006/07 of £12.879m, funded by £11.792m of external funding, resulting in a net cost to the city of £1.087m. The changes to the capital programme are summarised in the table below.

Table 2 - Summary of Amendments to the 2006/10 Capital Programme

Gross Education Capital Programme	2006/07	2007/08	2008/09	2009/10	Total
	£m	£m	£m	£m	£m
Current Approved Capital Programme	12.879	16.485	8.000	-	37.364
<u>Adjustments: -</u>					
Scheme Slippage and Reprofileing	-				-
Scheme Addition and Increases	-		1.550	0.250	1.800
Revised Capital Programme 2006/09	12.879	16.485	9.550	0.250	39.164

- **Human Resources:** not applicable
- **Equalities:** not applicable
- **Legal:** not applicable
- **Crime and Disorder:** not applicable
- **Information Technology:** not applicable
- **Property:** not applicable

Risk Management

- 40 There is always a degree of risk associated with operating a capital programme as schemes are developed and implemented. The key to minimising this risk is the effective operation of monitoring and control processes. This report is part of that process, where updated figures and corrective actions are proposed.

Recommendations

- 41 The Executive Member is recommended to:
- note the capital programme forecast outturn for 2006/07 as shown in Annex A
 - approve the additions and amendments to the capital programme reported above and summarised in Annex A

- approve the request for using prudential borrowing to increase the available funding for the York High School scheme, subject to the approval of the Schools Forum and the Executive
- agree the revised capital programme as shown at Annex A, subject to the approval of the Executive

in order to allow the effective monitoring of the capital programme.

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Report Approved



Date 26/11/2006

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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers

2006/07 Capital Programme Estimate and Monitoring Files

Annexes

Annex A - Approved Capital Programme and Projected Outturn

Glossary

DfES	Department for Education and Skills
LSC	Learning and Skills Council
NDS	New Deal for School
NMOD	New Deal for School Modernisation Scheme
NNI	Neighbourhood Nursery Initiative
NOF	New Opportunities Fund
PFI	Private Finance Initiative
PRU	Pupil Referral Unit
TCF	Targeted Capital Fund