

BOROUGH OF POOLE

COUNCIL

21ST OCTOBER 2008

**BUILDING SCHOOLS FOR THE FUTURE PROJECT (BSF) BUDGET UPDATE:
REPORT OF THE PORTFOLIO HOLDER FOR DELIVERING MAJOR PROJECTS
(INCLUDING SCHOOLS FOR THE FUTURE) AND TRANSPORTATION**

1. PURPOSE OF REPORT

- 1.1 To seek Council approval to a revised budget requirement for the BSF Programme and to seek a specific exemption from the Council's Financial Regulations to assign responsibility for authorising all virements and the use of contingency monies within the Programme budget to the Chief Finance Officer to the Board.

2. DECISIONS REQUIRED

- 2.1 Council is recommended:-

- (i) approve the revised budget;
- (ii) grant a specific exemption from the Council's Financial Regulations to assign responsibility for authorising all virements and the use of contingency monies within the Programme budget to the Chief Finance Officer to the Board.

3. BACKGROUND/INFORMATION

- 3.1 Cabinet, at its Meeting on 7th October 2008, considered the revised budget as proposed for the BSF Programme as set out in paragraphs 3 and 4 of the Report of the Chief Finance Officer to the BSF Board.
- 3.2 Details of the Programme Budget and Report of the Chief Finance Officer to the Strategic Programme Board is attached.
- 3.3 Cabinet also felt that 4Ps was responsible for this overspend. Cabinet agreed to make strong representations to Government Ministers that 4Ps had severely miscalculated the funding requirement.

Councillor Mike White

Portfolio Holder for Delivering Major Projects (including Schools for the Future) and Transportation

COUNCIL – 21ST OCTOBER 2008 – FOR INFORMATION

BOROUGH OF POOLE

CABINET

7 October 2008

BUILDING SCHOOLS FOR THE FUTURE PROGRAMME BUDGET

PART OF THE PUBLISHED FORWARD PLAN - Yes STATUS – STRATEGIC POLICY

1 Purpose & Policy Context of Report

1.1 The purpose of this paper is to:

- advise Cabinet of the revised budget requirement for managing the BSF Programme up to financial close on or before the 31 March 2011;
- seek Cabinet's endorsement of the proposed budget and the specific financial management and control arrangements proposed for the Programme as attached at Appendix 1 to this report prior to referral to full Council for decision;
- seek Cabinet's endorsement of the way in which the Council's share of the additional budget requirement will be funded over the remaining life-cycle of the Programme prior to referral to full Council for decision.

2 Recommendations

2.1 It is recommended that Cabinet:

- a) consider and note the assumptions made in putting forward the revised budget as proposed for the BSF Programme as set out in paragraphs 3 & 4 of the report of the Chief Finance Officer to the BSF Board attached here as Appendix 1;
- b) endorse the revised budget as proposed having noted those assumptions and recommend it to full Council;
- c) endorse the intention to fund all of the additional investment now needed from un-earmarked reserves further to Cabinet's initial approval to allocate £1.5m to BSF in September 2008 for the purposes of the Council's medium term financial plan (MTFP);
- d) recommend to full Council that it grants a specific exemption from the Council's financial regulations to assign responsibility for authorising all virements and the use of contingency monies within the Programme budget to the Chief Finance Officer to the Board.

3 Background

3.1 Borough of Poole Council and Bournemouth Borough Council were included in Wave 6 of the national Building Schools for the Future (BSF) initiative following the original success of the Councils' joint bid submission to

Government some years ago. The Councils' BSF Programme now extends to 9 schools across the combined conurbation of both authorities (including proposals for 3 academies) and equates to an investment of over £100m to refurbish, re-build and/or re-provide schools in Poole and Bournemouth.

4 Programme costs & budget setting

- 4.1 A recent meeting of the BSF Programme Board considered a paper from the Chief Finance Officer to the Board setting out a proposed budget to take the joint Programme to the point of financial close on or before the 31 March 2011, attached here at Annex A. Both Councils set aside £3m in 2006/07 to support the costs of the Programme on the advice of the 4Ps (a non-governmental body providing specialist advice and guidance of this kind to local authorities involved in bidding for inclusion in the national BSF programme). It has been necessary to revisit that provision in recent months and an additional investment of £1.646m is now needed from each Council to support the successful completion Programme and the procurement of the Local Education Partnership (LEP) before the 31 March 2011.
- 4.2 The revised forecast has been prepared in consultation with officers at both authorities along with the Programme Director and in light of the practical experience of other authorities involved in earlier waves in the national programme. A series of key assumptions have been made in revising budget estimates as set out in paragraphs 3 & 4 of the attached report. Further to those assumptions it is **very important** for Cabinet to note that the budget may need to be revised further if the scope of the Programme changes or if there is any slippage in the Programme time-table between now and 2011.

5 Funding proposal

- 5.1 The Council set aside £1.5m from revenue reserves in 2006/07 to support the costs of the Programme from 2007/08 onwards. Officers have identified various ways in which the Council might choose to provide the additional £1.646 now needed, further to the work now on-going to prepare the Council's Medium Term Financial Plan (MTFP). Of these, the simplest and least risk option is for the Council to allocate un-earmarked reserves of up to £1.646m over the life cycle of the next MTFP. Cabinet approved an initial allocation of £1.5m for this purpose from un-earmarked reserves in September 2008. It is proposed that this be amended to £1.646m for the purposes of preparing the final MTFP for formal Council approval in February 2008.

6 Financial management & control

- 6.1 Rigorous management and firm financial control will be essential in ensuring the successful delivery of the Programme to time and to budget. To that end the BSF Board have agreed that the Programme Director must seek the express and prior approval of the Chief Finance Officer to the Board for virements between budget lines and for any draw down on contingency monies as set out at paragraph 5 of the attached report. The Board further agreed that it would be desirable to delegate authority for approving all virements and decisions to apply contingencies irrespective of normal

threshold limits to the Chief Finance Officer. The advice of the Council's Monitoring Officer is that this would be best achieved by Council granting an exemption to financial regulations to assign responsibility for such decision making to the Chief Finance Officer further to the Council's scheme of delegation for the purposes of the BSF Programme budget.

Liz Wilkinson
Head of Financial Services & Chief Finance Officer
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25 September 2008

Appendix 1

BSF Programme Budget Report of the Chief Finance Officer

26 September 2008

Strategic Programme Board

26 September 2008

Report of the Chief Finance Officer

Agenda Item 6

Purpose

- 1 The purpose of this paper is to seek the Board's endorsement of the proposed budget for the Programme for Wave 6 works, as set out in Annex 1, based on the assumptions detailed at paragraph 4 below.

Background

- 2 It was agreed at the combined Board and Steering Committee meeting held in July 2008 that it was necessary to review the budget required to take the Programme to financial close by 31 March 2011 as it was felt that the original budget allocation of £3m established on the previous advice of the 4Ps was insufficient. The new Chief Finance Officer to the Board was asked to prepare revised estimates in consultation with finance staff at both Councils and the Programme Director to report back to the Board in September 2008. It was agreed that any necessary variation to the original allocations made by each Council would be reported to their respective Cabinets in October 2008 subject to the Board's initial consideration of the revised budget forecast.

Budget requirement

- 3 The revised budget for the Programme is set out at Annex 1 and totals £6.291m. This equates to an additional investment by each Council of £1.646m over and above the original £3m previously approved in 2006/07. The following assumptions have been made in preparing the revised budget forecast:
 - a) the costs of the Programme Team will be managed and contained within the budget provided for the total Programme Team costs;
 - b) inflation in future years has been provided on a variable basis according to type of expenditure as noted at the bottom of Annex 1;
 - c) general contingency has been provided in relation to the costs of external support services, over and above specific contract contingencies, reflecting the volatility and remaining uncertainty as to the final extent of the costs that may be incurred in this area as work progresses;
 - d) the budget relates to Wave 6 proposals, it does not include the costs that may be incurred should the Programme be extended to bring forward the remaining estate into Wave 7. The budget will need to be further revised should that happen;

- e) the budget set out relates only to the costs required in getting to financial close on or before 31 March 2011, it does not include any capital costs or build related expenditure, nor the future costs of any form of on-going client management function post LEP;
- f) there will be no VAT implications for either Council up to the point of financial close;
- g) the Programme Team will have completed its work, procured the LEP and got to financial close on or before 31 March 2011. No allowance has been made for costs of any slippage in the Programme beyond this date;
- h) the costs of external advisory support services for Client Design and Financial Advice can be procured within the provision allowed in the budget as proposed;
- i) the Programme Director will be the responsible budget holder for the Programme and will ensure that costs are kept within budget, consulting with the Chief Finance Officer if and/or when he becomes aware of any matter that may lead to significant budget variances over the life cycle of the Programme;
- j) both Councils are each willing and able to fund their 50% share of the additional budget requirement and will be separately responsible for determining how best that might be done within their own Medium Term Financial Plans.

4 It should also be noted that:

- no provision has been made to cover any potential costs associated with winding down the Programme Team and/or the transfer of staff to the Local Education Partnership (LEP) as the arrangements in moving over to the LEP have yet to be determined;
- no provision has been made for securing an investment share in the LEP at this time as it is not possible to determine the likely cost of that at this stage.

Both Councils will be responsible for meeting the future costs of moving to LEP operations after 31 March 2011.

Guiding financial management principles

- 5 The BSF Programme represents significant financial risk for both Councils and demands strong financial management and control if costs are to be contained within the revised budget figure. It is proposed therefore the following guidelines are adopted to ensure the successful management of the Programme budget to financial close:
- a) any virement within or between the budgeted amounts for internal support services and external support services may only take place with the express and prior approval of the Chief Finance Officer;
 - b) specific and general contingencies within the budget may only be drawn down by the Programme Director with the express and prior approval of the Chief Finance Officer;

- c) the Chief Finance Officer will report all virements and calls on contingency to the Board at appropriate intervals;
- d) the Programme Director will ensure regular budget monitoring reports are prepared, agreed with the Chief Finance Officer and reported to each meeting of the Board.

Recommendations

- 6 It is recommended that the Board:
- a) consider and endorse the revised budget as set out at Annex 1, noting the budgeting assumptions made in doing so as set out at paragraph 3;
 - b) agree that the revised budget, if endorsed, be separately reported to both Cabinets this October for formal approval and decision making purposes;
 - c) approve the guiding principles to support the effective financial management of the Programme budget set out at paragraph 5.

Liz Wilkinson
Chief Finance Officer

19 September 2008