

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive 27 June 2011  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and the  
Director of Finance

### Report Title

**CAPITAL INVESTMENT PROGRAMME 2010/11 OUTTURN - (Subject to Audit)**

### Summary

The report summarises the outturn position for 2010/11 and the consequential impact on the Medium Term Financial Plan 2011/14.

Capital expenditure for 2010/11 amounted to £37.2m, equivalent to 82% of revised budget. The variance of £7.9m can be explained by a number of factors that are detailed in the report.

The economic climate continued to have an adverse impact on the level of internal resources generated from disposals of surplus assets. The actual level of usable capital receipts was £1.9m and this was £1.5m less than predicted.

### Recommendation(s)

The Executive is requested to

- Note this summary report
- Approve the changes to the 2011/14 Programme
- Approve the additional expenditure, listed in Appendix B, in accordance with Financial Procedure Rule No. 4
- Note the actual prudential indicators for 2010/11

### Contact person for access to background papers and further information:

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Background Papers - Capital Programme Monitoring Report Q3 – Executive  
21 February 2011 and Capital Programme budget report – Executive 23  
February 2011

## 1. Capital Expenditure 2010/11

1.1 Capital expenditure incurred in 2010/11 totalled £37.2m. During the year a number of important capital projects were delivered and these assisted in delivering key Council objectives. Some of the key highlights included:

- **School Improvements** **£19.3m**  
Including :  
Primary Capital Programme - £3.9m  
Altrincham College of Arts : 6<sup>th</sup> Form - £3.2m  
St.Ambrose College : Rebuild - £2.7m  
14-19 Years - Diploma Funded Schemes - £2.3m  
Improvements via Devolved Formula Capital - £2.8m  
Sure Start – Children’s Centres, Extended Schools,  
Early Years Facilities (voluntary, independent & private sector providers) - £2.3m
  
- **Highways Structural Improvements** **£ 5.9m**  
inc: Maintenance to roads, bridges, footpaths & footways
  
- **Integrated Transport** **£ 1.9m**  
Inc : Safety Measures, Pedestrian Safety and Links to schools
  
- **Town Centre Regeneration** **£ 1.4m**
  
- **Adult Social Services** **£ 3.0m**  
Inc. Specialist housing, ICT and DFG’s
  
- **Work on Public & Operational Buildings** **£ 1.9m**  
inc : Disability Discrimination Act, Mechanical & Electrical & Public Building Repairs
  
- **Assistance to Homeowners** **£ 0.9m**  
Inc : Improvement Grants and Affordable Housing
  
- **Recycling & Community Safety** **£ 0.6m**
  
- **Recreation & Culture** **£ 0.7m**  
Inc. Sports facilities, libraries, open space & play areas
  
- **ICT Investment** **£ 1.6m**  
Inc : SWiTch – HR/Payroll system

1.2 During the year some major projects commenced including the long term accommodation project and the rebuild of St Ambrose College under the Building Schools for the Future programme. Both these projects will involve significant amounts of capital expenditure in 2011/12 and beyond.

- 1.3 The level of capital expenditure equated to 82% of the revised budget reported in the February budget report and the variance is summarised in Table 1.

<b>Table 1 : Actual Capital Expenditure compared to Revised Budget 2010/11</b>	<b>£m</b>
Revised Budget	45.1
Actual	37.2
<b>Variance</b>	<b>(7.9)</b>
<b>Explained By:-</b>	
Re-profiling	(8.7)
Acceleration	0.6
Additional Expenditure	1.3
Savings	(1.1)
<b>Total</b>	<b>(7.9)</b>

- 1.4 The overall variance can be explained by a number of significant factors and these are included in Section 3.

## 2. How the expenditure was financed

- 2.1 The capital expenditure was financed as follows:

<b>Table 2 : Financing of Actual Capital Expenditure 2010/11</b>	<b>Projected £m</b>	<b>Actual £m</b>
<b>Internal Resources</b>		
Capital Receipts	3.4	1.9
LSVT VAT Receipts	4.3	1.9
Specific Reserves	0.1	0.1
Borrowing	10.6	8.7
Sub-Total	18.4	12.6
<b>External Resources</b>		
Grants & Contributions	26.7	24.6
<b>Total</b>	<b>45.1</b>	<b>37.2</b>

The level of capital expenditure was managed within available resources, despite a shortfall in capital receipts of £1.5m. The level of borrowing was £1.9m less than estimated and this means the amount the Council has to set aside to repay debt is reduced in 2011/12 by £76k. Resources to cover any rephasings in the Programme will be available in future years.

- 2.2 Net rephasing shown in Table 1 amounted to £8.1m to later years and this is financed as follows:-
- £2.8m (35%) relates to schemes supported by external grants and contributions which are scheme specific and can be slipped with no adverse effect
  - £1.9m (23%) is supported by borrowing
  - £3.4m (42%) funded from general capital receipts and LSVT VAT receipts
- 2.3 When the Capital Programme was agreed by the Executive in February 2011 the value of the programme over the next three years exceeded the estimate of available resources by £2.0m. A number of savings have been identified on schemes supported by internal capital resources and therefore the deficit has been reduced by £0.5m to £1.5m. (See Appendix B)

### **3. Explanation of major variances**

- 3.1 A list of the major variances by service area is shown at Appendix A with individual schemes being listed at Appendix B. Whilst the level of underspending appears high it must be recognised that some significant elements of this were either not controllable or were managed due to estimated shortfalls in capital receipts. For example issues around site acquisition and legal issues hindered three major projects. Adjusting for these schemes the performance increases to 89%.
- Altair - when the budget was set it was expected that all remaining land interests on the scheme would be acquired by negotiation. This was not achieved and £2.2m has been rephased to 2011/12.
  - Carrington Lane/Flixton Rd Junction – the delay in reaching agreement with third parties on this improvement scheme has meant that £0.6m has had to be rephased. This scheme will be commencing shortly.
  - A56/Park Rd Junction – this scheme has been delayed and £0.5m rephased due to legal negotiation with the adjacent housing developer over the size of developer contribution that will be available for this project.

#### **Children and Young People**

- 3.2 Expenditure of £19.7m has been incurred which represents 93% of the budget. The main variance relates to an underspend on the primary capital programme due to uncertainties on 2011/12 grant allocations which were only notified in January 2011 causing a slight delay on the start of some schemes.

## **Communities and Wellbeing**

- 3.3 Expenditure of £3.0 has been incurred which represents 78% of the budget. The main variance relates to an underspend (£450k) on the Social Care ICT Grant due to long negotiations with SAP about the upgrade to the current SAP CRM package and the replacement of the Softbox IT system. The Mental Health Market Support project (£245k) is a project to assist providers to upgrade their housing provision to make it more accessible in light of the Mental Health Review due to report in July 2011. The underspend arose due to the poor response from the market. The project will be re-launched in July 2011.

## **Economic Growth and Prosperity**

- 3.4 Expenditure of £4.4m has been incurred which represents 67% of budget. Included in this figure is £1m of additional expenditure on vacant possession costs on the Urmston Town Centre scheme. These costs will ultimately be reimbursed by the developer. The cash underspend on remaining schemes is £3.1m, of which £2.2m relates to the Altair scheme as included in Para 3.1. There was a “managed” underspend on corporate buildings with savings achieved on building services schemes (£50k), DDA schemes (£180k) and public building repairs (£50k). These savings can be used to offset the deficit in capital resources (See Para 2.2).

## **Environment, Transport and Operations**

- 3.5 Expenditure of £8.5m has been incurred which represents 74% of budget. The underspend relates to:-
- Highway Mtce related schemes (£1.6m) - caused, largely by land assembly issues referred to in Para 3.1 above and further details can be found on page 9.
  - Traffic and Transport (£0.3m) - due primarily to delays caused by third parties, including GMUTC.
  - Parks and Greenspace (£0.3m) – sufficient progress was made on schemes to ensure that all external funding support could be utilised without loss of grant funding. Most schemes are now either complete or nearing completion.
  - Public Realm (£0.3m) – remaining budget has been rephased to 2011/12 coincide with the outcome of a consultants report on the regeneration of Altrincham town centre.

## **Transformation and Resources**

- 3.6 Expenditure of £1.6m has been incurred which equates to 73% of the budget. The major variance relates to the implementation of the SWiTch payroll system, particularly savings achieved in IT implementation costs.

#### **4. Future Programme**

4.1 Capital monitoring reports will in future include reference to performance criteria that clearly demonstrates progress towards key project milestones. These will be developed in the first instance for major projects but it is expected that these will eventually be rolled out for all projects. The improved use of the SAP projects system will facilitate this and this will be a more transparent means of monitoring progress.

#### **5. Prudential Indicators**

5.1 The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators as revised in February 2011. None of the indicators have been breached.

#### **6. Conclusions & Recommendations**

6.1 The report has identified the impact of the capital expenditure outturn in 2010/11.

6.2 The Executive is requested to:-

- Note this summary report
- Approve the changes to the 2011/14 Programme
- Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4
- Note the actual prudential indicators for 2010/11

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2010/11.
Legal Implications:	A number of negotiations need to be concluded on a number of capital projects.
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes undertaken in 2009/10 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2009/10 on the grounds of health and safety.

**Other Options**

There are no options in this report.

**Consultation**

N/A

**Reasons for Recommendation**

To ensure that key information on the Capital Investment Programme is noted by the Executive.

**Finance Officer Clearance**      ...GB.....

**Legal Officer Clearance**      ...JL.....

**DIRECTOR'S SIGNATURE**

**APPENDIX A**

**CAPITAL OUTTURN 2010/11**

The Council spent £37.0m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and slippage.

<b>Service Area</b>	<b>Revised Budget 2010/11 £'000</b>	<b>Outturn 2010/11 £'000</b>	<b>Variance £'000</b>	<b>← Variance Explained By →</b>			
				<b>Re- Profiling £'000</b>	<b>Accel. £'000</b>	<b>Add'n Expend £'000</b>	<b>Saving £'000</b>
Children & Young People	21,084	19,698	(1,386)	(1,536)	568	130	(548)
Communities & Wellbeing	3,784	2,968	(816)	(796)	13	12	(45)
Economic Growth & Prosperity	6,530	4,378	(2,152)	(2,833)		1,007	(326)
Environment , Transport & Operations	11,501	8,524	(2,977)	(3,102)		155	(30)
Transformation and Resources	2,169	1,574	(595)	(454)			(141)
<b>Total</b>	<b>45,068</b>	<b>37,142</b>	<b>(7,926)</b>	<b>(8,721)</b>	<b>581</b>	<b>1,304</b>	<b>(1,090)</b>

## Explanation of Major Variances

	£000	Explanation
<b>Re-Profiling £8.7m</b>		
<b>CYPS</b>		
Primary Capital Programme	316	Minor delays on a programme of works valued at £4.3m due to poor weather conditions during the winter period.
14-19 Years : Diploma funded schemes	303	Minor delays on a programme of works valued at £2.6m due to due to the need to re-programme some schemes to minimize disruption to schools.
Basic Need / Modernisation Schemes	308	A number of minor re-programming issues in order to minimise disruption to schools.
Devolved Formula Capital	197	Schools managed schemes
Youth Capital Grant	159	
<b>C&amp;W</b>		
Social Care Grant – ICT Mental Health and Operational Services	450	Service requirements have now been identified and options will be evaluated and costed.
Mental Health Support – Market Accommodation Transformation	245	The project to be re-launched in July 2011 due to a poor response from market providers.
<b>EG&amp;P</b>		
Housing Growth Points	349	Scheme delayed due to extended time to reach agreement over land acquisition with adjoining landowners.
Corporate Landlord Schemes	239	Two schemes required rephasing to 2011/12 at Altrincham Golf Course and Bowfell due to additional works being required.
Altair Development	2,219	Unable to reach agreement on land compensation with two remaining parties.
<b>ET&amp;O</b>		
Traffic & Transportation	371	Delays caused by third parties, including GMUTC.
Highway & Community Infrastructure Works	584	We delivered the original structural maintenance programme. Following further value engineering some schemes came in under budget and others were deferred whilst they were reassessed. This resulted in £584k of capital being reprofiled into 2011/12, which is now substantially completed.
Public Realm – Town Centre works	318	Remaining budget has been rephased to 2011/12 coincide with the outcome of a consultants report on the regeneration of Altrincham town centre.
A56/ West Timperley	468	Legal and developer contribution issues

Highway works		have delayed start of project.
Carrington Lane/ Flixton Rd – Junction works	598	Legal and land purchase issues have delayed start of project.
Parks Infrastructure	260	Progress was made on schemes to ensure that all external funding support could be utilised without loss of grant funding. Most schemes are now either complete or nearing completion.
Additional Burial Land	262	A longer period of negotiation than anticipated with the land owner and the affect this has had on the notice period required to tenant farmers (crops). Agreement has now been reached.
<b>T&amp;R</b>		
ICT related schemes and SWiTch – HR/Payroll	454	Some underspending in year on ICT implementation costs by Wigan Council who are hosting the new payroll system. These will be paid during 2011/12. Also some underspending on a disaster recovery scheme due to consideration for a shared service approach in AGMA.

<b>Acceleration £0.6m</b>		
<b>CYPS</b>		
St.Ambrose College – Rebuild	145	Agreement with school & planning approvals have allowed work to progress better than expected since Q3 budget set (Grant financing)
Altrincham College of Arts – 6 <sup>th</sup> Form Centre	306	Work progressed better than expected since December 2010. (Grant financing)
<b>Additional Expenditure £1.3m</b>		
<b>CYPS</b>		
Various schools improvement schemes	88	A number of minor overspends on completed schemes – will be offset by savings identified. (see below)
<b>EG&amp;P</b>		
Urmston Town Centre	993	Relates to compensation in respect of acquiring vacant possession. These costs will be reimbursed by the developer.
<b>ET&amp;O</b>		
Highways Works under S.278 Agreements	91	Highway works undertaken financed on developer contributions to be received on completion of works.
<b>Savings £1.1m</b>		
<b>CYPS</b>		
Harnessing Technology Grant	375	Budget kept in revenue as in previous years.
Local Delivery Support Grant	116	Budget kept in revenue as in previous years.
Various schools improvement schemes	53	A number of minor savings on completed schemes – to be used to offset overspend reported above.
<b>C&amp;W</b>		
<i>Alley gating schemes</i>	<i>45</i>	<i>The legal requirements threshold has not been met which means there are currently no schemes to be undertaken.</i>
<b>EG&amp;P</b>		
<i>Corporate Landlord budgets (inc DDA &amp; PBR)</i>	<i>280</i>	<i>Schemes now complete under budget – savings can be used to offset shortfall in resources.</i>
<i>Trafford Homestep – Affordable Housing</i>	<i>23</i>	<i>Scheme now complete – reimbursement of overpaid fees.</i>
Housing Growth Points	22	To match reduction in grant
<b>T&amp;R</b>		
<i>Urmston Library – Re-fit</i>	<i>73</i>	<i>Final costs less than originally budgeted.</i>
<i>ICT Investment</i>	<i>68</i>	<i>Following legal challenge the Council was successful in recovering £68k in respect of a system that failed to deliver service requirements.</i>

Note – the schemes in italics represent savings on schemes supported by Trafford's own capital resources.



## APPENDIX C

### Prudential Indicators – Actual 2010/11

The figures below show the Council's actual prudential indicators for 2010/11 compared to estimate.

<b>Indicator 1: CAPITAL EXPENDITURE</b>	2009/10 Actual £'000	2010/11 Original Estimate £'000	2010/11 Revised Estimate £'000	2010/11 Actual £'000
<b>Total Expenditure</b>	<b>34.7</b>	<b>75.0</b>	<b>45.1</b>	<b>37.2</b>

Explanation of variances are given in the Appendices A & B

<b>Indicator 2: CAPITAL FINANCING REQUIREMENT</b>	31/3/10 Actual £'000	31/03/11 Original Estimate £'000	31/3/11 Revised Estimate £'000	31/3/11 Actual £'000
General Fund	<b>124,114</b>	<b>122,084</b>	<b>130,123</b>	<b>128,612</b>

This is the Council's underlying need to borrow for a capital purpose and the position is dependent on the level of supported and unsupported capital expenditure decisions taken by the Council. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts. The final figure for 2010/11 includes for the adjustments in respect of the Sale Waterside PFI, now included as an asset on the balance sheet and capital disposal costs not yet financed.

<b>Indicator 3: FINANCING COSTS TO NET REVENUE STREAM</b>	2009/10 Actual %	2010/11 Original Estimate %	2010/11 Revised Estimate %	2010/11 Actual %
General Fund	<b>5.6</b>	<b>7.2</b>	<b>5.7</b>	<b>5.7</b>

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Councils net revenue budget.

<b>Indicator 4: Incremental impact on Band D council tax and housing rents</b>	2009/10 Actual £	2010/11 Original Estimate £	2010/11 Revised Estimate £	2010/11 Actual £
Council Tax – Band D	<b>5.46</b>	<b>1.23</b>	<b>1.87</b>	<b>1.34</b>