

## TRAFFORD BOROUGH COUNCIL

**Report to:** Accounts & Audit Committee – 26 June 2014  
Executive - 28 July 2014  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and the Director of Finance

### Report Title

**CAPITAL INVESTMENT PROGRAMME 2013/14 OUTTURN**

### Summary

The report summarises the outturn position for 2013/14 and the consequential impact on the Medium Term Financial Plan 2014/17.

Capital expenditure for 2013/14 amounted to £33.5m, equivalent to 81% of revised budget of £41.4m. This performance includes budgets that the Council has no direct control over (See Paragraph 5). The variance of £7.9m can be explained by a number of factors that are detailed in the report (Paragraph 6).

Net re-profiling of £8.0m will increase the Capital Investment Programme in later years.

### Recommendation(s)

The Executive is requested to

- Note this summary report
- Approve the changes to the 2014/17 Programme
- Approve the additional expenditure, listed in Appendix B, in accordance with Financial Procedure Rule No. 4
- Note the outturn of the prudential indicators for 2013/14 as set out in paragraph 13 and Appendix C.

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

Name: Graeme Bentley  
Extension: 4336

Background Papers - None

## Capital Expenditure 2013/14

1. The original budget for 2013/14 was approved at £38.7m in February 2013. During the year minimal re-phasing has been reported with the majority of schemes being delivered on programme. The main changes to the budget are additions, for example Local Authority Mortgage Scheme at £1m and new grant awards giving a projected budget of £41.4m as referred to in section 4.
2. Capital expenditure of £33.5m was incurred in 2013/14 and some of the main highlights include:
  - **School Improvements - £18.6m:-**
    - Kings Road Primary School refurbishment- £3.3m
    - Lime Tree Primary School rebuild - £4.1m
    - Springfield Primary School refurbishment - £2.9m
    - Worthington Primary School rebuild - £2.6m
    - Expansion & Basic Need Works - £2.2m
    - Improvements via Devolved Formula Capital - £0.8m
    - Capital Maintenance works - £2.4m
  - **Major building works on Public & Operational Buildings - £1.1m** (incl long term accommodation)
  - **Regeneration Projects - £3.0m** (Incl LCCC redevelopment)
  - **Highway Related Improvements - £6.5m**
  - **Adult Social Services - £1.9m** (incl Disabled Facility Grants, Telecare and specialist housing)
  - **Local Authority Mortgage Scheme - £1.0m**
  - **Sport, Recreation & Culture - £0.4m**
  - **ICT Investment £ 0.5m**
  - **Waste Recycling Initiatives - £0.3m**

## Financing of Capital Expenditure

2. The expenditure was financed from grants and external contributions, supplemented by borrowing, receipts derived from the sale of surplus assets and a small level of specific reserves. The actual levels applied are shown below:-

<i>Financing of Capital Expenditure 2013/14</i>	<b>Projected £m</b>	<b>Actual £m</b>
<b>Internal Resources</b>		
Capital Receipts	4.6	2.8
LSVT VAT Receipts	2.6	1.4
Specific Reserves	1.7	0.2
Borrowing	3.6	2.6
<b>Sub-Total</b>	<b>12.5</b>	<b>7.0</b>
<b>External Resources</b>		
Grants & Contributions	28.9	26.5
<b>Total</b>	<b>41.4</b>	<b>33.5</b>

- Sufficient capital resources will be available to cover all the expenditure re-profiled from 2013/14 to later years. No grants and contributions are at risk of clawback and will therefore be available in later years. The lower than projected borrowing will lead to a temporary reduction in minimum revenue provision (repayment of debt) of approximately £28k in 2014/15 compared to the MTFP estimate.

### Explanation of major variances

- The Executive approved a projected budget of £41.8m as at Quarter 3 which compares to an original budget of £38.7m, and reflects new schemes supported by capital grants and contributions. Each year capital expenditure is reviewed to ensure it meets the statutory definition of such expenditure. This review identified some items that should be charged to revenue with an appropriate adjustment from reserves. These were the purchase of equipment items associated with the Food Waste Collection scheme and LTA related re-cant. Overall this was neutral on the Council budgets.

<b>Actual Capital Expenditure compared to Revised Budget 2013/14</b>	<b>£m</b>
Q3 Projected Budget	41.8
Adjustment for revenue expenditure	(0.4)
<b>Revised 2013/14 Budget</b>	<b>41.4</b>
Actual	33.5
<b>Variance</b>	<b>(7.9)</b>

- The level of capital expenditure equated to 81% of the adjusted budget and the variance is summarised in the table below. Included in the variance are a number of schemes where the Council has limited control over the phasing of expenditure, for example Schools Devolved Formula capital and land assembly schemes and after adjusting for these outturn performance increases to 84%.
- A summary of the major variances is shown below. Appendix A provides an analysis of variance at a service level whilst Appendix B details variances at an individual scheme level.

<b>Actual Capital Expenditure 2013/14</b>	<b>£m</b>
<b>Variance</b>	<b>(7.9)</b>
<b>Explained By:-</b>	
Re-profiling to future years (Appendix B, pages 9-10)	(12.2)
Acceleration (Appendix B, page 10)	4.1
Additional Expenditure (Appendix B, page 10)	0.9
Savings (Appendix B, page 11)	(0.7)
<b>Total</b>	<b>(7.9)</b>

7. A number of schemes required re-profiling to 2014/15 and later years and in a number of cases management action was taken to accelerate expenditure on other priority projects in order to maximize the use and impact of available resources. Specific explanations are provided in the service analyses in Paragraphs 9 – 12.
8. Where schemes are estimated to overspend then this is reported to the Executive in accordance with financial regulations during the year. Given the incidence of capital expenditure this mainly occurs in the final quarter of the year. During 2013/14 additional expenditure of £866k has been incurred on a number of projects financed from specific resources, for example £190k of highway works done under S278 of the Highways Act and these are funded by the developer. In addition £161k was incurred on replacement of lifecycle components on the Sale Waterside PFI asset and these were financed by the PFI partner. Additional expenditure was also incurred on a number of grant funded schools and highway related projects and these were offset by savings in these respective areas. Overall savings of £0.2m were made in the year on schemes supported by Council resources, particularly the Long Term Accommodation project and these will be used to cover the projected increase in the cost of the corporate CRM project of £43k as reported to Executive on 7 April 2014 with the balance used to cover the shortfall in capital financing when the 2014/17 budget was set of £1.1m.

### **Children, Families and Wellbeing**

9. Expenditure of £21.0m has been incurred which represents 92% of the budget. The result of this is net re-profiling of £1.6m to 2014/15 and later years. Further details of these variations are shown in Appendix B.
  - Expenditure of £18.6m has been incurred on schools related projects, which represents 95% of the £19.6m budget. The Basic Need Programme has progressed better than originally budgeted and has resulted in £1.5m being accelerated from 2014/15. Schools Devolved Formula Capital of £0.9m (over which the Council has no control), £0.5m for final payments in relation the St.Ambrose College works and £0.7m of schools maintenance work schemes make up the majority of re-profiling to 2014/15. There has been some minor overspends across a number of schools maintenance projects totaling £168k which have been offset by savings leaving an overall net saving of £0.1m.
  - Social Care and DFG's (actual spend £2.4m) – £0.5m re-profiled to 2014/15, of which £0.3m will be vired to the corporate CRM system as agreed by the Executive on 7 April 2014. Work is currently in progress to identify the level of additional costs on the new social care system which, at this stage, are estimated to be met from unallocated social care grant budgets in the 2014/15 programme.

## Economic Growth and Prosperity

10. Expenditure of £5.1m has been incurred which represents 68% of budget. The variance of £2.4m relates to a number of schemes with the major variances being:-
- Corporate Landlord related projects include Mechanical & Electrical, Disability Discrimination Act and Public Building Repair Works. Progress on a number of projects across these areas has not been as expected and as a result £0.5m has been re-profiled to 2014/15, of this £0.1m relates to the final retention on the Long Term Accommodation project.
  - Altair Development, Altrincham – Variance of £1.0m due to ongoing land assembly issues has resulted in re-phasing to later years.
  - Altrincham Historic Market Quarter - Variance of £0.5m due to the lack of vacant possession and a later completion of the lower market works has delayed the start on site. The completion date of the lower market now targeted for the middle of July and the upper market for the end of June 2014.
  - Bringing Town Centres Alive – During the year the Council launched a town centre loan scheme with the objective of bringing vacant retail units back into use. For a number of reasons the take up of the scheme has not been as successful as originally expected and £0.2m has been rephased to 2014/15.

## Environment, Transport and Operations

11. Expenditure of £7.2m which represents 78% of budget. Across the Service there were a number of variations resulting in net re-profiling of £2.4m:-
- **Highways related** rephasing amounts to £1.3m. The majority of the highways structural maintenance programme was successfully delivered as originally planned. A total of 35 schemes were undertaken providing 8.1km of upgraded highways and footways as well as £0.5m of preventative maintenance works. During the year the budget was supplemented with specific grant funding which was successfully secured from Dept for Transport and Transport for Greater Manchester for a number of public transport/cycling projects. These projects include a number of key stakeholders and funders and this meant there were protracted legal negotiations which delayed the start to the projects. These grant allocations are available until March 2015 and schemes are now progressing and will be delivered during the course of 2014/15.
  - **Parks and Public Realm** rephasing amounts to £0.6m. Some major public realm projects are planned for the Council's town centres which involve major consultation and subsequent design. In a number of cases Council budgets will be supplemented with significant levels of developer contributions in order to deliver larger projects aimed at improving the appearance and economic wellbeing

of the town centres. This has meant that budgets have been rephased to 2014/15 and later years. In respect of parks projects, budgets were successfully supplemented by a combination of S106 contributions and external grant awards resulting in larger and improved facilities. As a consequence of the additional design and consultation requirements for the larger projects there has been delays in the implementation of a small number of projects.

- **Public Protection** rephasing amounts £0.5m. The purchase of additional burial land in Altrincham has been delayed due to the ongoing negotiations with the land owner. A price for the land has been agreed, however approval for the sale is yet to be given by The National Trust Board.

### **Transformation and Resources**

12. Expenditure of £0.2m has been incurred which equates to 10% of the budget. The variance of £1.8m relates to the re-profiling of budgets mainly attributable to extended procurement timescales to some major ICT projects including the corporate Customer Relationship Management and Electronic Data Records Management System projects.

### **Prudential Indicators**

13. 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 agreed in February 2013, and updated in February 2014. No indicators were breached in 2013/14.

### **Conclusions & Recommendations**

14. The report has identified the impact of the capital expenditure outturn in 2013/14. The Executive is requested to:-
  - Note this summary report
  - Approve the changes to the 2014/17 Programme
  - Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4
  - Approve the actual prudential indicators for 2013/14 as set out in Appendix C.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2013/14.
Legal Implications:	None arising out of this report
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 2013/14 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2013/14 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.....

**CORPORATE DIRECTOR'S SIGNATURE**

**APPENDIX A**

**CAPITAL OUTTURN 2013/14**

The Council spent £33.5m 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 savings.

<b>Service Area</b>	<b>Updated Budget 2013/14 £'000</b>	<b>Outturn 2013/14 £'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, Families & Wellbeing	22,760	21,002	(1,758)	(4,838)	3,268	175	(363)
Economic Growth & Prosperity	7,463	5,103	(2,360)	(2,496)	86	196	(146)
Environment , Transport & Operations	9,217	7,215	(2,002)	(2,983)	596	533	(148)
Transformation and Resources	1,963	179	(1,784)	(1,838)	54		
<b>Total</b>	<b>41,403</b>	<b>33,499</b>	<b>(7,904)</b>	<b>(12,155)</b>	<b>4,004</b>	<b>904</b>	<b>(657)</b>

**APPENDIX B**

**Explanation of Major Variances**

<b>Re-Profiling £12.2m</b>	<b>£000</b>	<b>Explanation</b>
<b>C,F&amp;W</b>		
Devolved Formula Capital	844	Each school allocated annual budgets to be spent within 3 years as they require. Council has no control over when budgets are spent.
School Places Programme	652	There are 24 schemes included in this Programme. Individual major variances are reported separately (see below). There are also a number of schemes where re-profiling is required for minor delays and retentions due in 2014/15.
School Places Programme : Brentwood School	651	Original scheme was reviewed and new agreement given for a replacement school by the Executive in March 2014. New feasibility study resulted 3 month delay in the start of the works.
School Places Programme : Bowdon CoE Primary School	374	Additional DfE funding of £1.9m was received in year which resulted in a change in the nature of the project which has meant the scheme will not commence until 2014/15.
Schools Access Initiatives	236	Budget to provide specific access facilities for pupils – No schemes required in year.
Schools Maintenance Schemes	729	In excess of £2.4m was invested in maintenance projects in 2013/14 on 34 projects. In a small number of cases there was a delay in appointing contractors which put back the start of schemes, which are now all underway.
St.Ambrose College	534	Scheme complete – re-profiling required for retentions payable in 2014/15
Nursery Places – 2 Year-olds Entitlement	121	Due to the increased estimate of costs of the original project a review was undertaken resulting in revised proposals to be undertaken in 2014/15.
Capital Innovation Fund – U5s Service Provision	100	Grants to be awarded to external service providers – new process has been introduced which has delayed that start of the initiative until 2014/15.
Adult Social Care – Community Capacity Grant	343	At Executive on 7 April it was agreed to use £0.3m of this to the corporate CRM project.
Disabled Facilities Grants	140	Quality issues with a contractor initially delayed the delivery of some adaptation work. Resolution has been reached but has had the impact of delaying the completion of some projects.

<b>EG&amp;P</b>		
Lancashire CCC - Development	102	Retention monies to be claimed in 2014/15.
Altair Development, Altrincham	998	Relates to outstanding land compensation issues on the site.
Corporate Landlord Schemes	365	A number of mechanical & electrical and public building repair projects did not complete as expected as a result of recruitment issues and workload prioritisation. The schemes are now programmed to complete in 2014/15.
Long Term Accommodation	126	Scheme complete – re-profiling required for retentions payable in 2014/15
Bringing Town Centres Alive	181	The take up of this town centre loan scheme has not been as successful as originally expected and the scheme has recently been relaunched.
Altrincham Historic Market Quarter Improvements	548	A delay in achieving vacant possession and a later completion of the lower market works has delayed the start on site. The completion date of the lower market now targeted for the middle of July and the upper market for the end of June 2014.
<b>ET&amp;O</b>		
Bridgewater Way Improvements	402	New specific grant funding was successfully secured from DfT and TFGM for this project. The projects include a number of key stakeholders and funders and this meant there were protracted legal negotiations which delayed the start. The grant allocations are available until March 2015 and the scheme is now progressing and will be delivered during the course of 2014/15.
Integrated Transport Schemes	124	As per Bridgewater Way Project
Cycle City Ambition Grant	119	As per Bridgewater Way Project
Cycle Safety – A56 Parallel Route	153	Delays in commissioning the UTC works, which was outside of the Council's control and changes to signage, requested by the funders, have delayed completion of the work.
Water Taxi Project	114	Trafford contribution to project led by Salford City Council. Implementation of scheme on hold.
A56 / West Timperley : Junction Improvements	292	The CPO for the project has been granted during 2013/14 which will mean that progress can be made on the acquisition of the required sites prior to commencement of this major junction improvement scheme.

Highways Structural Maintenance Works	306	Rephasing on a number of projects, offset by acceleration – see below
Pay & Display Equipment	161	The pay and display upgrade is to be procured alongside a cashless payment option which is currently on-going as part of a Framework Agreement for AGMA authorities being led by Salford City Council.
Public Realm Improvements	401	Some major public realm projects are planned for the Council's town centres which involve major consultation and subsequent design. In a number of cases Council budgets will be supplemented with significant levels of developer contributions in order to deliver larger projects aimed at improving the appearance and economic wellbeing of the town centres. This has meant that budgets have been rephased to 2014/15 and later years.
Parks & Greenspace Schemes	205	During the year project budgets were successfully supplemented by a combination of S106 contributions and external grant awards resulting in larger and improved facilities. As a result this delayed the implementation of a small number of projects.
Additional Burial Land	307	Negotiations with The National Trust, which owns the land, are still ongoing. A purchase price has been agreed, however the National Trust Board have still to give approval for the sale.
Housing Standards & CPO	230	This year it has not been possible to conclude agreements with property owners to fund suitable empty property projects. Projects are being developed and are in the pipeline to be committed in 14/15 to assist in delivering the empty property strategy. In addition new initiatives involving compulsory purchase for renovation/sale of empty properties are in the pipeline
<b>T&amp;R</b>		
CRM Upgrade	668	Extended procurement processes have delayed the start of the project. This has had an impact on the EDRMS and Web Strategy which are dependent on the progression of the CRM system.
Electronic Data Records System (EDRMS)	616	See Above
Web / Customer Strategy Project	173	See Above
Other ICT Projects	269	Resourcing issues due to involvement in major CRM / EDRMS projects has resulted in

		a number of smaller schemes not being delivered as originally scheduled. The schemes will be delivered in 2014/15.
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<b>Acceleration £4.1m</b>	<b>£000</b>	<b>Explanation</b>
<b>CF&amp;W</b>		
School Places Programme : Lime Tree Primary School	1,548	Scheme completed 8 months ahead of original schedule. Innovative construction methods allowed for timescales to be compressed and project delivered ahead of schedule.
School Places Programme : Kings Road Primary School	996	Scheme completed 7 months ahead of original schedule. Innovative construction methods and undertaking different works simultaneously to reduce disruption resulting in project delivery ahead of schedule.
School Places and Basic Need Works	681	There are 24 schemes included in this Programme. Individual major variances are reported separately. There are also a number of schemes where progress of works has been better than originally budgeted.
<b>ET&amp;O</b>		
Highways Structural Maintenance Works	393	Managed acceleration on a number projects.

<b>Additional Expenditure £0.9m</b>	<b>£000</b>	<b>Explanation</b>
<b>CF&amp;W</b>		
Schools Capital Maintenance Projects	168	Additional expenditure has been incurred on a number of boiler, rewire and kitchen related projects. Savings on other schemes within the area have been identified to offset these.
<b>EG&amp;P</b>		
Sale Waterside – Lifecycle Costs	161	Costs relating to the maintenance of Sale Waterside – Costs have been financed by a prepayment in earlier years as part of the unitary payments made to Cofatech and do not impact on capital resources.
<b>ET&amp;O</b>		
Highways Related Projects	326	Minor additional costs have been incurred on a range of highways related projects. Developer contributions and savings have been identified to cover these.
Section 278 agreements	190	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.

<b>Savings £0.7m</b>	<b>£000</b>	<b>Explanation</b>
<b>CF&amp;W</b>		
Schools Capital Maintenance Projects	168	Minor savings have been realised on a number of projects. These are to be used to offset the additional costs reported above.
Children's Service – ICT Developments	70	Scheme no longer progressing.
Stretford High School	87	Saving on final scheme costs. School contribution no longer required. Saving not available for use elsewhere.
<b>EG&amp;P</b>		
Long Term Accommodation Strategy	124	The scheme is now complete and only a small element of retention remains outstanding. The variations on the scheme were offset in part by savings that were identified such that overall there was a saving against the budgeted contingency.
<b>ET&amp;O</b>		
Highways Related Projects	125	Minor savings across a range of highways related projects. These are to be used to offset the additional costs reported above.
Lostock Park, Stretford – U8s Play-area	14	Saving on estimated scheme costs. Claim to external funder reduced accordingly. Saving not available for use elsewhere.

## APPENDIX C

### Prudential Indicators – Actual 2013/14

The figures below show the Council's actual prudential indicators for 2013/14 compared to estimate.

<b>Indicator 1: CAPITAL EXPENDITURE</b>	2012/13 Actual £'000	2013/14 Original Estimate £'000	2013/14 Revised Estimate £'000	2013/14 Actual £'000
<b>Total Expenditure</b>	<b>57,956</b>	<b>38,712</b>	<b>41,790</b>	<b>33,499</b>

Explanation of variances are given in the Appendices A & B

<b>Indicator 2: CAPITAL FINANCING REQUIREMENT</b>	31/3/12 Actual £'000	31/3/14 Original Estimate £'000	31/3/14 Revised Estimate £'000	31/3/14 Actual £'000
General Fund	<b>147,595</b>	<b>144,128</b>	<b>146,266</b>	<b>143,242</b>

This is the Council's underlying need to borrow for a capital purpose. 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.

<b>Indicator 3: FINANCING COSTS TO NET REVENUE STREAM</b>	2012/13 Actual %	2013/14 Original Estimate %	2013/14 Revised Estimate %	2013/14 Actual %
General Fund	<b>6.1</b>	<b>7.0</b>	<b>6.9</b>	<b>6.7</b>

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

<b>Indicator 4: Incremental impact on Band D council tax and housing rents</b>	2012/13 Actual £	2013/14 Original Estimate £	2013/14 Revised Estimate £	2013/14 Actual £
Council Tax – Band D	<b>4.79</b>	<b>13.66</b>	<b>12.43</b>	<b>12.43</b>

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.