

TRAFFORD BOROUGH COUNCIL

Report to: Executive 25 June 2012
Report for: Decision
Report of: The Executive Member for Finance and the Acting
Corporate Director of Transformation & Resources

Report Title

CAPITAL INVESTMENT PROGRAMME 2011/12 OUTTURN

Summary

The report summarises the outturn position for 2011/12 and the consequential impact on the Medium Term Financial Plan 2012/15.

Capital expenditure for 2011/12 amounted to £54.8m, equivalent to 89% of revised Q3 budget of £61.9m. The variance of £7.1m can be explained by a number of factors that are detailed in the report.

Recommendation(s)

The Executive is requested to

- Note this summary report
- Approve the changes to the 2012/15 Programme
- Approve the additional expenditure, listed in Appendix B, in accordance with Financial Procedure Rule No. 4
- Approve the actual prudential indicators for 2011/12 as set out in paragraphs 13 and 14.

Contact person for access to background papers and further information:

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Background Papers - Capital Programme Monitoring Report Q3 – Executive 27 February 2012 and Capital Programme budget report – Executive 22 February 2011

Capital Expenditure 2011/12

1. Capital expenditure incurred in 2011/12 totalled £54.8m and this is significantly higher than previous years due to investment in some major capital projects. Some of the key highlights included:
 - **School Improvements £26.7m:-**
 - St.Ambrose College : Rebuild - £14.7m
 - Primary Capital Programme - £3.1m
 - Altrincham College of Arts : 6th Form - £2.1m
 - Improvements via Devolved Formula Capital - £1.7m
 - Stretford High School – Sports Facilities - £1.5m
 - 14-19 Years - Diploma Funded Schemes - £1.3m
 - Other maintenance and condition issue projects - £1.8m
 - **Highway Related Improvements £4.2m**
 - **Regeneration Projects £8.9m**
 - **Adult Social Services** (incl Disabled Facility Grants and specialist housing) **£ 2.9m**
 - **Major building repairs on Public & Operational Buildings** (incl long term accommodation) **£ 9.7m**
 - **Sport, Recreation & Culture £ 0.8m**
 - **ICT Investment £ 0.9m**

Financing of Capital Expenditure

2. The majority of finance came from grants and external contributions (54%) 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 2011/12</i>	Projected £m	Actual £m
Internal Resources		
Capital Receipts	15.7	13.7
LSVT VAT Receipts	2.3	2.3
Specific Reserves	1.0	0.9
Borrowing	10.9	8.4
Sub-Total	29.9	25.3
External Resources		
Grants & Contributions	32.0	29.5
Total	61.9	54.8

3. The level of capital expenditure was managed within available resources with the level of borrowing being £2.5m less than estimated. This means that a one-off saving will be achieved in 2012/13 of £28k as a consequence of the amount the Council has to set aside to repay debt being reduced temporarily. No grants and contributions are at risk of clawback and will be available to cover schemes re-profiled from 2011/12.

Explanation of major variances

4. The Executive approved a projected budget of £64.6m as at quarter 3. Subsequently the budget has been revised to take account of two changes including a rescheduling of the primary school expansion programme to better provide capacity at schools in a timely manner to meet predictions of need. This was reported to Executive in February following the announcement of future years grant allocations from the DfE, leading to £2.3m being rephased to later years. Also savings were identified in the Programme to cover a reduction of £0.4m in the level of resources available to finance the emissions abatement scheme at the crematorium. The revised budget is therefore £61.9m and the details are shown in the table below.
5. The level of capital expenditure equated to 89% of the adjusted budget and the variance is summarised in the table below.

Actual Capital Expenditure compared to Revised Budget 2011/12	£m
Q3 Projected Budget	64.6
Adjustment to schools budget as reported to Executive in February 2012 (Para 4)	(2.3)
Adjustment re financing of the crematorium emission abatement scheme (Para 4)	(0.4)
Revised Q3 Budget	61.9
Actual	54.8
Variance	(7.1)
Explained By:-	
Re-profiling into future years	(9.8)
Acceleration	2.5
Additional Expenditure (Appendix B, page 9)	0.7
Savings (Appendix B, page 9)	(0.5)
Total	(7.1)

6. A list of the major variances by service area is shown at Appendix A with individual schemes being listed at Appendix B. A summary of the major variances is explained below.

7. A small number of schemes require re-profiling, albeit these sum to a large amount and specific explanations are provided in the service analyses in Paragraphs 8 – 12. In a number of cases management action was taken to accelerate expenditure on other priority projects. A number of schemes incurred additional expenditure but the majority of this was on schemes supported by capital grants and contributions or from other scheme savings. There is no change to the overall resourcing position for the Capital Programme which was reported to the Executive in February.

Children and Young People

8. Expenditure of £26.7m has been incurred which represents 86% of the budget. The variance is £4.2m relates to underspends on a number of schemes, the major variances being:-
 - St.Ambrose College – Variance of £3.4m which relates to slightly slower than expected progress, in particular with the ICT requirements. It is expected this will be rectified and the scheme will complete on schedule.
 - Basic Need & Capital Maintenance Schemes – Variance of £0.7m relates to minor amounts of re-phasing across a number of projects, due primarily to protracted consultation with schools.

Communities and Wellbeing

9. Expenditure of £2.9m has been incurred which represents 98% of the budget. A small amount of budget has been rephased to 2012/13 to cover retentions and furniture and equipment on the Shawe View specialist housing scheme. Budget of £140k has been re-phased to cover these costs.

Economic Growth and Prosperity

10. Expenditure of £18.8m has been incurred which represents 89% of budget. The variance of £2.4m relates to a number of schemes with the major variances being:-
 - Long Term Accommodation – Variance of £0.9m has been re-phased to 2012/13 primarily as a result of an erroneous cashflow projection from the contractor regarding some major items of plant and equipment. At this stage the scheme remains on target and is expected to complete within budget and to the original timescale.
 - Lancashire County Cricket Club Development – Variance of £0.4m has been re-phased to 2012/13 due to the value of drawdown claims from LCCC being less than originally advised. In part this is due to a later than expected start on the refurbishment of the existing pavilion. Nevertheless the programme and completion date are still within the required timeframe for delivering the project on target to be completed in the Spring of 2013.
 - Altair Development, Altrincham – Variance of £0.6m due to ongoing land assembly issues has resulted in re-phasing to 2012/13.

- Corporate Landlord Schemes – Variance of £0.6m across the Disability Discrimination Act, Mechanical & Electrical and Public Building Repair schemes. The majority of schemes were delivered successfully in year with a number of tender savings being achieved. Some major works at Altrincham Leisure Centre had to be re-programmed due to additional requirements recently identified.

Environment, Transport and Operations

11. Expenditure of £5.5m represents 100% of budget, although across the Service there were a number of variations and these are detailed in Appendix B.

Transformation and Resources

12. Expenditure of £0.9m has been incurred which equates to 66% of the budget. The variance of £0.4m relates to the re-phasing and acceleration of budgets across the service area:-
 - Coroners Accommodation – Variance £0.2m - Trafford's contribution toward accommodation for the Coroners Service has been subject to ongoing consultation, which has resulted in this budget being re-phased to 2012/13.
 - ICT Projects – Variance £0.1m - net rephasing of £0.1m across a number of ICT 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 2011, and updated in February 2012.
14. There was one breach in the indicator for "Financing costs as a % of net revenue budget" compared to the estimates approved in February 2011. This was anticipated when the indicators were revised in February 2012 with the breach being caused by the underspend against the revenue budget in 2011/12 which is explained in the revenue outturn report. This had the impact of increasing the ratio of financing costs against net revenue expenditure.

Conclusions & Recommendations

15. The report has identified the impact of the capital expenditure outturn in 2011/12.
16. The Executive is requested to:-
 - Note this summary report
 - Approve the changes to the 2012/15 Programme
 - Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4

- Approve the actual prudential indicators for 2011/12 as set out in paragraphs 13 and 14.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2011/12.
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 2011/12 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2011/12 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 - *ID*

APPENDIX A

CAPITAL OUTTURN 2011/12

The Council spent £54.8m 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.

Service Area	Revised Budget 2011/12 £'000	Outturn 2011/12 £'000	Variance £'000	← Variance Explained By →			
				Re- Profiling £'000	Accel. £'000	Add'n Expend £'000	Saving £'000
Children & Young People	30,946	26,727	(4,219)	(4,975)	673	341	(258)
Communities & Wellbeing	2,986	2,914	(72)	(603)	531		
Economic Growth & Prosperity	21,226	18,814	(2,412)	(2,706)	250	217	(173)
Environment , Transport & Operations	5,490	5,480	(10)	(940)	790	158	(18)
Transformation and Resources	1,292	855	(437)	(618)	258		(77)
Total	61,940	54,790	(7,150)	(9,842)	2,502	716	(526)

APPENDIX B

Explanation of Major Variances

	£000	Explanation
Re-Profiling £9.8m		
CYPS		
St.Ambrose College – Rebuild	3,381	Delays with ICT installations – but the scheme is still expected to complete on time
Capital Maintenance Grant	478	Re-phasing across a number of projects for retentions, slightly later than expected starts and works now due to start during the school summer holidays.
Devolved Formula Capital	382	Schools managed schemes
C&W		
Shawe View : Redevelopment	140	Retentions to be paid in 2012/13 and F&E still to be provided.
EG&P		
Altrincham Leisure Centre	240	Discovery of additional works has delayed progress.
Public Building Repair works	251	Incomplete works on 7 schemes has resulted in the re-profiling.
Long Term Accommodation	923	As a result of an erroneous cashflow projection regarding some major items of plant and equipment.
LCCC – Development	441	In part due to a later than expected start on the refurbishment of the existing pavilion.
Altair Development	626	On-going negotiations with property owners.
ET&O		
Additional Burial Land	353	Continued negotiations with The National Trust on land acquisition.
Carrington Lane / Flixton Rd Junction	92	Negotiations with adjacent land owner over land acquisition have delayed progress.
T&R		
Coroners Accommodation	165	Awaiting outcome of consultation with Coroners Service, Stockport & Tameside Councils
LAA Reward Grant	108	Progress overseen by the Trafford Partnership – in a number of cases approval has only been granted for schemes recently.
Content Management System	143	Contract awarded and due to start in April '12. Hosting negotiations with Wigan MBC are ongoing.

Acceleration £2.5m		
CYPS		
Bollin Primary School	327	Scheme has progressed successfully ahead of programme.
Altrincham College of Arts	150	Scheme has progressed successfully ahead of programme.
EG&P		
Purchase of 2A Houldsworth Avenue – Brentwood School	205	Purchase completed ahead of expected date. Costs covered by School.
ET&O		
Highways Related schemes	459	Additional resurfacing schemes brought forward from 2012/13.
CPO Properties	260	Compensation paid to owners in advance of expectations.
T&R		
SWiTch Payroll System	242	Scheme now operational but expenditure on implementation of self service aspects of the scheme still to be finalised in 2012/13. Scheme will be completed within the available budget.
Additional Expenditure £0.7m		
CYPS		
Wellacre College – Rewire	144	Additional costs due to asbestos and logistical issues accessing the site during term time delayed completion. Savings identified on other schemes to cover this.
EG&P		
Urmston Town Centre	80	Relates to final compensation to tenants and external legal and property advice. The scheme will complete later in 2012 and costs will be refunded from any surpluses on development.
ET&O		
Section 278 agreements	81	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.
Parks Projects	67	Additional costs across a number of projects – primarily 3 tennis courts due to additional fencing to meet planning guidelines. Additional costs funded from S.106 contributions.

Savings £0.5m		
CYPS		
Partington Primary School	172	Works completed within budget
Other minor savings	77	Minor savings on a number of schemes identified to cover overspends above.
T&R		
Various ICT schemes	77	Savings on 5 schemes completed in 2011/12.

APPENDIX C

Prudential Indicators – Actual 2011/12

The figures below show the Council's actual prudential indicators for 2011/12 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2010/11 Actual	2011/12 Original Estimate	2011/12 Revised Estimate	2011/12 Actual
	£'000	£'000	£'000	£'000
Total Expenditure	37,142	71,774	62,291	54,790

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/11 Actual	31/03/12 Original Estimate	31/3/12 Revised Estimate	31/3/12 Actual
	£'000	£'000	£'000	£'000
General Fund	128,612	136,435	134,940	132,337

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.

Indicator 3: FINANCING COSTS TO NET REVENUE STREAM	2010/11 Actual	2011/12 Original Estimate	2011/12 Revised Estimate	2011/12 Actual
	%	%	%	%
General Fund	5.7	6.0	6.3	6.1

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget. The actual position shows a marginal breach of this indicator due, compared to the original estimate, due to an underspend on the overall revenue budget in 2011/12.

Indicator 4: Incremental impact on Band D council tax and housing rents	2010/11 Actual	2011/12 Original Estimate	2011/12 Revised Estimate	2011/12 Actual
	£	£	£	£
Council Tax – Band D	1.34	6.82	1.96	1.19

The actual position for 2011/12 reflects the treasury management decisions taken to defer borrowing until suitable market condition exist.