

TRAFFORD BOROUGH COUNCIL

Report to: Executive 24 June 2013
Report for: Decision
Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL INVESTMENT PROGRAMME 2012/13 OUTTURN

Summary

The report summarises the outturn position for 2012/13 and the consequential impact on the Medium Term Financial Plan 2013/16.

Capital expenditure for 2012/13 amounted to £58.0m, equivalent to 91% of revised Q3 budget of £63.9m. This performance increases to 95% after adjusting for budgets that the Council has no direct control over (See Paragraph 5). The variance of £5.9m can be explained by a number of factors that are detailed in the report (Paragraph 4).

Net re-profiling of £6.0m 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 2013/16 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 2012/13 as set out in paragraph 15 and Appendix C.

Contact person for access to background papers and further information:

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Background Papers - None

Capital Expenditure 2012/13

1. The original budget for 2012/13 was approved at £61.8m in February 2012. 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 £2m and new grant awards giving a projected budget of £63.9m as referred to in section 4.
2. Capital expenditure of £58.0m was incurred in 2012/13 on a number of key capital projects. Some of the main highlights included:
 - **School Improvements - £18.3m:-**
 - St.Ambrose College : Rebuild - £7.0m
 - Primary Capital Programme - £5.2m
 - Improvements via Devolved Formula Capital - £0.7m
 - Stretford High School – Sports Facilities - £2.1m
 - Capital Maintenance Grant works - £3.3m
 - **Major building works on Public & Operational Buildings - £17.7m** (incl long term accommodation)
 - **Regeneration Projects - £10.0m** (Incl LCCC redevelopment)
 - **Highway Related Improvements - £4.7m**
 - **Adult Social Services - £2.8m** (incl Disabled Facility Grants and specialist housing)
 - **Local Authority Mortgage Scheme - £2.0m**
 - **Sport, Recreation & Culture - £1.3m**
 - **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:-

Financing of Capital Expenditure 2012/13	Projected £m	Actual £m
Internal Resources		
Capital Receipts	15.0	13.8
LSVT VAT Receipts	2.0	2.0
Specific Reserves	1.8	0.3
Borrowing	21.3	19.8
Sub-Total	40.1	35.9
External Resources		
Grants & Contributions	23.8	22.1
Total	63.9	58.0

- Sufficient capital resources will be available to cover all the expenditure re-profiled from 2012/13 to later years. The actual use of capital receipts is lower than projected due to some rephasing of expenditure on specific schemes and receipts will be carried forward on the balance sheet. 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 £20,000 in 2013/14 compared to the MTFP estimate.

Explanation of major variances

- The Executive approved a projected budget of £63.9m as at quarter 3. Each year capital expenditure is reviewed to ensure it meets the statutory definition of such expenditure. This review identified some small items that should be charged to revenue with an appropriate adjustment from capital reserves. These were mainly on decant/recant related costs associated with the Long Term Accommodation scheme. Overall this has no adverse impact of Council budgets.

Actual Capital Expenditure compared to Revised Budget 2012/13	£m
Q3 Projected Budget	63.9
Adjustment for revenue expenditure	(0.3)
Revised 2012/13 Budget	63.6
Actual	58.0
Variance	(5.6)

- The level of capital expenditure equated to 91% 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 95%.
- 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.

Actual Capital Expenditure 2012/13	£m
Variance	(5.6)
Explained By:-	
Re-profiling to future years (Appendix B, pages 8-9)	(9.6)
Acceleration (Appendix B, page 9)	3.6
Additional Expenditure (Appendix B, page 10)	0.7
Savings (Appendix B, page 10)	(0.3)
Total	(5.6)

7. A number of schemes required re-profiling to 2013/14 and later years and in a number of cases management action was taken to accelerate expenditure on other priority projects. Specific explanations are provided in the service analyses in Paragraphs 10 – 14.
8. Total additional expenditure of £721k has been incurred of which £529k relates to highway works on residential and commercial developments undertaken by the Council and funded by the developers. Savings total £288k, but £65k of these were supported by specific reserves. The remaining savings exceed the additional expenditure by £31k.
9. There is no material change to the overall resourcing position for the Capital Programme which was reported to the Executive in February.

Explanation of Service Area performance and variances

Children and Young People

10. Expenditure of £18.3m has been incurred which represents 98% of the budget. The result of this is net re-profiling of £0.4m to 2013/14 and later years. Further details of these variations are shown in Appendix B.

Communities and Wellbeing

11. Expenditure of £2.8m has been incurred which represents 74% of the £3.8m budget. The variance relates primarily to:
 - Social Care – Replacement ICT System: £1.1m re-profiled to 2013/14 due to links with other major ICT projects and changes from the original scope of the scheme.
 - Disabled Facilities Grants: Pressure on this budget continues to grow as the number of grant awards has increased and new procurement framework has reduced the time in which grants are completed. As a result £261k will be adjusted from the 2013/14 allocation. A number of measures have been undertaken to control the cost of mandatory DFG's including a new procurement framework which reduced the average cost per award and further measures continue to be assessed.

Economic Growth and Prosperity

12. Expenditure of £30.7m has been incurred which represents 93% of budget. The variance of £2.0m relates to a number of schemes with the major variances being:-
 - Lancashire County Cricket Club (LCCC) Development: Variance of £1.3m has been re-phased to 2013/14 due to the value of drawdown claims from LCCC being less than originally advised. The programme and completion date are still within the required timeframe for delivering the project on target in 2013.

- Altair Development, Altrincham – Variance of £0.6m due to ongoing land assembly issues has resulted in re-phasing to later years.

Environment, Transport and Operations

13. Expenditure of £5.6m which represents 86% of budget. Across the Service there were a number of variations resulting in net re-profiling of £1.4m with £1.1m of this relating to highways schemes. Further details of these variations are shown in Appendix B.

Transformation and Resources

14. Expenditure of £0.5m has been incurred which equates to 28% of the budget. The variance of £1.3m relates to the re-phasing of budgets across the service area including:-
 - HR/Payroll System (SWiTch) – The scheme is now complete and a saving of £0.4m has been made. It is intended to utilise this saving to support the CRM system upgrade project in 2013/14, if required.
 - ICT Projects – Variance £0.6m - net rephasing across a number of projects including EDRMS, CRM and Agile Working projects, due to delaying the start of schemes in light of the relocation of the ICT Service from Friars Court to the new Town Hall facility.

Prudential Indicators

15. 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 2012, and updated in February 2013. No indicators were breached in 2012/13.

Conclusions & Recommendations

16. The report has identified the impact of the capital expenditure outturn in 2012/13. The Executive is requested to:-
 - Note this summary report
 - Approve the changes to the 2013/16 Programme
 - Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4
 - Approve the actual prudential indicators for 2012/13 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 2012/13.
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 2012/13 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2012/13 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 ...MJ.....

CORPORATE DIRECTOR'S SIGNATURE

APPENDIX A

CAPITAL OUTTURN 2012/13

The Council spent £58.0m 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 savings.

Service Area	Updated Budget 2012/13 £'000	Outturn 2012/13 £'000	Variance £'000	← Variance Explained By →			
				Re- Profiling £'000	Accel. £'000	Add'n Expend £'000	Saving £'000
Children & Young People	18,770	18,332	(438)	(2,482)	2,040	4	
Communities & Wellbeing	3,801	2,796	(1,005)	(1,272)	261	8	(2)
Economic Growth & Prosperity	32,682	30,709	(1,973)	(2,920)	822	125	
Environment , Transport & Operations	6,532	5,613	(919)	(1,788)	432	584	(147)
Transformation and Resources	1,786	506	(1,280)	(1,141)			(139)
Total	63,571	57,956	(5,615)	(9,603)	3,555	721	(288)

APPENDIX B

Explanation of Major Variances

Re-Profiling £9.6m	£000	Explanation
CYPS		
Devolved Formula Capital	729	Each school allocated annual budgets to be spent within 3 years as they require. LEA has no control over when budgets are spent.
Primary Capital Programme	476	A number of minor re-profilings to cover retentions of completed schemes providing additional primary school places.
Schools Access Initiatives	298	Budget to provide specific access facilities for pupils – No schemes required in year.
Schools Maintenance Schemes	273	Works at Cherry Manor PRU delayed due to review of PRU provision and budget for Health & Safety works not required in year.
St.Ambrose College	211	Scheme complete – re-profiling required for retentions payable in 2013/14
Aiming Higher – Short Breaks Grant	124	Grant to provide short breaks for severely disabled children through access to equipment, adaptations & facilities. The award only received in October 2012. Grant use deadline is August 2013.
CYPS – ICT Developments	110	Linked to the replacement ICT Social Care system which is to be introduced in the next financial year (see below)
C&W		
Social Care – Replacement ICT System	1,097	Re-profiled to 2013/14 to due to a re-assessment of the system specifications to ensure it is integrated with CYPS & Health services.
Establishments – development projects	146	Works at Ascot House, Meadowside and in conjunction with Trafford Provider Services have been delayed due to requirement to re-assess the work to be undertaken.
EG&P		
Lancashire CCC - Development	1,332	Scheme undertaken by LCCC - drawdown claims were less than originally advised.
Altair Development, Altrincham	615	Negotiations in respect of CPO costs & site purchases have delayed completion.
Mechanical & Electrical Works	142	A number of schemes planned for 2012/13 required reprogramming due to changes in service requirements.
Public Building Repairs	352	A number of schemes planned for 2012/13 required reprogramming due to changes in service requirements.
Bringing Town Centres Alive	148	£150k budget includes £100k High Street Innovation Fund Grant. Budgets allocated to each town centre and re-profiled until public realm strategies are complete.

Affordable Housing – Roseneath Rd, Urmston	108	Original development no longer proceeding. This scheme supported by S.106 and work is being undertaken to identify a new scheme in 2013/14 in conjunction with a registered social landlord
ET&O		
Altrincham Interchange	500	Contribution not yet claimed by TfGM.
Integrated Transport Schemes	337	Includes Congestion Performance, Better Bus and Bridgewater Way projects.
Pay & Display Equipment	161	Scheme to be undertaken following the completion of the enforcement review.
Public Realm Improvements	333	Town Centre studies & public consultation still ongoing.
Housing CPO & Empty Property Initiatives Grants	183	This year it has not been possible to conclude agreements with property owners to fund suitable empty property projects. Projects are in the pipeline to be committed in 13/14 to assist in delivering the empty property strategy.
T&R		
Electronic Data Records System (EDRMS)	270	Start delayed whilst review of potential alternative options was undertaken.
HR Payroll – SwiTch	413	Saving on scheme earmarked for use towards CRM upgrade project
Other ICT Projects	332	Schemes to proceed once ICT service has relocated to new Town Hall facility

Acceleration £3.6m	£000	Explanation
CYPS		
Worthington Primary School	1,019	Project to rebuild the school has progressed far better than anticipated.
Kings Road Primary School	380	Project to provide additional places has progressed far better than anticipated.
Schools Capital Maintenance Works	530	Projects originally phased to complete in 2013/14 were completed ahead of schedule in time for the new school year in September.
C&W		
Disabled Facilities Grants	261	Continuing pressure has resulted in additional grant payments of £261k.
EG&P		
Long Term Accommodation	597	Scheme completed on time and within budget
Housing Growth Points	105	Reflects efforts to bring surplus sites to market faster.
ET&O		
Various Highways schemes	374	A number of projects including a major junction improvement project in Carrington have been delivered faster than anticipated.
Food Waste Collection Equipment	32	Reflects the purchase of containers for the new food waste scheme.

Additional Expenditure £0.7m	£000	Explanation
EG&P		
Wharfside Promenade	84	Additional expenditure has been incurred caused by an expansion of the scope of the original scheme such that other complementary works could be undertaken (£44k) and as a result of changes in access arrangements (£69k). The final scheme cost of £313k exceeded budget by £113k, of which £29k was financed from developer contributions in 2011/12.
ET&O		
Section 278 agreements	529	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.

Savings £0.3m	£000	Explanation
ET&O		
Crematorium – EPA emission abatement	56	Scheme completed under budget.
T&R		
Coroners Accommodation	98	Trafford contribution no longer required.
ICT Projects	41	3 schemes completed for less than budget.

APPENDIX C

Prudential Indicators – Actual 2012/13

The figures below show the Council's actual prudential indicators for 2012/13 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2011/12 Actual £'000	2012/13 Original Estimate £'000	2012/13 Revised Estimate £'000	2012/13 Actual £'000
Total Expenditure	54,790	61,821	63,571	57,956

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/12 Actual £'000	31/3/13 Original Estimate £'000	31/3/13 Revised Estimate £'000	31/3/13 Actual £'000
General Fund	132,337	149,408	149,258	147,595

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	2011/12 Actual %	2012/13 Original Estimate %	2012/13 Revised Estimate %	2012/13 Actual %
General Fund	6.1	6.7	6.2	6.1

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

Indicator 4: Incremental impact on Band D council tax and housing rents	2011/12 Actual £	2012/13 Original Estimate £	2012/13 Revised Estimate £	2012/13 Actual £
Council Tax – Band D	1.19	9.60	5.25	4.79

The actual position for 2012/13 reflects the treasury management decisions taken to defer borrowing until suitable market condition exist.