

**Manchester City Council
Report for Resolution**

Report To: Executive – 30 June 2010
Subject: Capital Expenditure Outturn 2009-10
Report of: The City Treasurer

Summary

This report informs members of:

1. The outturn of capital expenditure and financing for 2009-10.
2. The major variations between outturn 2009-10 and the previous forecast in February 2010.
3. The required formal determinations the Executive is asked to make.

Recommendations

The Executive is requested to:

- Note the capital outturn of all programmed expenditure (including Voluntary Aided Schools) in 2009-10 was £ 335.7m
 - Note the explanations of the major variations between final outturn and the figures previously reported to Executive within the capital monitoring report 2009-10 in February 2010
 - Note the decisions of the City Treasurer regarding the funding of capital expenditure in 2009/10
 - Note that the figures in the final accounts will be different (£11.9m) due to the exclusion of expenditure relating to Voluntary Aided Schools
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Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

Reaching full potential in education and employment	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
Individual and collective self esteem – mutual respect	The capital programme includes investment in adult and children’s social care, education, housing and the environment, cultural and leisure services, all of which contribute towards this community strategy.
Neighbourhoods of Choice	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All revenue effects of the capital budget have already been included in the revenue budget.

Financial Consequences – Capital

The changes to the expenditure and funding profiles between the last monitoring information reported to the Executive (10 February 2010) and this outturn report will have effects on the capital programme 2010-11. These changes will be covered in the first 2010-11 capital monitoring report to the Executive in July. The final year end spending profiles have been managed so as to ensure that all related capital resources are still available to the City Council and therefore the capital funding implications are expected to be neutral.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the officers above.

Report to The Executive 11 February 2009 (Budget 2009-10 – 2011-12)
Report to The Executive 10 September 2009 (Housing Capital Programme 2009-12)
Report to The Executive 10 February 2010 (Capital Programme Monitoring 2009-10)

1.0 Introduction

- 1.1 The purpose of the report is to present the Capital Outturn 2009-10 to the Executive with details of funding sources and explanations of major variations since the previously reported figures in February 2010.
- 1.2 The 2009-10 Outturn is £335.7m equating to 96% delivery against the forecast Capital Programme of £349.5m reported in February 2010.

2.0 2009-10 Capital Outturn and explanation of movement from the February Forecast position

- 2.1 An analysis, by department, of the variance between the February forecast and the final Outturn is outlined in the table below. A more in depth table showing a breakdown of the variances is shown in appendix 1.

	Budget 2009-10 £'000	Feb-10 Forecast £'000	Outturn 2009-10 £'000	Movement (OT v Fcst) +/- £'000
Housing	102,823	95,243	97,862	2,619
Children's Services	201,318	144,012	137,189	-6,823
Directorate for Adults	7,261	2,170	1,223	-947
Transport	23,681	22,827	21,614	-1,213
Corporate Services	52,272	50,674	42,252	-8,422
Chief Executive's	20,358	24,217	28,255	4,038
Galleries	252	242	156	-86
Libraries	4,980	4,971	4,552	-419
Leisure	844	1,216	792	-424
E&O	5,105	3,631	1,582	-2,049
HATS	0	265	243	-22
Total	418,894	349,468	335,720	-13,748

- 2.2 There is a reduction in spend of £13.7m. The variation between the February forecast position and the Outturn is summarised below and shown in greater detail in appendix 1.

- Additional approvals: £2,757k (+)
- Increases (Other): £496 (+)
- Reductions (Other): £246k (-)
- Unapproved Additions: £1,882 (+)
- Transfer of New Growth Point Grant: £410k (+)
- Items falling out of the capital programme: £2,127k (-)
- Net slippage to 2010/11: £30,231k (-)
- Expenditure accelerated from 2010-11: £13,311k (+)

The movement in the final quarter of the financial year has meant that the forecast spend as of February 2010 was £13.7m greater than the final Outturn. The reasons for this are best analysed by looking at the individual departmental variances and the explanations for them.

- 2.3 The Housing department's Outturn increased by £2.6m from their February forecast. This was due to an additional budget approval of £932k, unapproved addition £159k and accelerated expenditure totalling £2.5m, netted off by slippage of £1m. The remaining £52k is the balance of small items made up of increased costs, reduced costs and unapproved additions.
- 2.3.1 The approved budget increase of £930k was for the West Gorton scheme. Strategic acquisitions were funded from additional HCA funding received in March 2010. The unapproved budget increase of £159k relates to right to buy costs.
- 2.3.2 The expenditure acceleration of £2.5m was, in the main, due to £1.2m acceleration on Toxteth Street due to a greater number of residents coming forward earlier to claim compensation than anticipated in 2009-10. In addition a £830k acceleration on Miles Platting PFI due to the acquisition of sites which were not anticipated to complete until 2010-11.
- 2.3.3 The slippage amount for Housing is £1m consisting of slippage on various schemes but in the main due to slippage on the Manchester-Move project of £570k. This was due to delays finalising the specification for the project and a delayed tendering process; the project is now anticipated to complete in 2010-11. Further slippage of £220k was due to boiler replacements not being required until 2010/11 for the Heating and Insulation Improvement Works programme.
- 2.4 Children's Services Outturn reduced from the forecast in February by £6.8m. There was slippage of £12.8m which was netted off by accelerated expenditure totalling £6m.
- 2.4.1 The net slippage of £6.8m is due to programme slippage for Building Schools for the Future (BSF) Academies on curtain walling and sports pitches. The Creative and Media Academy was delayed due to a Village Green application being lodged by local residents on the proposed site and as a consequence the project slipped by £9.8m in 2009/10. Other Education slippage of over £1.1m was due to delayed refurbishment schemes including improvements to school kitchens and dining rooms. Delays were due to the time taken to finalise design and get projects approved by the Children's Services Capital Investment Board. The expenditure acceleration of £6m was due to the acceleration of design work for phase 2 of the BSF programme.
- 2.5 The Directorate for Adults Outturn decreased by £947k from the February forecast. There was slippage of £100k on both the Asbestos Removal Programme and the Demolition of ex-Residential Care Homes. The Whitebeck Court Extra Care Scheme slipped almost £700k; the delay was caused by removing asbestos.
- 2.6 The Transport Outturn reduced by £1.2m. There was slippage of £2.4m but this was netted off by unapproved additions totalling £1m and accelerated expenditure of £200k.

- 2.6.1 The expenditure acceleration of £200k was due to £170k on Strategic Road and Footway Maintenance and the remainder on the City Centre Signage Programme.
- 2.6.2 There was slippage of £1.4m for integrated transport measures (minor works) due to the high costs associated with local safety and congestion reduction schemes. This has had a knock-on effect of stopping progress on schemes, which in turn has meant inefficiencies in identifying and commencing design for alternative schemes.
- 2.6.3 The remaining slippage of around £1m is due to various schemes that have slipped individually by less than £200k. They are: Bridges Assessment and Strengthening; SEMMMS; Pavements Repairs Rolling Programme; Road Safety for Older People; and the Openshaw District Centre.
- 2.6.4 The unapproved additions of £1m are due in the main to £400k for Safer Routes to Schools and £450k for Section 278 schemes. The former is fully funded by grant which has been received, however, the WNF programme is administered by Regeneration and when they applied for Gateway approval the element for Transport was excluded. The £450k for Section 278 schemes stems from projects initiated prior to the decision to bring S278 into the Gateway process.
- 2.7 Corporate Services Outturn reduced by £8.4m from the February forecast. This was due to items falling out the Capital Programme of £1.8m, slippage of £9m and net transfers to the Chief Executive's department of £615k. There were approved budget increases of £1.2m and accelerated expenditure of £1.8m.
- 2.7.1 A strategic acquisition did not go ahead resulting in £1.8m falling out of the Capital Programme. The Property department have confirmed that negotiations failed and no carry forward is recommended.
- 2.7.2 The slippage of £9m is mainly due to slippage of £1.5m on SAP upgrade because of delays in web integration and e-recruitment as significant work is required to produce AGMA joint working solution; slippage of £4m for the Town Hall Complex due to delays in completion of leases for decant and subsequent delays in decant works; there was also £3.3m slippage in Asset Management Programme works.
- 2.7.3 The approved budget increases were due to a contribution of £516k for the Asset Disposal Programme at Longley Lane as part of the agreement with the Greater Manchester Waste Disposal Authority; and £660k for the acquisition of Trafford MBC interest in Manchester Central.
- 2.7.4 The expenditure acceleration of £1.8m was for an additional loan drawdown on Manchester Central.
- 2.8 The Chief Executive's Outturn increased by £4m from the February forecast. There was a £460k budget increase, unapproved additions of £570k,

accelerated expenditure of £2.8m and net transfers of £1.1m. The increases were reduced by slippage of £852k and £134k falling out the capital programme.

- 2.8.1 The budget increase of £460k was for Live Sites Screen – Exchange Square. The unapproved additions were, in the main, for various New East Manchester schemes.
- 2.8.2 The expenditure acceleration of £2.8m includes £770k from the Directorate of Transformation for the purchasing of IT hardware for the relocation of the Data Centre from the Town Hall. There was acceleration of £771k for the Digital Media Centre after confirmation of additional external funding meant later phases of the project were brought forward. Over £430k was accelerated for the Cheetham District Centre, previous forecasts had suggested a slip into 2010-11 but following agreement of compensation the acquisition went ahead in 2009-10. The remaining acceleration was due to reversal of variance 5 forecast slippage on Sportcity.
- 2.8.3 There was a transfer of the New Growth Points Grant for £410k. We received the full allocation and then transferred a share to other authorities.
- 2.8.4 The slippage of £850k to 2010-11 is due to slippage of £500k on First Street Public Realm due to delays in works caused by weather conditions and slippage of £300k on the Maine Road Redevelopment. The Boundary Treatments scheme has £45k left to spend and will complete in 2010-11, the remaining budget is to be used if required to complete the Maine Road scheme.
- 2.9 The Libraries Outturn was affected by slippage of £419k, the biggest share being due to a delay in specialist Library furniture for Longsight Library Refurbishment.
- 2.10 The Leisure Outturn reduced by £424k. This was due to slippage consisting of small items individually contributing less than £100k each.
- 2.11 The Environment and Operations Outturn reduced by £2m due to slippage. There was slippage of £600k on the Waste Management Project only recently formally approved at Gateway 5 and £1.4m slippage on waste and recycling improvements due to a change in project officer.

Funding source for the final Capital Outturn

Financed by.....							
	Outturn as at 31 March 2010	Borrowing	Grants	Contributions	RCCO	Capital Receipts	Total Capital Financing	%
Housing	97,862	21,979	75,820	63	0	0	97,862	29%
Children's Services	125,278	55,246	71,306	433	72	0	127,057	38%
Directorate for Adults	1,223	1,348	1,848	-75	0	0	3,121	1%
Transport	21,614	11,190	8,641	1,784	0	0	21,615	6%
Corporate Services	42,252	34,145	336	-4	0	0	34,477	10%
Chief Executive's	28,255	10,837	14,017	2,733	668	0	28,255	8%
Galleries	156	1,258	0	0	0	0	1,258	0%
Libraries	4,552	3,378	2,227	0	0	0	5,605	2%
Leisure	792	1,322	0	604	0	0	1,926	1%
E&O	1,582	1,598	383	0	0	0	1,981	1%
HATS	243	652	0	0	0	0	652	0%
Sub-Total	323,809	142,953	174,578	5,538	740	0	323,809	96%
Voluntary Aided Schools	11,911	0	11,911	0	0	0	11,911	4%
Total	335,720	142,953	186,489	5,538	740	0	335,720	100%
%		43%	56%	2%	0%	0%	100%	

3.0 The City Council receives revenue funding support from government towards an approved level of borrowing. This is known as Supported Capital Expenditure (Revenue) – SCER.

In 2009-10 the City Council received allocations of SCERs totalling £33.5m and brought forward unused SCERs of £61.5m, making a combined total of £95m SCERs available.

In 2009-10 £62m was used to fund the Capital Programme and £33m was carried forward to future years and ring fenced for the BSF programme.

3.1 Unsupported borrowing has been approved for a number of projects in 2009-10. The total unsupported borrowing in 2009-10 was £81m. Therefore total borrowing (SCER and unsupported borrowing combined) was £143m, as shown in the table above, accounting for 43% of Capital Programme funding.

3.2 Contributions totalling £5.5m were used to fund the 2009-10 Capital Programme; there were no contributions carried forward into 2010-11.

3.3 The Revenue Contribution to Capital Outlay (RCCO) was £740k.

3.4 Throughout 2009-10 care was taken to ensure that best value was achieved from the capital disposal programme. Some sales of land have been deliberately delayed until market conditions recover because the valuation fell below acceptable levels. This has had an impact on the amount of usable

capital receipts and the decision has been taken to use other funding streams in 2009-10 to finance the capital programme. As a result £14.7m of capital receipts have been carried forward, £7.8m brought forward receipts from previous years and £6.9m receipts generated from in year disposals.

4.0 Other funding decisions

4.1 There are elements of capital expenditure within the capital programme where the City Council has acted in the capacity of agent for Voluntary Aided Schools, and as a consequence this expenditure must be excluded from the final accounts. The Voluntary Aided Schools total is £11.9m in 2009-10, therefore Capital expenditure 2009-10 (excluding Voluntary Aided Schools) is £323.8m, of which £41.5m is HRA related and £282.3m is non HRA.

4.2 The Executive is asked to note the following decisions made by the City Treasurer regarding the funding of the capital expenditure incurred in 2009-10:

4.2.1 Expenditure of £192m for capital purposes, which is to be reimbursed by another person, has been capitalised – (£186.5m grant and £5.5m external contributions).

4.2.2 Supported borrowing has been used as authorisation either to capitalise expenditure or to enter into or vary a credit arrangement - £95m.

4.2.3 An amount not less than the minimum revenue provision has been set aside from the revenue account as a provision for credit liabilities - £23.1m.

5.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The capital programme will deliver a number of projects that will offer permanent jobs. In addition it is likely to create temporary employment opportunities within the construction industry for the duration of contract work.

(b) Neighbourhoods of Choice

Many projects in the capital programme are concerned with creating a healthy and safe environment for users of Council facilities and employees. Investment in energy conservation and improvement to the highway network help to improve the environment.

6.0 Key Polices and Considerations

(a) Equal Opportunities

By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

As a consequence of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. This review has commenced and is ongoing.

Richard Paver

City Treasurer

Appendix 1

Breakdown of changes to departmental Outturn of capital expenditure 2009-10 compared to previous forecast

	Housing	Children's Services	Adult Social Care	Local Transport Plan	Corporate Services	Chief Executive's	Galleries	Libraries	Leisure	E&O	HATS	Total Non Housing	Total all Blocks
Forecast Expenditure:	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Previous Forecast Spend	95,243	144,012	2,170	22,827	50,674	24,217	242	4,971	1,216	3,631	265	254,225	349,468
Outturn Spend	97,862	137,189	1,223	21,614	42,252	28,255	156	4,552	792	1,582	243	237,858	335,720
Variation	2,619	-6,823	-947	-1,213	-8,422	4,038	-86	-419	-424	-2,049	-22	-16,367	-13,748
Analysis of Variation													
Approved budget increases	932	0		99	1,176	460				90		1,825	2,757
Increased Costs	280	0		37		89			50	16	24	216	496
Reduced Costs	-228	0			-10					-8		-18	-246
Unapproved Additions	159	123		1,024	6	570						1,723	1,882
Transfers		0		-93	-615	1,118						410	410
Falling out Programme		0	-63	-35	-1,800	-134			-95			-2,127	-2,127
Transfers to 2010-11	-1,012	-12,944	-884	-2,458	-8,988	-852	-86	-419	-395	-2,147	-46	-29,219	-30,231
Accelerated from 2010-11	2,488	5,998		213	1,809	2,787			16			10,823	13,311
Total	2,619	-6,823	-947	-1,213	-8,422	4,038	-86	-419	-424	-2,049	-22	-16,367	-13,748