

**Report title: Capital outturn 2012/13**

**Wards affected:** Citywide

**Strategic Director:** Angie Ridgewell

**Report Author:** Peter Robinson

**RECOMMENDATION for the Mayor's approval:**

1. That the capital financing arrangements for 2012/13 are endorsed.
2. That the outturn for 2012/13 capital spending is noted.

**£96m** was invested through the capital programme during 2012/13. The major schemes were:

£24m was invested in school buildings to provide additional primary places to meet increased demand up to September 2013.

£16m was invested in transport schemes including 'Metrobus' (BRT), Traffic Management & Infrastructure, and the Greater Bristol Bus Network

£28m was invested in housing stock of which £25m was in Council properties.

£28m was invested in other schemes.

3. Improved management arrangements put in place are noted

**Key background / detail:**

a. Purpose of report: The report presents 2012/13 Capital outturn spending and method of financing the capital expenditure.

b. Key details:

1. **£96m** was invested through the capital programme during 2012/13
2. The slippage from the original budget was £69m. The slippage from the January forecast was £34m.
3. The report provides explanations for the slippage and outlines management action being taken in 2013/14.

**BRISTOL CITY COUNCIL  
CABINET  
27 June 2013**

**REPORT TITLE:** Capital Outturn 2012/13

**Ward(s) affected by this report:** Citywide

**Strategic Director:** Angie Ridgwell

**Report author:** Peter Robinson - Service Director - Finance

**Contact telephone no. & e-mail address:** Geraldine Mead - 0117 9037760  
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**Report signed off by Executive member:** Cllr Geoffrey Gollop

**Purpose of the report:**

The report presents 2012/13 Capital outturn spending and method of financing the capital expenditure.

**RECOMMENDATION for Mayor:**

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## Capital spending in 2012/13

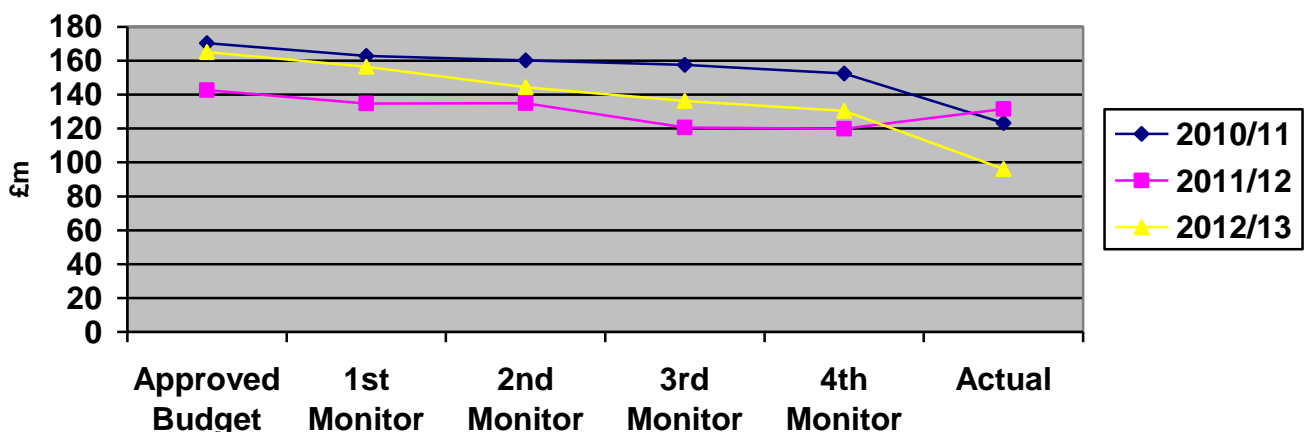
4. Capital expenditure against the Council's approved Capital Programme in 2012/13 was £96m from an initial allocation of £165m. This represents 42% slippage in the Programme against the approved budget. Table 1 shows how the forecast changed during 2012/13 and identifies slippage throughout the year against the revised forecast. The largest increase in slippage occurred between the 4<sup>th</sup> Monitor Report of January 2013 and the final position at the end of March. Explanations are provided in Paragraph 8.

**Table 1**

	Approved Budget February 2012 £m	1 <sup>st</sup> Monitor July 2012 £m	2 <sup>nd</sup> Monitor September 2012 £m	3 <sup>rd</sup> Monitor December 2012 £m	4 <sup>th</sup> Monitor January 2013 £m	Actual March 2013 £m
<b>Forecast Expenditure</b>	165.2	156.4	144.4	136.3	130.4	96.2
<b>Slippage from: Approved budget</b>		(8.8)	(20.8)	(28.9)	(34.8)	(69.0)
<b>Change from previous forecast</b>		(8.8)	(12.0)	(8.1)	(5.9)	(34.2)
<b>% slippage from approved budget</b>		5.3%	12.6%	17.5%	21.1%	41.2%

5. The graph below shows that forecast outturn has been consistently below the Approved Budget for the last three years. This issue is addressed later in the report through proposed management actions.

**Forecast Expenditure 2010/11 - 2012/13**



6. The outturn by Department compared to the most recent forecast for the year is summarised in Table 2.

**Table 2 Departmental outturn compared to most recent forecast**

	2012/13			Variation	
	Budget £m	January forecast £m	Actual £m	From Budget £m	From Forecast £m
Children & Young People	64.6	38.1	29.3	(35.3)	(8.8)
City Development & Neighbourhoods	53.1	50.1	32.7	(20.4)	(17.4)
NHS – HRA	42.1	31.6	27.6	(14.5)	(4.0)
Health & Social Care	3.8	2.8	0.2	(3.6)	(2.6)
Corporate	1.6	7.8	6.4	4.8	(1.4)
Total Capital Programme	<b>165.2</b>	<b>130.4</b>	<b>96.2</b>	<b>(69.0)</b>	<b>(34.2)</b>
Local Authority Mortgage Scheme*			<b>1.0</b>		
	<b>165.2</b>	<b>130.4</b>	<b>97.2</b>		

\*The Local Authority Mortgage Scheme was set up to assist first time homebuyers in the Bristol area as per Cabinet December 2011.

7. The reasons for the difference between the Budget (£165.2m) and the forecast in January 2013 (£130.4m) have been reported as part of the normal budget monitoring process. The main reasons for the slippage are:

- Extended contract/procurement/tender process for delivery of schemes.
- Additional time taken identifying/securing sites to progress schemes
- The cumulative impact of delays in securing planning consent. For example, the expansion of St Anne's Infant School at Wicklea has been delayed because of the need to find alternative locations for local community groups and potential Town/Village Green challenges.
- Negotiations with schools about the timing of proposed work, in particular where academy conversions have resulted in a change of management at the school. For example, Begbrook School becoming part of the Cabot Learning Federation.
- Schools going into special measures being required to focus on raising standards.
- Construction works delayed due to negotiations with schools over the work content and phasing. For example, Cabot Primary School.

8. A schedule of the major variances between the January forecast and the actual expenditure is shown in Appendix B. Table 3 summarises the significant variances.

**Table 3 Major Variations between January Forecast and Actual**

	£m	Explanation
<b>CYPS</b>		
May Park Primary	4.0	Delay in signing the contract because the scheme was over budget necessitating a value engineering exercise to bring the scheme back on budget
Cabot	1.5	Construction works delayed due to negotiations with school over the work content and phasing
<b>City Development/ Neighbourhoods</b>		
Avonmouth Wind Turbines	6.0	Delay in procurement process with selected bidder regarding contract terms.
Council Housing Solar Panels	1.9	Delay until the Elena scheme is progressed.
Bristol North Pool / Bishopston Library	1.3	Delay in procurement process to allow the developer to resolve taxation implications of the contract
Biomass Boilers	1.0	Delay of scheme to resolve technical problems encountered on initial installations
Greater Bristol Bus Network	1.5	The Real Time Passenger Information commissioning (regional scheme) originally met by the Bristol City Council and recharged individual authorities. Cost of scheme actually borne by each authority
Structural Maintenance Programme	1.0	This comprises a number of schemes including delay of works on B Bond owing to need for agreement with English Heritage and delay on rewire of Central Library pending receipt of additional funds.
<b>Corporate Services</b>		
New Financial System	1.2	System implemented as planned but delay in system sign-off and costs charged to revenue.

9. In 2012/13 CYPS had 54% slippage against the Approved Budget.

- In December 2012 considerable work was undertaken with the Council's main delivery partners to re profile expenditure and milestone payments. This does not have the effect of reducing individual scheme costs but the effect has been to move expenditure into 2013/14 and subsequent years. The total value of these changes equated to approximately **£23m**.
- Provision was made across a number of individual projects for land/site purchases. In a number of cases the timing of the payments will fall in the 2013/14 financial year not 2012/13 as originally anticipated. In addition, some land purchases originally envisaged did not progress as alternative solutions were subsequently identified. The total value of these changes equated to approximately **£7.7m**.
- The total slippage on other schemes amounted to **£4.6m**.
- Slippage in the CYPS programme has not compromised delivery of school places. Sufficient school places have been provided to meet the statutory obligations for September 2013.

10. Where capital schemes have extended the duration of their timeframe, these have not adversely affected service provision and in all cases the Council is not at any risk of losing external funding. The majority of spending has been slipped into the 2013/14 financial year.

### **Financing the capital spend**

11. The Capital spending in 2012/13 has been financed as follows

	£m
Prudential Borrowing	8.7
Grants	42.5
Major Repairs Reserve (HRA)	24.9
Capital Receipts	8.6
Revenue & other contributions	12.5
<b>TOTAL</b>	<b>97.2</b>

12. This approach fully utilises relevant capital grants and capital receipts, with revenue contributions and Prudential Borrowing providing the balance of the funding requirements. Planned use of other revenue monies has been carried forward to fund the slippage in future years therefore allowing maximum flexibility in financing commitments in those years.

13. Capital expenditure commitments in 2013/14 and beyond are covered by committed and expected external finance in the capital fund and expectations from other internal sources including capital receipts.

## **Financial Management**

14. The Council's Financial Regulations require regular reviews of the progress of projects included in the Capital Programme. The programme also needs to be amended in the course of the year to reflect new allocations, approvals and changes to the phasing of expenditure.
15. The actual expenditure represents 58% of the original budget giving slippage of 42%, 21% since the January forecast. This represents a significant difference to previous years.
16. During 2012/13 consideration had been given to the creation of a Strategic Investment Board to have oversight of the overall capital programme and a Capital Challenge Panel to undertake a regular peer review of expenditure and slippage against the programme. Strategic Directors have been advised of the need to implement both of the above in 2013/14.
17. Strategic Directors are accountable for delivery against the capital programme. Responsible officers have been informed of the need to more accurately project and monitor the cash flow implications of the spending on their schemes. As part of the capital monitoring procedure for 2013/14 officers will be required to forecast their capital spending on a monthly basis over the full duration of the scheme. This will highlight variances between plan and actual spending patterns earlier and allow corrective actions to be instigated. The new finance system (ABW – Agresso Business World) will provide better, timely information direct to responsible officers to enable monitoring and forecasting. The role of the Finance Business Partner will provide challenge and support as a 'Critical Friend'.

### **Consultation and scrutiny input:**

#### **a. Internal consultation:**

The report is based on information provided by the Officers responsible for the financial management of the individual schemes within the Capital Programme.

#### **b. External consultation:**

There is no requirement to seek external views on this report.

### **Risk management / assessment:**

All capital projects have a set of risks associated with them and these are managed through the council's risk management procedures.

### **Public sector equality duties:**

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

### **Environmental checklist / eco impact assessment - attached**

This report does not require an environmental assessment to be undertaken.

## **Resource and legal implications:**

### ***Finance***

**Advice given by** Geraldine Mead – Finance Manager

**Date** 31/05/13

#### **a. Financial (revenue) implications:**

The revenue financing implication of the capital programme has been incorporated into the revenue outturn figures for 2012/13. Individual schemes operational costs arising from capital projects will be met from existing service operational budgets. Slippage on schemes was taken into account in setting the 2013/14 budget.

The Schools Forum has agreed to the creation of a central 'Growth Fund' from the Dedicated Schools Grant to provide in-year funding for planned new classes as permitted by the Schools and Early Years Finance (England) Regulations 2013. A methodology has been agreed for distribution of the Fund to ensure equity. The Fund includes start-up funding in the first year of expansion.

#### **b. Financial (capital) implications:**

Contained within this report

#### **c. Legal implications:**

**Advice given by** Shahzia Daya - For Head of Legal Services

**Date** 22/05/13

The Council is under a duty to manage its financial affairs prudently. It should also be noted that this report only deals with the allocation and management of finances and not to the projects and other matters they relate to.

#### **d. Land / property implications:**

**Advice given by** Jeremy Screen - Corporate Property Manager

**Date** 22/05/13

Investment in the property portfolio will enhance and maintain our stock to ensure sustainable application of the resource in delivering our services.

#### **e. Human resources implications:**

There is no human resource implications directly associated with this report.

## **Appendices:**

Appendix A Capital Programme - Schedule of Major investment in 2012/13

Appendix B Capital Programme – Schedule of Variations between Forecast (Jan) and Actual

**Access to information (background papers): None**



## Schedule of major investment in 2012/13

<b>Scheme</b>	<b>£m</b>
<b>Primary School Provision</b>	
• Air Balloon Hill Primary	4.4
• May Park Primary	3.3
• New Bishopston Primary	2.5
• Hannah More Primary	2.1
• Sea Mills Primary	2.0
• St John's Primary	1.7
• Millpond Primary	1.2
• Other Primary Schemes	6.8
<b>Transport Schemes</b>	
• Bus Rapid Transit Schemes	5.3
• Traffic Management & Infrastructure – incl. Road and Bridge maintenance & improvement works	8.8
• Greater Bristol Bus Network	1.5
<b>Other Schemes</b>	
• Energy – Carbon Reduction Schemes	2.5
• HRA – Investment in housing Stock	25.0
• Parks and Estates – enhancement of playgrounds & estate structural maintenance	2.5
• Strategic Housing investment – Private sector renewal, adaptations & affordable housing	3.2
• Junction 3 Library	1.1
• Financial System / Managed Desktop	4.9
• Other projects	17.4
<b>Total</b>	<b>96.2</b>

## Schedule of variance between Forecast (Jan) and outturn in 2012/13

## Appendix B

<u>Dept. &amp; Scheme</u>		<u>Reason</u>
	<b>£'000</b>	
<b><u>HSC</u></b>		
Investment in Mental Health Services	420	Westleigh Resource Centre expansion on hold during service model review.
Investment in Care Home Standards and Health and Safety	417	Investment in Care homes reduced as 5 EPH's closed ahead of plans. These monies are required for the Day Opportunities Transformation project.
IT Infrastructure	701	The replacement of financial systems delayed due to a delay in the procurement process.
Day Opportunities	220	Capital spend delay, primarily due to the removal asbestos delaying construction works at Bristol 600 site
Aids & Adaptations	190	Proposed works did not proceed owing to funding being identified from sources outside of the Department.
Other	652	Delay of schemes pending Service Review
<b>Total</b>	<b>2,600</b>	

<b><u>Corporate Services</u></b>		
New Financial System	1,200	We have delayed payment to our implementation partner based on until the system has been signed off as per the specification (£300k). Included within the scheme are "managing the financial change" costs, and as these are not directly attributable to the implementation and development of the new system these costs have been charged to revenue (£900k).
Other Schemes	200	
<b>Total</b>	<b>1,400</b>	

<b><u>CYPS</u></b>		
May Park	4,000	The original price exceeded the approved budget. A value engineering exercise was necessary in order to bring the scheme back to its approved budget. In addition to this, there was a delay in contract signature over contract conditions, and the scheme started late due to a high level of planning pre-commencement conditions.
Cabot	1,500	Construction works delayed due to negotiations with school over the work content and phasing
Begbrook	700	The scheme was delayed due to the academisation and subsequent change of management at the school
Other Schemes	2,600	The remainder schemes were delayed for a variety of reasons including- <ul style="list-style-type: none"> <li>• Agreeing the scheme with the school</li> <li>• Planning delays</li> <li>• Clarity around pupil numbers from the School Organisation Strategy</li> <li>• Unexpected discovery of mine shafts</li> <li>• Schools slipping into special measures following Ofsted inspections, resulting in school management team time given to raising standards as opposed to projects.</li> </ul>
<b>Total</b>	<b>8,800</b>	

## Schedule of variance between Forecast (Jan) and outturn in 2012/13

## Appendix B

<u>Dept. &amp; Scheme</u>	<u>£'000</u>	<u>Reason</u>
<b>Neighbourhoods - HRA</b>		
Planned Programmes	1,800	<p>Kitchens Programme £0.4m- Over 1,500 kitchens have been installed during 2012/13, catching up on the shortfall last year and more than the target annual number. In order to manage quality with the contractor the programme has been smoothed over a longer period to achieve the catch up with some falling into 2013/14. There is also a saving on the price per kitchen, with reduced compensation events (extras) and tighter management of costs with the contractor.</p> <p>Parkinsons and Woolaways Programme £0.7m - Both programmes have suffered from the impact of the very wet weather and then the length of the cold winter, particularly impacting on the wet coat finish applied to Parkinsons which requires the right weather conditions.</p> <p>Insulation works £0.2m were funded from grant receipts instead of using the budget allocation i.e. a saving not slippage.</p> <p>Air Source Heat pumps £0.4m - Installations were reduced in favour of a more cost effective gas heating install programme as funding came available for gas supply to blocks with electric heating. The target number of heating installations was achieved despite the underspend this year.</p>
Investment in Blocks	800	<p>Cladding Programme £0.6m – Slippage due to delays from aligning the project with the Elena scheme, and review of the procurement process for cladding of Brandon house as only 2 bids were higher than expected leading to a review of the scope of works, and further structural surveys. The weather also impacted on 2 schemes on site.</p> <p>Lifts £0.2m - Contracts were not put out to tender in time to start on site, work demands in the procurement team lead to a lack of resources to work on these tenders for Landlord Services. The work is now out to tender and will be done in 2013/14.</p>
Major & Minor Adaptations	500	Implementation of interdepartmental service review was completed in June 2012 with staff recruitment being completed by December 2012. These delays resulted in slippage in spend during 2012/13.
New Housing Provision	300	Delay in identifying the sites and the actual criteria to what landlord service is building to. This will now be a rolling programme of new build over the coming years.
Other Programmes	600	PRC demolition programme, which has incurred delays due to difficulties in rehousing the tenants prior to the demolition taking place which has in turn had a knock on effect on the demolition programme plus contractual issues with the development contractor. Impact of the Landlord Services Transformation programme whereby the former garage strategy has been replaced by the HRA land strategy, which is still being developed.
<b>Total</b>	<b>4,000</b>	
<b>City Development / Neighbourhoods</b>		
Avonmouth Wind Turbines	6,000	Delay in procurement process with selected bidder over contractual terms resolved by legal teams resulting in significant delay of the installation
Council Housing Solar Panels	1,900	Awaiting notification. Delay until the Elena scheme is progressed

## Schedule of variance between Forecast (Jan) and outturn in 2012/13

## Appendix B

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Greater Bristol Bus Network	1,500	The Real Time Passenger Information commissioning (regional scheme) originally met by the Bristol City Council and recharged individual authorities. Cost of scheme actually borne by each authority
Street Lighting - White Light Conversion	700	The installation programme was scheduled towards prioritising the conversion of street in lighting by categories of lamps that could provide the most saving . Remaining categories are now more expensive to convert and yield lower energy saving benefits. These are being delayed whilst seeking to secure additional funding rather than prudentially borrowing.
Corporate Property Estate	1,000	This comprises a number of schemes including delay of works on B Bond owing to need for agreement with English Heritage and delay on rewire of Central Library pending receipt of additional funds.
Other Schemes	4,000	This comprises a number of projects where the work has been re-scheduled to 2013 including 'Old City Streetscape' delayed to August 2013 to allow consultation on proposed temporary road closure of Corn Street and the Lower Lodge partnership project with the Building Preservation Trust scheduled for March - June 2013.
<b>Total</b>	<b>17,400</b>	
<b>Total variance</b>	<b>34,200</b>	