



AGENDA ITEM:

OVERVIEW & SCRUTINY BOARD

DATE: 03 December 2008

2nd Quarter Capital Monitoring & Review

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PURPOSE OF THE REPORT

1. To present to Overview & Scrutiny Board an update on the Council's capital programme (2008/2009 to 2012/2013) based on the 2nd quarter review of capital expenditure.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Capital Programme considers the estimated resources available to the Council together with the Council's commitments against priorities on a rolling basis over a five year planning cycle. The programme is reviewed and monitored on a quarterly basis through the budget clinic process, annually through the prudential indicators review and periodically when additional capital resources become available. A fundamental review is undertaken approximately every five years. The last review of the capital programme was a fundamental review in July 2008, at which point the Executive agreed to a number of new starts over the next 5 years as additional capital resources had become available.
3. In reviewing and monitoring the capital programme at quarter two the following issues are established for each capital project over the programme period and are summarised in this report.
 - Change in net expenditure
 - Changes in gross expenditure
 - Changes in capital resources
 - Re-profiling of expenditure between financial years.
4. The capital programme has an agreed time line to 20012/2013 and a gross programme of expenditure of £322.588 millions. The capital programme is funded

from a number of sources including government grants, affordable borrowing, capital receipts, external funding and direct revenue funded contributions.

CHANGES IN NET EXPENDITURE

5. The change in overall net expenditure across all schemes since the last review is a reduction of £25,000. There is no additional call on Council wide resources required to fund any part of the capital programme at this review.

CHANGES IN GROSS EXPENDITURE AND RESOURCES

6. Changes in gross expenditure and resources can arise as a result of the cost of a scheme changing through either planned or unplanned additional project costs or cost reductions.
7. The change in gross expenditure since the last review in July is an increase of £5.234 million. Resources have increased by £5.259 million. A net difference of £25,000.
8. The changes in gross expenditure and resources since the July review are shown by service and individual scheme in **appendix A**.
9. The significant reductions to the programme are:

- **Primary Strategy for change (£4.746 millions) reduction**

The indicative funding allocations in years 2011/12 and 2012/13 were previously overstated. These have now been adjusted based on DCSF guidance for PSfC funding beyond the confirmed allocations in 2009/10 to 2010/11.

- **Quality and Access for all Young Children (£3.055) millions reduction**

Funding for this scheme was initially notified by DSCF in the form of a capital grant. However, further guidance issued by DCSF indicates that the eligible expenditure is revenue spend rather than capital. The sum of £3.055 millions will therefore be treated as revenue expenditure and not capital.

The significant additions to the programme are:

- **Building Schools for the Future £8.479 millions**

As a result of the Government's BSF initiative Middlesbrough Council will now receive £109.434 million in capital grant from the DCSF towards Middlesbrough's BSF project. Government funding in relation to inflation factors and carbon reduction has now been allocated totaling £8.479 millions.

- **Disabled Facilities Grant (DFG) £1.772 millions**

The increase is due to indicative allocations for DFG being extended to 2012/13.

- **Parliament Road Facelift Improvements, Working Neighbourhoods Fund £503,000**

Parliament Road is a main arterial route for residents in the neighbouring streets and visitors to the area and it is therefore proposed to extend the facelift programme into the road. It is proposed that 64 business premises and 54 residential properties will be improved under the scheme. The funding for these improvements is from the Working Neighbourhood Fund.

- **Working Neighbourhood Fund £1.280 millions**

There is approval from Working Neighbourhood Fund towards future Facelift schemes within the Housing Market Renewal Project

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

10. The profiling of expenditure over the programme period is important as it needs to be realistic and achievable in terms of what can be delivered and matched with the timing of available capital resources.
11. Re-profiling of capital expenditure can arise if planned physical progress on a scheme or project can be delayed or completed ahead of schedule.
12. In overall terms £7.911 millions has been re-profiled from 2008/9 to 2009/10 and future years.
13. The re-profiled gross expenditure and resources since the July review are shown by service and individual scheme in **appendix B**.
14. The main reasons for the changes are:

- **Ormesby Secondary All Weather Pitches £1.019 millions**

This proposed scheme is subject to re-evaluation following the BSF rebuild proposal at Ormesby Secondary School which will require a re-submission of the grant bid to the Football Foundation. The earliest that work could now commence is in 2009/10 or on completion of the BSF works.

- **Supported Capital Expenditure Formula Block Budget £2.821 millions**

The majority of the funding within this block budget allocation has been re-profiled into 2009/10 in order to allow for project planning based on the outcome of the Primary Strategy for Change (PSfC) announcement and approval of the Middlesbrough PSfC submission. A sum of £250,000 has been retained within the current year's allocation to allow for the possibility of a number of smaller schemes to be carried out within this financial year.

- **Devolved formula capital block budget £1.335 millions**

The majority of the funding within this block budget allocation has been re-profiled into 2009/10. The change in the budget can be summarised as follows:

2008/09 unallocated funding	£1,985,000
Ormesby All-Weather Pitches funding	-£150,000
2008/09 schemes currently awaiting approval	-£150,000
2008/09 funding retained for possible future projects	<u>-£350,000</u>
Balance of DFC funding re-profiled to 2009/10	£1,335,000

- **Equal Pay £1.492 millions**

The Equal Pay programme has been re-profiled to match the estimated timing of expenditure

OPTION APPRAISL / RISK ASSESSMENT

15. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLCATIONS

16. In overall terms there is a small decrease in the need for Council wide resources to support the capital programme of £25,000. The gross expenditure has increased from £322.588 millions to £327.822 millions.

17. The overall programme position at the quarter 2 review is shown at **appendix C**.

RECOMMENDATIONS

18. Overview & Scrutiny Board are asked to: -

- a) Note and consider the contents of report and the overall capital programme outlined in **Appendix C**.

REASONS

19. To ensure that Middlesbrough Council reports on resource utilisation against approved capital budgets

BACKGROUND PAPERS

The following papers were used in the preparation of the report

- 2008/2009 Capital Programme Review Executive Report 22nd July 2008

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