



AGENDA ITEM: 4

OVERVIEW & SCRUTINY BOARD

DATE: 02 March 2009

3rd Quarter Capital Monitoring & Review

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PURPOSE OF THE REPORT

1. To present to Overview and Scrutiny an update on the Council's capital programme (2008/2009 to 2012/2013) based on the 3rd 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 at the end of September 2008.
3. In reviewing and monitoring the capital programme at quarter 3 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
 - Allocation of service block budgets
4. The capital programme has an agreed time line to 2012/2013 and a gross programme of expenditure of £327.304 million. 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 £53,000**. 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 a decrease of £0.518 million. Resources have decreased by £0.465 million. A net difference of £53,000.
8. The changes in gross expenditure and resources since the 2nd quarter review are shown by service and individual scheme in **Appendix A**.

The significant variations to the programme are:

- **Building Schools for the Future** **-£3,523,000**

9. As a result of the Government's Building Schools for the Future (BSF) initiative Middlesbrough Council will now receive £108.229m in capital grant from the DCSF towards Middlesbrough's BSF project. The reduction in funding of £1.204 million relates to the movement of inflation (currently based on the DTI Pubsec indices for June). Partnership for Schools have advised the Council to use the June information due to the further reduction in inflation figures for September. The inflation and location factors for the sample schemes are now fixed and will not change. The decrease therefore only relates to the non-samples schemes and these will not be fixed until the construction partner has been asked to develop the schemes. Although there is a reduction in funding on the BSF project the same inflation factors also apply to costs. The net effect to the Council is, therefore, nil.

10. Also, the original budget included a sum of £7.540 million for ICT costs. An element of these costs, however, has been identified as revenue expenditure, according to the Council's definition, and needs to be removed from the capital programme. The budget has been reduced by an amount of £2.319 million to reflect this. A sum of £464,000 per annum, over the 5-year period 2010-15, has been earmarked against Children Families & Learning's (CF&L) CERA (Capital Expenditure from Revenue) budget to meet these costs. The reduction in the BSF capital programme releases a similar sum of capital resources to be used for other CF&L capital expenditure/improvements, which would normally have been funded from revenue contributions.

- **Capital Improvements** **£2,783,000**

11. Provides revenue funding towards its capital programme. Forward estimates of this have not previously been reflected in its capital programme. This omission has now

been rectified and the budget increased by an amount of £464,000 per annum. Some of that revenue funding, however, will be transferred to cover the BSF ICT revenue costs as mentioned previously. This funding has been replaced by a £2.319 million transfer of capital resources, released from the changes to the BSF programme. The funding shown covers the period from 2009/2010 to 2012/2013.

- **Children's Centres Phase 3** **£147,000**

12. The Children's Centre funding advised by the Department of Children Schools & Families (DCSF) included a separate amount of £147,547 for maintenance and was, therefore, originally treated as revenue expenditure. DCSF has since confirmed that this funding is actually for capital expenditure so it has, therefore, now been added to the capital allocation.

- **Purchase of New Vehicles** **£-450,000**

13. The Fleet Service is the subject of an ongoing review. This has resulted in a reduction in the number of vehicles purchased this year. The findings of the review will be reported to future a budget clinic however it is anticipated that the full allocation in 2009/2010 will be spent.

- **Invest to Save Carbon Reduction** **£146,000**

14. This scheme is currently fully programmed for 2008/2009, and as part of the terms of the original funding from Salix each programme is required to repay the costs of the works carried out. These payments must be reinvested in other carbon reduction schemes in the Council's buildings. The increase in this scheme reflects the repayment profile from the completed projects.

- **Inner Middlesbrough Implementation** **£163,000**

15. Two commercial properties in the Princes Road area of Gresham have been identified as priority sites for extinguishment in 2008/2009. The cost of acquisitions are £243,000 and additional funding of £163,000 has been secured from the Working Neighbourhood Fund Grant with the balance being met by the wider Inner Middlesbrough budget.

- **LABGI Grant** **-£440,000**

16. The £440,000 of LABGI Grant which has been held as a contingency will now be applied to offset the increase in costs on Boho Core Building 1.

- **Boho Core Building 1** **£276,000**

17. Construction continues to progress well with handover anticipated in April 2009. The original approval for the Boho Core Building One scheme was £10.346m. The current estimated total cost for the scheme is £10.548m, but this includes an

additional, and separately funded, amount of £101,000 for the Northern Way Media Enterprise Centre project, therefore the scheme cost compared to the original budget is £10.447m, an increase of £101,000.

18. There has been strict control of increased fee claims and some fees claimed have been rejected and continue to be vigorously resisted. Provision has been made to cover potential future contractor claims or loss of ERDF.
19. Significant efforts have been made to avoid any slippage, and where possible to bring forward costs so that they could be legitimately claimed within the ERDF period. The original estimate was that some £800,000 could be lost in the ERDF grant. The actual amount lost is now confirmed at £254,000, a significant achievement.

OTHER VARIATIONS TO EXISTING PROJECTS

20. Other variations relate to changes in existing projects that do not have an impact in the overall gross expenditure. These variations are shown at **Appendix B**.

- **Local Transport Plan** **£NIL**

21. A full review of the LTP programme was completed in January 2008 to establish a prioritised list of schemes. As a result, several schemes were either re-categorised as low priority or the budgets were re-scoped. This work has resulted in the following movements between themes, the detail of which can be found in Appendix C but the effect on the themes are listed below:

LTP Congestion	-£	80,000
LTP Accessibility	£	16,000
LTP Safer Roads	-£	101,000
LTP Quality of life	£	15,000
LTP Highways Maintenance	£	150,000

- **Older Persons, Emergency Works and Major Assistance Grant** **£240,000**

22. Grants are approved to improve owner occupied dwellings up to decent homes standard and provide housing assistance to vulnerable / disabled residents. There are current priority cases on housing lists and builders can commence work immediately.

- **Loan Packages** **- £240,000**

23. It is now possible to provide financial assistance for housing renewal through a combination of grant and loan products. It was anticipated that the main loan packages would be operational by January 2009 and budgets were therefore allocated accordingly against the new forms of loan assistance. However, growing evidence from other authorities currently operating similar loan schemes indicates that the initial take up on loans can be very slow. It would therefore be considered prudent to delay introduction of the loans to April 2009, which would provide more time for budget managers to be able to monitor the take up of loans.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

24. 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.
25. Re-profiling of capital expenditure can arise if planned physical progress on a scheme or project can be delayed or completed ahead of schedule.
26. In overall terms **£20.216 million** has been re-profiled from 2008/2009 to 2009/2010 and future years.
27. The re-profiled gross expenditure and resources since the 2nd Quarter review are shown by service and individual scheme in **Appendix C**.
28. The reasons for any material re-profiling into 2009/2010 and future years from 2008/2009 are:
- **Building Schools for the Future** **£11,223,000**
29. The original phasing of the BSF programme was based on the estimated costs of the programme on the schemes developed within the outline business case. Actual costs for the sample schemes have now been calculated and have been re-profiled within the capital programme. Actual costs for the non-sample schemes are still based on the outline business case estimates taking into account inflation movements and will be known once the schemes are developed by the contractor following the issue of a future school notice.
- **Childrens' Centres Phase 3** **£518,000**
30. Project planning for delivery of this project included an extensive period during 2008/2009 for consultation with construction due to commence in 2009/2010. All development work should be completed by the end of 2009/2010.
- **Connexions: West Middlesbrough Community Centre** **£100,000**
31. The approval for the construction of the new community centre is pending the outcome of a review between the Council and West Middlesbrough Neighbourhood Trust. The funding will not, therefore, be spent by March 2009 and is to be carried forward to 2009/2010.
- **Extended Schools Funding** **£202,000**
32. Schemes against this budget are currently being planned and a report for SMT is in preparation. There is a clear link in these schemes with the Primary Strategy for Change programme. It is anticipated that the spend in the current financial year will be £80,000.

- **Lingfield Primary 4 Classroom Extension** **£115,000**
33. This project is to be part-funded via a developer's contribution from the sale of land.
- **Other ICT** **£673,000**
34. This funding is to be used to develop a wireless network to support the Computers for Pupils initiative. Identifying the correct solution is taking longer than anticipated. Also, any solution needs to be compatible with work on upgrading the corporate wireless network. Proposals from the company delivering the corporate WAN solution are currently being evaluated. Key decisions will then need to be made regarding future on-costs as there is no revenue funding identified to support this beyond the initial capital investment.
- **Securing Services for Children with Complex Care Needs** **£479,000**
35. The Primary Care Trust, who provided this funding, have only recently appointed a consultant to review services for those children who are technically dependent or have other complex health needs. This consultation will result in recommendations for investment of this funding into the most appropriate short-break support services for this group of young people. These recommendations will not be issued in time for the funding to be spent in 2008/2009.
- **Youth Capital Fund Plus** **£452,000**
36. Youth Capital Plus is distributed and monitored via the Government's Youth Taskforce. Initial guidance stated that the allocation should be spent during 2008/09. This guidance however was not received until October 2008. A project had been identified using local statistics but, it has not been possible to progress the project within the timescale given. At a meeting with the Deputy Director of the Youth Taskforce permission was given to complete a Youth Capital Plus project by the end of 2009. The project developed will be dependent upon the success of the Middlesbrough Myplace bid. Should the bid be successful then the Youth Capital Plus funding will be used for a project based in University ward. Should the bid be unsuccessful, however, the focus of Youth Capital Plus will be on Middlehaven. A full project proposal will be submitted to the Taskforce by March 2009.
- **ITR Block Budget** **£148,000**
37. The unallocated balance on this years block budget of £148,000 will be re-profiled to fund commitments in 2009/2010.
- **ITR Mobile Working Implementation** **£150,000**
38. Work to scope the technology components and configure the solutions has taken longer than originally anticipated. The programme has also been subject to formal benefits realisation management and this has taken longer to complete than

expected. As a result of this, some of the cost of the programme has been re-profiled into 2009/2010.

• **ITR Leisure Box Office** **£275,000**

39. This scheme has been delayed as the Project Manager is still awaiting outstanding information relating to the scheme specification.

• **North Middlesbrough Accessibility** **£2,430,000**

40. The main reason for this re-profiling is due to the delay in the commencement of this project to June 2008 which was the result of the DfT confirming our bid late. The other part of the slippage is moving the preparatory costs of £964,000 into 2009/10. We expect to receive the funding for them in the next financial year along with the agreement from the DfT that the Councils funding for this scheme can be used against expenditure in 2009/2010 making full utilisation of the DfT grant in 2008/09.

• **LTP Safer Roads** **£118,000**

41. The Southfields Road Casualty Reduction scheme was originally due to be fully completed in this financial year, however when finalising the details of the scheme it became apparent that this was not possible, mainly due to staffing capacity issues. The decision was made to move part of the scheme into 2009/2010. Work will now commence in February 2009 and will also incorporate flood relief work.

• **Southlands Pitch** **£100,000**

42. Due to the delay by Plan 4 Sport in submitting their planning application, Middlesbrough Council's contribution to the scheme will not be required until 2009/2010.

• **A66 Interchange North Ormesby Access to Middlehaven** **£211,000**

43. It should be noted that there has been no further progress on this issue as reported in 2007/08's quarter 3 budget clinic report. This relates to the ongoing dialogue with English Partnerships, One North East, Tees Valley Regeneration and the Council's Environment and Regeneration Departments with regard to a contribution request for drainage works which is above the amount allocated to the project by the various funding streams. At present the Council are disputing the 1/3 proportion that they have been allocated because the proportion of the site that belongs in Middlesbrough's remit is less than this.

• **Plots for Sale** **£228,000**

44. Planning permission to allow development on the three named sites has not been submitted due to the current economic climate. This scheme is expected to complete in 2009/10 subject to the market for developing properties improving.

• **LABGI Grant** **£100,000**

45. There is an allocation of £100,000 from the LABGI Grant for the A66 Gateway project. The project is progressing but delays have been experienced with regard to project management of the process and revisions to the proposed works at the Cargo Fleet Lane roundabout. Regeneration and Environment are working closely together in order to ensure the completion of the project. It is therefore requested that the £100,000 be re-profiled into 2009/2010.

• **Middlehaven Provision – Property Acquisition** **£1,600,000**

46. As reported at the last budget clinic One North East will acquire the Dowding and Mills building and Middlesbrough Council will continue to part fund this acquisition. The company who originally pulled together the original cost for the design and build of the new building at Barton Road is not guaranteeing any prices for projects that are not going to be built in the next 6 months. Therefore Dowding & Mills have had to go back out to tender to obtain a revised cost for the design and build of the new premises and they are not expecting to have this revised information back until March / April 2009. It is requested that the £1,600,000 for Property Acquisition be re-profiled into 2009/2010. A report will be presented to CMT on this issue for formal approval.

• **Trinity Public Realm Works – James Street** **£137,000**

47. The purpose of the scheme is to procure the design and implementation of the public realm works, including consideration of future maintenance to the Market Square and adjoining environment. The development agreement requires a public realm scheme to be completed within 6 months of completion of the last housing unit. The economic downturn could delay this longstop date, but a programme is needed to implement a scheme, ideally by the end of 2009/2010, and it is requested that the £137,000 be re-profiled into 2009/2010.

48. In overall terms **£1.865 million** has been re-profiled from 2009/2010 to 2008/2009 **Appendix D**. The reasons for any material re-profiling into 2008/2009 from 2009/2010 and future years are:

• **Primary Strategy for Change (PSfC)** **-£350,000**

49. The PSfC project has been approved by DCSF and the programme of works for Phase 1 was agreed at the meeting of the Executive on 6th January 2009. The re-profiling of expenditure is required in order to meet the fees, expenses and associated costs of Transport and Design Services in 2008/2009 on the three major projects at Archibald, Beechwood/Marton Grove and Berwick Hills.

- **.BIP-Planned Maintenance** **-£158,000**

50. An increase in essential maintenance work to buildings across the authority in 2008/09 has led to the re-profiling of £158,000 of the 2009/10 allocation

- **Inner Middlesbrough Implementation** **-£1,196,000**

51. The scheme is to acquire and demolish properties in the older housing area. There is a high demand from residents/owners who want the Council to purchase their properties and this will help the Council to assist at an earlier stage. These resources are an early drawn down of 10% from the total Housing Market Renewal Funds awarded to the Tees Valley, following a successful Tees Valley Living bid to the new Homes and Communities Agency

ALLOCATION OF EXISTING BLOCK BUDGETS

52. The detailed allocation of block budgets held by service areas is shown scheme by scheme at **Appendix E**. In summary the allocation of those blocks is in the table below. These allocations are already included within the gross expenditure of the capital programme and have no impact on the net expenditure of the programme.

Service Area	Block Budget Heading	Quarter 3 Allocation £
Children, Families & Learning	Devolved Formula Capital	145,000
	Supported Capital Expenditure	1,038,000
Corporate	IT Refresh Budget	1,445,000
	Building Improvement Programme	158,000
	Disability Discrimination Act Improvements	48,000
	Civic Buildings Enhancements	2,000
	Non-Civic Buildings Enhancements	17,000
	Small Scheme Allocation	65,000
Social Care	Mental Health Grant	147,000
	Social care grant	-70,000
Total Quarter 3 Block Budget Allocations		2,995,000

OPTION APPRAISAL / RISK ASSESSMENT

53. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLCATIONS

54. In overall terms there is a small decrease in the need for Council wide resources to support the capital programme of £53,000. The gross expenditure has decreased from £327.822 million to £327.304 million.
55. The overall programme position as at the quarter 3 review is shown at **Appendix F**.

RECOMMENDATIONS

56. Executive Members are asked to: -
- a) Note and consider the contents of report.

REASONS

57. 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
- 2nd Quarter Capital Monitoring & Review Executive Report 9th December 2008.

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