

# MIDDLESBROUGH COUNCIL

## Overview and Scrutiny Board

### 2nd Quarter Capital Monitoring & Review 2009/2010

Director of Resources

Date 17 November 2009

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#### PURPOSE OF THE REPORT

1. To present to Overview and Scrutiny Board an update on the Council's capital programme (2009/2010 to 2012/2013) based on the 2nd quarter review of capital expenditure.

#### BACKGROUND AND EXTERNAL CONSULTATION

2. In reviewing and monitoring the capital programme at quarter 2 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
3. The capital programme has an agreed time line to 2012/2013 and a gross programme of expenditure of £280.322 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

4. The change in overall net expenditure across all schemes since the last review is a **decrease of £1,583,000** in Council wide resources needed to support the programme (0.56%) of the total programme. **Appendix A.**
5. This report reflects all of the changes agreed and reported through the quarter 2 budget clinics and a review of some of the key capital programme provisions and resources available to the capital programme.

#### 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 is an increase of £399,000. Resources have increased by £1.982 million. A net difference of £1.583 million.
8. The changes in gross expenditure and resources since the last review are shown by service and individual scheme in **Appendix A**.

The significant variations to the programme are:

- **Ormesby School: Provision of All-Weather Pitch** **-£837,000**

9. The proposed scheme to provide a Synthetic Turf Pitch (STP) at the School will not be going ahead as the School has been unable to secure the main source of funding from the Football Foundation. The reduction of £837,000 relates to the removal of external funding sources i.e. Football Foundation grant (-£750,000) and S106 developers' contributions (-£87,000). Other funding, totalling £182,000, being Devolved Formula Capital (-£150,000) and Supported Capital Expenditure (-£32,000), has been re-allocated elsewhere within the programme.

- **Building Schools for the Future (Design & Build)** **£4,340,000**

10. As part of the Building Schools for the Future (BSF) programme, the aim is to achieve 60% reduction in carbon emissions for the BSF schools. The Carbon Calculators have now been completed for Beverley and Tollesby. These confirm that the scheme will achieve over the 60% carbon emission reduction, and as such, is eligible for additional funding.
11. The Council is currently contributing £10.6 million of its own resources, in addition to the Government grant funding, towards delivering the BSF programme. The Council contribution arises from a number of funding gaps estimated during the development of the programme to date. The assumptions, risks and factors in relation to these provisions can change with time and have been reviewed as part of this process.
12. The outcome of that review is that following financial sign off on both the Trinity scheme in December 2009 and Acklam Base in February 2009 it would be appropriate to reduce the Council contribution to the programme by £4 million, without impact on delivery of the BSF programme, as financial risk will have transferred to the contractor. This funding can therefore be assumed to be available for the capital programme. It may be possible to reduce the Council contributions further when other key contractual milestones are reached.

- **Whinney Banks Community Centre** **£600,000**

13. In order to see the delivery of the Whinney Banks Community Centre by West Middlesbrough Neighbourhood Trust, the Council has agreed to make available £700,000 towards the project in the form of a £100,000 contribution and £600,000 loan facility, that will be repayable. The loan will be secured against the future capital receipt from Bellway or assets to the value of the loan. The loan and the contribution at this stage would need to be a call against the capital programme. A sum of £100,000 was originally set aside from the Connexions service grant funding which was to be used as the contribution toward the cost of the proposed new West Middlesbrough Community Centre. The delay in the scheme has resulted in this grant funding being no longer available.

- **Equal Pay Provision** **£2,000,000**

14. In originally estimating the potential liability for equal pay in 2004, the Council made a capital provision of £20 million. The current estimate of claims against the provision leaves only £1.1 million of the £20 million remaining. It is likely that further provision will be needed for further claims that will be made against the Council in the future. On this basis it is recommended that the provision be increased by a further £2 million as part of this review.

- **Leisure Equipment** **-£270,000**

15. The scope of the scheme originally was for the Service to receive £500,000 to fund a programme to replace the leisure equipment at all the leisure centres over a 5-year period. As a result of the centre managers and the Health and Fitness manager working closely with the supplier, the replacement programme was able to be completed ahead of schedule and at a lower cost, hence the reduction to the original budget, enabling this resource to be returned to the capital programme. The final pieces of equipment are on order and will be delivered and operational before March 2010. Consideration will to be given to establishing a rolling programme of replacement of leisure equipment, as the equipment purchased under this cycle will only have a finite useful economic life.

- **Healthy Towns Grant - Safer Routes to Work** **£100,000**

16. This project has developed further since the first review, and additional funding has been secured from PCT contributions. The project has been designed to work with key employers and Sustran to develop and implement a strategy that integrates with the business organisation to increase active travel to and from work, encouraging car sharing and reducing travel times through intelligence planning.

- **Growthpoint Grant Funding** **£404,000**

17. On 10th December 2008, the Department for Communities and Local Government (DCLG) announced the Growth Fund allocations for all Growth Points in the country, including the Tees Valley. The focus of Government has moved to getting stalled housing sites re-started, which has resulted in a re-prioritising of existing funding. The offer letter from DCLG confirmed the 2009/10 allocation only. Middlesbrough's full allocation for this year was £443,365, of which £39,000 is being used as part of the authorities Stockton Middlesbrough Initiative contribution towards the preparation of the outline business case for strategic road infrastructure. The remainder is introduced into the capital programme with no firm commitments as yet.

- **CSDPA Adaptations / Equipment** **£234,000**

18. This increase on capital spending is required to keep pace with a rise in demand aligned to promoting independence and reducing reliance on residential care. It will be funded from the 2009/10 Supporting People Grant. This means that it is now estimated that the capital budget will be fully utilised by mid August 2011, which represents an improvement on the position reported at Quarter 1.

- **CSDPA Top – Ups** **£116,000**

19. This increase on capital spending is required to keep pace with the continuing increase in demand of service users which has seen spend double in 2009/10. The additional spend is to be funded from the savings made on the Integrated Complex Needs scheme from within the capital programme. A review of the Top-Up policy is taking place and is likely to be complete by December 2009, the aim of which is to resolve this issue for future years.

- **Integrated Complex Needs Service** **£159,000**

20. The latest estimate, including architect/surveyor fees is £392,950, an increase of £159,000 on the previous estimate of £234,000. TEWV has confirmed a contribution of £275,000 towards the cost of the project and there is therefore a reduction of £116,000 in capital expenditure funded from Council Wide Resources, which is to be utilised to fund the pressure on Top-Ups in 2009/10, referred to at paragraph 15. The additional costs are linked to TEWV specific requirements.

## **OTHER VARIATIONS TO EXISTING PROJECTS**

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

- **Loan Match Incentive Scheme /Home Mover**

22. A movement of £75,000 is required from the Home Mover Scheme to the Loan Match Incentive Scheme. The Loan Match Incentive scheme offers value for money in terms of a future return on capital investment and outputs for decent homes and is currently oversubscribed.

- **Single Housing Investment Programme Grant (block budget)**

23. Projected underspends totalling £115,000 from the Major Assistance Grant (£10,000), Home Assistance Loan (£30,000) and Priority Area Assistance Loan (£75,000) have been identified and have not yet been reallocated.

## **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. In overall terms £4.870 million has been re-profiled from 2009/2010 to 2010/2011 and future years of which £3.870 million related to block budget provisions.

26. The re-profiled gross expenditure and resources since the last review are shown by service and individual scheme in **Appendix C**.

27. The reasons for any material re-profiling into 2010/2011 and future years from 2009/2010 are:

- **Targeted Capital Funding (TCF): Schools' Kitchens** **£168,000**
28. The Targeted Capital Funding (£336,000) has been split equally between the two PSfC schools' kitchen projects at Sacred Heart and Pallister Park Primary Schools. The scheme at Pallister Park Primary School is not scheduled to take place until 2010/11. The TCF funding for this scheme has, therefore, been re-profiled into 2010/11.
- **BIP-Lifts** **£200,000**
29. Delays in the preparation of the tendering documentation for this scheme have meant that it will not be completed until the early part of the next financial year.
- **BIP-Voltage Reduction & UPS System** **£100,000**
30. The choice of products is being re-evaluated to ensure that the best option is taken. Work is not now expected to be fully completed until 2010/2011.
- **BIP-St Mary's & Multi Media External Refurbishment** **£165,000**
31. An increase in the scope of the project and a requirement for additional design work has meant that a full tendering process has had to be undertaken. Work on the schemes is not now expected to commence until June 2010.
- **BIP-Changing Villages** **£200,000**
32. The Environment Directorate is bidding for additional resources to contribute towards the cost of this scheme and the work has been delayed until the bidding process has been completed. The work at the Neptune Centre may now not be completed until next year.
- **Middlehaven Provision** **£372,000**
33. The provision is the remaining balance of the Council's £2,000,000 commitment to the Middlehaven Project. There are no expenditure commitments in this financial year and it is therefore requested that the provision be re-profiled into 2010/11.
- **St Paul's Road Replacement** **£2,483,000**
34. The delivery of this element of the capital programme has been delayed due to difficulties identifying an appropriate site. Limited spend on the design element of the service is expected in 2009/10. It is anticipated that the project will proceed during 2010/11.
- **Integrated Rehabilitation Service** **£211,000**
35. The recent financial position in the NHS has cast doubts on the development of any further rehab services in Middlesbrough in the near future. The scheme may need to be abandoned. It is hoped a decision on this will be reached before the Quarter 3 budget clinic.

- **Common Assessment Framework (CAF) £590,000**

36. The CAF Project has been suspended, whilst the Department works on a bid to the DoH for CAF Wave 2 Demonstrator Site Programme in partnership with Redcar & Cleveland Council. If successful, funding of £2.65 million will be made available and the majority of capital currently assigned to this project will not be required. A decision regarding this is expected in December 2009.

37. In overall terms **£479,000** has been re-profiled from 2010/2011 and future years to 2009/2010. The details by individual scheme are shown in **Appendix D**.

38. The reasons for any material re-profiling into 2010/2011 and future years from 2009/2010 are:

- **Supported Capital Expenditure Block Budget -£242,000**

39. A net sum of £242,000 has been re-profiled into 2009/10 from 2010/11 and 2011/12 in order to meet additional commitments mainly on the PSfC schemes at Newham Bridge, Easterside and Ayresome Primary Schools.

#### **ALLOCATION OF EXISTING BLOCK BUDGETS**

40. 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.

| <b>Service Area</b>           | <b>Block Budget Heading</b>                         | <b>Quarter 2 Allocation<br/>£</b> |
|-------------------------------|---|-----------------------------------|
| Children, Families & Learning | Capital Improvements Block Budget                   | 63                                |
|                               | Devolved Formula Capital (DFC) Block Budget         | 259                               |
|                               | Sure Start Children's Centres Phase 3: Block Budget | -42                               |
|                               | Extended Schools' Block Budget                      | 45                                |
|                               | Targeted Capital Fund: Schools' Kitchens            | 336                               |
|                               | Supported Capital Expenditure Block Budget          | 351                               |
| Corporate                     | IT Refresh Block Budget                             | 71                                |
|                               | DDA Block Budget                                    | 67                                |
|                               | Small Schemes Block Budget                          | 90                                |
|                               | Urgent Works Block Budget                           | -19                               |
|                               | BIP Repairs Backlog Block Budget                    | 182                               |
| Environment                   | Invest to Save Carbon Reduction                     | 24                                |
|                               | Local Transport Plan                                | -88                               |
| Regeneration                  | Regeneration land Acquisition Budget                | 50                                |
|                               | <b>Total Block Budget Allocations</b>               | <b>1,389</b>                      |

## EQUALITY IMPACT ASSESSMENT

41. Not applicable

## OPTION APPRAISAL/RISK ASSESSMENT

42. Not Applicable

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

43. In overall terms there is a decrease in the need for Council wide resources to support the capital programme of £1.583 million. This results from the changes reported in the budget clinic reports and a review of the key programme provisions and resources.

| Item  | £000's | £000's |
|---|--------|--------|
| <b>Over-programming at Quarter 1</b>                    |        | 2,328  |
| Quarter 2 Budget Clinic Project cost reductions/savings | -283   |        |
|   |        |        |
| <b>Programme Review Changes</b>                         |        |        |
| Whinney Banks Community Centre                          | 700    |        |
| Equal pay provision                                     | 2,000  |        |
| Building Schools for the Future Provision               | -4,000 |        |
| <b>Net decrease in need for Council wide resources</b>  |        | -1,583 |
| Reduction in available capital receipts                 |        | 700    |
| <b>Revised Over-programming</b>                         |        | 1,445  |

44. Gross expenditure has increased from £279.923 million to £280.322 million. However as a result of a large saving made on a Council funded scheme (see paragraph 18), and the changes in the programme from the review (-£600,000) the total requirement from Council wide resources has reduced. The level of over-programming at quarter 2 is currently estimated at £1.445 million.

45. The overall programme position as at the quarter 2 review is shown at **Appendix F**.

46. **Legal Implications** – Not applicable.

## RECOMMENDATIONS

47. Overview and Scrutiny Board are asked to:

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

## REASONS

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

## **BACKGROUND PAPERS**

The following background papers were used in the preparation of this report:

- **Executive Report - 1st Quarter Capital Monitoring and Review 18 August 2009.**

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