

MIDDLESBROUGH COUNCIL

OVERVIEW AND SCRUTINY BOARD

3rd Quarter Capital Monitoring & Review 2009/2010

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1 March 2010

PURPOSE OF THE REPORT

1. This report is an update on the Council's capital programme (2009/2010 to 2012/2013) based on the 3rd quarter review of capital expenditure.

BACKGROUND AND EXTERNAL CONSULTATION

2. 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
3. The current capital programme commenced in April 2008 and runs to 2012/2013 and has a gross programme of expenditure of £332,889 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 **increase of £15,000** in Council wide resources to support the programme (0.002% of the total programme). **Appendix A.**
5. This report reflects all of the changes agreed and reported through the quarter 3 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 £1,050,000. Resources have increased by £1,035,000. A net difference of £15,000.

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:

Replacement of Jontek system **£110,000**

9. This is a new scheme, funded by the Regional Improvement and Efficiency Partnership to extend the use of a new system to the Councils four preferred providers of Home Care. Efficiency gains are anticipated as a result.

Integrated Rehabilitation Service **-£211,000**

10. This scheme has not proceeded because of budget pressures in the Council and the NHS, the effect of which is that no revenue funding would be available in the future to provide the necessary staffing structure to deliver an integrated rehabilitation service.

Common Assessment Framework (CAF) **£102,000**

11. The projected costs on this scheme are expected to exceed the original estimate by £102,000. The revised costs have been based on a detailed analysis of the scheme requirements provided by the Project Manager. The department has submitted a bid for £240,000 of additional PCT funding and the outcome of this will be known in mid February.

Lingfield Primary School - 4 Classroom Extension **-£115,000**

12. This project is dependent on the receipt of a developers' contribution, under a Section 106 agreement, from the sale of land at Site 44, Longridge, Marton. There is, however, some uncertainty as to when, or if, the sale of land will take place. The project has, therefore, been removed from the capital programme and will be reinstated once the developers' contribution has been received.

Stewart Park Heritage Lottery Fund – Phase two (Delivery) **-£100,000**

13. The Heritage Lottery Fund is now funding more of the capital elements and as a result, the grant funding for the capital scheme has increased by £100,000, meaning a reduction in the capital programme of the same.

Healthy Town Grant – Incentivised Bike Schemes **-£255,000**

14. This scheme and associated funding has now been transferred to revenue, as the work involved does not fall under the scope of capital. This scheme is fully funded by Healthy Town grant, so there is no impact on the revenue position.

Healthy Town Grant – Urban Safety Management **£286,000**

15. Previously this budget was classed as revenue, but due to the nature of the project, there is no revenue element. The programme for this scheme is to introduce a 20mph zone in the Linthorpe West area of the town; this includes installing traffic calming measures in the roads in the area.

Wellness Gym Equipment**£220,000**

16. This is a new scheme for new equipment that fits to the existing Technogym equipment, which monitors and records how the machines are being used, and if they are being used correctly. The system allows the instructors to analyse the equipment to ensure that the user is using the machine to their maximum benefit and will give accurate biometric data that can be used by the instructor when training the users. The system also has a customer interface that allows the user to programme their training session into the module for when they use the machines, which will motivate their work out. This scheme is being funded by the PCT and the equipment will be installed and ready to use by April 2010.

Growthpoint Grant Funding**£399,000**

17. On the 15th December 2009 the Department for Communities and Local Government announced the allocations for all Growth Points in the country. The Tees Valley received £1,992,209 of which £399,000 has been allocated to Middlesbrough bringing the total capital allocation for the scheme over the 2 years to £802,806. The Growth Fund is to support housing growth, enabling housing development to be brought forward, tackling barriers to delivery and ensuring that new development is planned as sustainable communities. The Executive report of 26th November 2009 suggests that this grant is deployed to fund acquisitions of owner-occupied homes, including an equivalent of OHRAS (Re-Housing Options for Affected Residents) in the Grove Hill area.

OTHER VARIATIONS TO EXISTING PROJECTS

18. 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**.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

19. 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.
20. 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 £16.216 million has been re-profiled from 2009/2010 to 2010/2011 and future years of which £8.427 million related to block budget provisions.
21. The net impact of the movements of non-block budgets between financial years is summarised in the table below.

	2009/2010 £	2010/2013 £	Net £
Advances of Expenditure	+3,339,000	-3,339,000	0
Slippage of Expenditure	-7,789,000	+7,789,000	0
Total	-4,450,000	+4,450,000	0

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

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

IT Refresh - Leisure Management System **£200,000**

24. It has taken until November 2009 to fully scope out (with all relevant stakeholders) the requirements for a Leisure Management System. Tenders are now in and are being evaluated. It is expected that the final solution will be chosen by April and a contract signed by May 2010.

Extended Schools Block Budget **£120,000**

25. The total funding available in 2009/10 was £581,000 of which £461,000 has been allocated to a number of schemes within the capital programme. There are, currently, no plans to spend the remaining grant of £120,000 in 2009/10 so this has been re-profiled into 2010/11.

Securing Services For Children With Complex Needs **£479,000**

26. A meeting was held with the NHS/PCT in December and it has been agreed that the Council will lead on the tendering process. However, given the timescales required, any scheme will not start until 2010/11. The tendering process is anticipated to begin in March/April and the contract awarded in September/October 2010. The budget has, therefore, been re-profiled into 2010/11. There is a potential that some further re-profiling will be required into 2011/12 but this cannot be quantified at this point in time.

Schools Disability Discrimination Act (DDA) Improvements **£120,000**

27. Feasibility studies are still to be carried out and it is unlikely that any projects will start before the end of March 2010.

Gleneagles Centre Refurbishment (Ph.2) / Extension **£160,000**

28. Previously in the capital programme, there were two separate projects for the Phase 2 refurbishment (£50,000) and for a new extension (£50,000). Both projects have been re-evaluated and a new feasibility scheme has been agreed which encompasses a smaller extension together with the internal improvements. The total estimate for the revised scheme is £220,000. The £120,000 balance of the funding is from Early Years Childcare Grant via the Aiming High for Disabled Children (AHDC) grant allocation. The scheme is still subject to the capital project appraisal process so work is unlikely to start before the end of March 2010. A budget of £20,000 has been retained in 2009/10 for professional fees with the balance re-profiled into 2010/11.

Myplace YCC **£535,000**

29. The Myplace programme has been re-profiled due to the DCSF assessment process and detailed capital delivery planning process. Expenditure during 2009/10 will continue to be on the preparation work necessary for a capital project of this size. These costs include surveys, planning requirements and professional fees. The cash-flow forecast has been determined by the capital delivery planning and may further change when the appointed contractor develops their schedule of works. DCSF project approval/sign-off is expected imminently.

Primary Strategy for Change (PSfC): Newham Bridge Security/Access **£219,000**

30. The project start-date was deferred, due to adverse weather conditions, until January 2010. The work is now due to be completed by June 2010. The budget has been re-profiled to reflect this delay.

PSfC: Green Lane Primary Foundation-Stage Classroom **£214,000**

31. The original profiling was based on an estimated start-date and construction schedule. The need to remove asbestos and vacate the building has resulted in a delayed start. The tender evaluation process is now underway and it is anticipated that work will start on-site in March 2010. The budget has, therefore, been re-profiled to correspond with the proposed building timescales.

PSfC: Berwick Hills Primary **£1,730,000**

32. The original profiling was based on an unrealistic start-date and construction schedule. The tendering process has now been completed and a contractor has been chosen. Work is due to start on-site in March 2010.

PSfC: Archibald Primary **£653,000**

33. Work was delayed due to the discovery of unforeseen statutory services in the area of the construction site. This issue has now been resolved and works are proceeding. The budget has been re-profiled to reflect the revised schedule.

PSfC: Beechwood/Marton Grove Primary **£1,127,000**

34. The original profiling was based on an estimated start-date and construction schedule. The tendering process has now been completed and a contractor has been chosen. Work is due to start on-site in March 2010.

Schools - Other ICT **£673,000**

35. Officers are currently reviewing proposals, awaiting further project costs from other suppliers/partners and finalising the solutions design and it's unlikely that any spend will be incurred before the end of March 2010. The budget has, therefore, been re-profiled into 2010/11

Schools' Capital Improvements Block Budget **£236,000**

36. A sum of £236,000 is currently awaiting allocation to approved schemes. There are currently no plans to spend the remaining funding in 2009/10 so this has been re-profiled into 2010/11.

Local transport Plan - Accessibility **£160,000**

37. This is the matched funding for the Links to School projects. Funding was sought in the first round of bids for Links to School, however this was unsuccessful. A further application for funding will be made, in the second bid round, due in January, which it is hoped will be successful. If successful, this funding will be used to implement the schemes in 2010/11. There has also been a delay in the works on the signals at Bridge Street East and Albert Road due to the weather conditions delaying the works, the work will be fully complete during the first quarter of 2010/11. Network Initiatives have slipped as the work this entails is related to the Tees Valley Major Bus bid for which final approval is still awaited and therefore the work has also had to be put on hold, once final approval of the grant is known this scheme can begin.

Local Transport Plan – Safer Roads **£125,000**

38. Major project demands on capacity mean that only the planning element of this scheme has been completed this year. The implementation will be undertaken in 2010/11.

A66 – North Ormesby Access **£211,000**

39. Discussions have taken place with English Partnerships, as to the likelihood of any outstanding drainage works being required from the original project and the Middlehaven partnership agreement, and therefore the remaining funding being required. As a decision has not yet been reached, the £211,000 for the drainage system has been transferred into 2010/11 in order to provide for any additional work required. If this provision is not required then it can be transferred back to the capital pot. An update will be provided to Quarter 1 Budget Clinic 2010/11.

Purchase of new Vehicles **£700,000**

40. It is currently expected that the available funding will be fully utilised in 2009/10. However, due to the lead-time on some vehicle deliveries, although they are ordered in 2009/10, the expected delivery date is expected to be early April 2010.

Transporter Bridge Motors **£260,000**

41. This has been included as matched funding for a Heritage Lottery Fund grant application for the Transporter Bridge. The Council have just received approval from the HLF to make a Stage 2 application and will shortly receive a Grant Offer Letter. The work to replace the motors will need to be carried out in next financial year in order to secure the grant funding.

Boho Core Building 1 **£416,000**

42. The building was completed and handed over to Middlesbrough Council on 8th May 2009. The contract is subject to a 52 weeks defects correction period from this date and a problem of corrosion on the zinc cladding was noted on block 3. Until a satisfactory

resolution to the problem is found Middlesbrough Council have taken the action of deducting the sum of £349,445 from the contractor BAM Construction in addition to the retention monies of £85,981 being held until 8th May 2010.

Middlehaven Provision – Property Acquisition **£3,600,000**

43. The Council is holding a budget containing both its own Middlehaven funds and One North East funds provisionally, for the strategic purchase of land in Middlehaven Central Industrial Area. Development of design works for relocations are on-going with tenders expected to be let in Spring 2010.

Growthpoint Grant Funding **£304,000**

44. It is requested to reprofile £304,000 of the 2009/10 allocation into 2010/11. A programme of one to one visits of all privately owned properties is commencing in order to develop a portfolio to identify which owners would be in a position to sell/relocate. Once a property is acquired the Authority will pay Erimus a management fee and it is hoped to be able acquire at least one property this year as well as expenditure on management fees.
45. In overall terms **£3.615 million** has been re-profiled from 2010/2011 and future years to 2009/2010. The details by individual scheme are shown in **Appendix D**.

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

Equal Pay Awards **£183,000**

47. The equal pay directive for 2009/10 has now been received. The capitalisation ceiling for Equal Pay costs has been set at £1,675,000, £183,000 higher than previously estimated.

BIP Block Budget **£202,000**

48. In order to complete the required programme of works to the authority's properties in 2009/2010, it has become necessary to bring forward part of the 2010/2011 capital allocation, primarily to fund work at the Bus Station, Whorlton Road, the Municipal Golf Club and 3 Park Road North.

Building Schools for the Future: Design & Build **£1,543,000**

49. The original construction start-dates for the non-sample schemes were based on the outline business case but as the schemes are being developed these dates are likely to change. The schemes, however, will still be delivered within the overall BSF programme schedule. The cash-flow for the sample schemes has also been revised in-line with information supplied by the contractor.

Crematorium Infrastructure Improvements **£329,000**

50. This expenditure has been brought into 2009/10 to fund the advance payment bond required for the crematorium abatement work. This is for the upgrade and abatement for 3 of the 5 cremators. This reprofiling of the advance payment has been undertaken for VAT Exemption purposes. The total spend on the project remains at £1,560,000.

Housing Regeneration Schemes**£900,000**

51. £900,000 Housing Market Renewal Fund grant has been brought forward from the 2010/11 budget, raising the amount to claim in the year to £3,085,690. This was agreed at the Tees Valley Limited Board as Stockton Borough Council forecasted they could not spend their full allocation and would need to vire the funds to other councils to spend in place of them this year.

Places Of Change Programme – Wellington St Hostel**£294,000**

52. This scheme is progressing well and development is ahead of the original profile. Therefore it is requested that the spend be reprofiled into this financial year.

ALLOCATION OF EXISTING BLOCK BUDGETS

53. 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 2 Allocation £
Children, Families & Learning	Capital Improvements Block Budget	-63
	Devolved Formula Capital (DFC) Block Budget	-227
	Extended Schools' Block Budget	-4
	Sure Start Children's Centres (Phase 3): Block Budget	-95
	Aiming High for Disabled Children	-120
	Supported Capital Expenditure Block Budget	-166
Corporate	DDA Block Budget	22
	Small Scheme Block Budget	-8
	Urgent Works Block Budget	-23
	BIP Block Budget	-29
	IT Refresh Block Budget	-50
Environment	Invest to save Carbon Reduction	-147
	Local Transport Plan	-252
Regeneration	Regeneration Land Acquisition budget	-1
Social Care	Mental Health Block Budget	-42

EQUALITY IMPACT ASSESSMENT

54. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

55. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

56. In overall terms there is an increase in the need for Council wide resources to support the capital programme of £15,000. This results from the changes reported in the budget clinic reports and a review of the key programme provisions and resources.

Item	£000's
Over-programming at Quarter 2	1,445
Quarter 3 increase in net expenditure	15
Revised Over-programming at Quarter 3	1,460

57. Gross expenditure has decreased from £322.941 million to £332,889 million and the level of over-programming at quarter 3 is currently estimated at £1.460 million (0.44%).
58. The overall programme position as at the quarter 3 review is shown at **Appendix F**.
59. **Legal Implications** – Not applicable.

SCRUTINY CONSULTATION

60. Not applicable.

RECOMMENDATIONS

61. Overview and Scrutiny Board are asked to:
- a) Note and consider the contents of the report

REASONS

62. 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 – 2nd Quarter Capital Monitoring and Review 8 December 2009.

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