

MIDDLESBROUGH COUNCIL

Overview and Scrutiny Board

1st Quarter Capital Monitoring & Review 2010/2011

Director of Strategic Resources

2 September 2010

PURPOSE OF THE REPORT

1. To present to the Overview and Scrutiny Board an update on the Council's capital programme (2008/2009 to 2012/2013) based on the outturn and 1st quarter review of capital expenditure. Work is also on-going reviewing the current capital programme with service areas to prioritise schemes that are not contractually committed. The aim of this exercise will be establish if schemes can be reprioritised given the current financial climate and the need to reduce expenditure.

SUMMARY OF RECOMMENDATIONS

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

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

3. It is over the financial threshold (£75,000)
It has a significant impact on 2 or more wards
Non Key

DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is
Non-urgent
Urgent report

If urgent please give full reasons

BACKGROUND AND EXTERNAL CONSULTATION

5. As part of the budget update meetings, services were asked to indicate the value of projects in the capital programme, which are not contractually committed, so that further work can be done to assess the current priorities. The indicative value of the projects by service which will be reviewed and reported back in a later report are:

Service	2010/2011	2011/2012	2012/2013	Total
	£000	£000	£000	£000
Children Families & Learning	2,112	60	60	2,232
Environment	1,579	2,100	2,100	5,779
Social Care	2,129	3,567	444	6,140
Regeneration	1,078	1,060	175	2,313
Corporate	4,557	3,761	3,400	11,718
Total	11,455	10,548	6,179	28,182

6. In reviewing and monitoring the capital programme at quarter 1 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
7. The current capital programme commenced in April 2008 and runs to 2012/2013 and has a gross programme of expenditure of £334.363 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

8. The change in overall net expenditure across all schemes since the last review is a **decrease of £3,480,000** in Council wide resources to support the programme (1.04% of the total programme). **Appendix A.**
9. This report reflects all of the changes agreed and reported through the quarter 1 budget update meetings and a review of some of the key capital programme provisions and resources available to the capital programme.

The significant variations to the programme are:

- **Building Schools for the Future: Design & Build** **-£1,249,000**
10. A provision for £1,200,000 was created for potential costs connected with Oakfields which would arise if they were to procure ICT services externally, and the Council were awaiting their decision. The BSF team have now received the Governing Body agreements from Oakfields so the provision for the ICT contract is not required. A decision to use more devolved formula funding of £49,000 instead of Council wide resources has also been made.

- **Middlehaven Substation** **-£2,320,000**

11. This scheme has been removed from the capital programme. This was a provision created in relation to a potential requirement for the Council to contribute towards the construction of a new substation. The future power requirements of Middlehaven will now be met from extensions to the existing electricity infrastructure and therefore the potential liability to the Council has been removed.

CHANGES IN GROSS EXPENDITURE AND RESOURCES

12. 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.

13. The change in gross expenditure since the last review is a decrease of £283,000. Resources have increased by £3,197,000. A net difference of £3,480,000.

14. 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:

- **Building Schools for the Future: Design & Build** **£37,000**

15. An initial increase of £1,237,000 related to additional funding agreed with Partnership for Schools. As part of the BSF programme, the aim is to achieve 60% reduction in carbon emissions for the BSF schools. The Carbon Calculators have now been completed for Trinity (£604,000) and Oakfields (£633,000) and confirm that these schemes will achieve over the 60% carbon emission reduction, and as such, is eligible for additional funding.

In addition to this, the £1,200,000 ICT provision has been removed as explained in paragraph 10, resulting in only a minor increase of £37,000 overall.

- **CF&L Government Spending Review** **-£1,044,000**

16. As a result of the recent government spending review the following funding streams for Children, Families & Learning have been reduced by 50% in 2010/11 onwards, and the programme adjusted accordingly

Harnessing Technology Grant	-£870,000
Youth Capital Fund (YCF)	-£174,000

- **Invest to Save Carbon Reduction** **£100,000**

17. This scheme increased due to additional funding from Salix. £50,000 of this funding has been received with the remaining £50,000 to be received over the coming year.

- **LTP Block Budget** **-£1,307,000**

18. This total LTP programme has decreased this quarter due to a funding reduction following the Government spending review, £440,000 confirmed this year with the same assumed for future years of the programme. The programme has however

received additional funding from outside sources, (Sustrans grant £13,000) giving the overall programme the above reduction.

- **A66 North Ormesby Interchange** **£139,000**

19. This increase is due to increased costs for drainage works that was over and above the originally funded scheme. Payment for this work was agreed and the additional cost will be funded through the corporate initiatives fund.

- **Middlehaven Substation** **-£2,320,000**

20. This scheme has been removed from the capital programme as detailed in paragraph 11.

- **Tees Valley Metro** **- £1,350,000**

21. The expenditure and funding for this scheme have decreased, as the original budgets were only indicative figures, and were based on the original plan that all authorities involved in the Metro scheme would receive an equal share of the £5,000,000 funding. The grant was then paid to the lead authority for the scheme (Stockton Borough Council) and a plan of works was drawn up. At this point in time Middlesbrough Council has been awarded £150,000 for work on the North Entrance to Middlesbrough Rail Station. There will be further work ongoing regarding the Metro within the Borough but details of future funding are not yet finalised. Stockton Council are coordinating and financing the work with the remaining funds.

- **Transporter Bridge Development Stage One** **£112,000**

22. This is the first phase of a Heritage Lottery Funded project, covering development works on the Transporter bridge in order to prepare for it's centenary, with the stage two application due in September 2010. The Council has already received half of the funding for the scheme from the Heritage Lottery Fund and a plan of works is progressing to utilise the full funding.

- **Highways Maintenance – Road Repairs** **£6,000,000**

23. This funding over 3 years (£2m p.a. for 2010/11, 2011/12 and 2012/13) has been allocated through affordable borrowing to fund work to rectify damage to unclassified roads throughout the Borough as a result of the severe weather conditions earlier this year. The roads affected were initially identified through condition surveys and consultation with ward members and the public, and then prioritised through an assessment rating. The contract for the works has been awarded and a programme of works drawn up with work due to commence next month.

- **Single Housing Investment Programme** **-£896,000**

24. Middlesbrough's SHIP allocation for 2010/11 is £2,211,393, a decrease of £896,000 from previously reported indications. The Tees Valley SHIP allocation has been reduced in order to support the development of a Regional Loans Scheme. The Sub-Regional Banker Authority has retained a sum of £302,045 from Middlesbrough's allocation. The funds will be made available when there is a formal sign up to the scheme. A report will be presented to the Executive Member for consideration in August 2010.

OTHER VARIATIONS TO EXISTING PROJECTS

25. Other variations relate to changes in existing projects that do not have an impact on the overall gross expenditure. These are shown at **Appendix B**. A key transfer is shown below.

- **Cemetery Infrastructure Improvements** **£100,000**

26. This is a transfer from the Building Improvement Programme (BIP) to fund improvements to the chapels at the crematorium. The work will be undertaken in conjunction with the work to the cremators in order to minimise any disruption to service.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

27. 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.

28. 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 £7.876 million has been re-profiled from 2010/2011 to 2011/12 and future years of which £3.043 million related to block budget provisions.

29. The net impact of the movements of non-block budgets between financial years is summarised in the table below.

	2010/2011 £	2011/2013 £	Net £
Advances of Expenditure	+1,076,000	-1,076,000	0
Slippage of Expenditure	-4,833,000	+4,833,000	0
Total	-3,757,000	+3,757,000	0

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

31. The reasons for any material re-profiling into 2011/2012 and future years from 2010/2011 are:

- **Building Schools for the Future: Design & Build** **£3,813,000**

32. The re-profiling relates to the latest project management information across the building schools for the future programme.

- **Myplace** **£271,000**

33. The revised spend profile is based on the most up-to-date and more accurate building schedule. Construction has now started on site so a further adjustment to the profile is likely as work progresses and the contractor is able to provide an updated cash-flow projection. A further allocation of £50,000 has now been approved from the Youth Capital Fund in order to meet the cost of developing the outside spaces at the new centre.

- **Stewart Park Restoration Phase Two** **£507,000**

34. This slippage has arisen as a result of a delay in being able to source contractors for elements of the work which are of a specialist nature. The overall project will still be completed on time and within the grant deadlines.

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

35. It is requested that £1,000,000 of Council wide resources and £2,000,000 of earmarked resources be reprofiled into 2011/2012. The relocation of Dowding and Mills as part of the Middlehaven project has been delayed as the company has not yet appointed the required experts to design and cost the development of their new site at Riverside Park therefore no agreement is in place between the Council and Dowding and Mills for the allocation of the compensation funding.

It is anticipated that once the environmental surveys are completed the progress should accelerate rapidly. The majority of the funding will be drawn down during the construction phase therefore spend in 2010/11 will be much lower than in 2011/12. Further guidance is awaited on the breakdown between the two years, but it is estimated that spend in 2010/11 would be £600,000 with the remainder in 2011/12. Further breakdowns will be provided for future budget updates following a CMT/Executive report, seeking final approval to the scheme.

- **CSDPA - Equipment** **£144,000**

36. The level of demand from service users has decreased significantly following a review of the eligibility criteria, by the service. As a result of this action, it is estimated that £144,000 of planned expenditure can be re-profiled from 2010/11 into future years. If the current level of demand is maintained, it is now estimated that the approved capital budget will be fully utilised by May 2012. This represents a considerable improvement on the position as at 31st March 2010. At that time it was anticipated that the budget would be fully utilised by April 2011.

37. In overall terms **£1,076 million** has been re-profiled from 2011/2012 and future years to 2010/2011. The details by individual scheme are shown in **Appendix D**.

38. The reasons for any material re-profiling into 2010/2011 from 2011/2012 and future years are:

- **Building Schools for the Future: ICT** **-£213,000**

39. The BSF ICT contract covers a period of 5 years and is integrated with the Design and Build contract. The first schools go live in September this year. The original cost model for the ICT contract had not been changed as the Design and Build contract

progressed. This has now been revised in line with the contractors' revised cost model.

- **PSfC - Phase 1: Berwick Hills Primary** **-£522,000**
- **PSfC: Green Lane Primary Foundation-Stage Classroom** **-£117,000**

40. These budgets have been re-profiled in line with the latest anticipated programme of works for the project. Provided by the contractor and Design Services.

- **Cultural Development Fund** **- £220,000**

41. A CMT report is currently being compiled to update the authority's Heritage Lottery Fund (HLF) prospectus to develop the cultural and heritage projects across Middlesbrough. There is an HLF anticipated start date of 2010/11 for the following schemes. It is requested that these funds are brought forward from the 2012/2013 future year's allocation.

- Transporter Bridge £200,000 match funding – to install glass lifts, improve accessibility, enhance visitor attractions and a years centenary celebration events.
- Dorman Museum £20,000 match funding – Linthorpe Gallery redevelopment and purchase of pottery

ALLOCATION OF EXISTING BLOCK BUDGETS

42. 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	-179
	Devolved Formula Capital (DFC) Block Budget	-456
	Extended Schools' Block Budget	-16
	DDA Improvements Block Budget	-39
	Youth Capital Fund Block Budget	-50
	Supported Capital Expenditure Block Budget	-61
Corporate	DDA Block Budget	-25
	Small Scheme Block Budget	-13
	Urgent Works Block Budget	-36
	BIP Block Budget	-2,069
	IT Refresh Block Budget	-233
Environment	Invest to save Carbon Reduction	72
	Local Transport Plan	-508
Regeneration	Single Housing Investment Programme	-2,211
Social Care	Mental Health Block Budget	-118

EQUALITY IMPACT ASSESSMENT

43. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

44. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

45. In overall terms there is a decrease in the need for Council wide resources to support the capital programme of £3,480,000. This results from the changes reported in the budget update reports and a review of the key programme provisions and resources.

Item	£000's
Over-programming at Outturn	1,113
Quarter 1 decrease in net expenditure	-3,480
Revised Under-programming at Quarter 1	-2,367

46. Gross expenditure has decreased from £334.646 million to £334.363 million and the level of under-programming at quarter 1 is currently estimated at £2.367 million.
47. The overall programme position as at the quarter 1 review is shown at **Appendix F**.
48. **Legal Implications** – Not applicable.

RECOMMENDATIONS

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

REASONS

50. 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 – 3rd Quarter Capital Monitoring and Review 8 December 2009.
- Middlesbrough Council Draft Statement of Accounts 2009-10

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