

MIDDLESBROUGH COUNCIL

Overview and Scrutiny Board

1st Quarter Capital Monitoring & Review 2011/2012

Director of Strategic Resources

23 August 2011

PURPOSE OF THE REPORT

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

SUMMARY OF RECOMMENDATIONS

2. Overview and Scrutiny Board are asked to:

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

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

It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

✓

DECISION IMPLEMENTATION DEADLINE

3. For the purposes of the scrutiny call in procedure this report is

Non-urgent
Urgent report

✓

If urgent please give full reason

BACKGROUND AND EXTERNAL CONSULTATION

4. 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

5. The current capital programme commenced in April 2008 and runs to 2012/2013 and has a gross programme of expenditure of £326.176 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

6. The change in overall net expenditure across all schemes since the last review is an **increase of £2,000** in Council wide resources to support the programme (0.001% of the total programme). **Appendix A.**
7. 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.

CHANGES IN GROSS EXPENDITURE AND RESOURCES

8. 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.
9. The change in gross expenditure since the last review is a decrease of £3,542,000. Resources have decreased by £3,544,000. A net difference of £2,000.
10. 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:

- **Government's Comprehensive Spending Review** -
£7,402,000

11. Previously, the Children Families & Learning capital programme had included, in a number of areas, indicative funding allocations for the 2-year period 2011/13. However, following the government's Comprehensive Spending Review the following funding streams are no longer available therefore the programme has been adjusted accordingly:

Harnessing Technology (ICT) Grant	-£582,000	
City Learning Centre: Acklam Grange	-£300,000	
Youth Capital Fund	-£116,000	
Primary Strategy for Change Block Budget	-£6,404,000	.

- **Aiming High for Disabled Children**
£133,000

12. In May 2011, a further allocation of funding was approved by DfE for 2011/12. Officers have now put together a draft delivery plan.

- **Linthorpe Primary - Main Hall Extension**
£315,000

13. This is a proposed single storey extension to provide a hall for multi-use to be built on to the existing building at an estimated cost of £390,000. The project is to be part-funded by a contribution from the School's budget of £315,000 with the remainder being funded from the School's Devolved Formula Capital (DFC) allocation.

- **Transporter Bridge Centenary Phase Two**
£2,417,000

14. Since the last report, the stage-two bid was submitted and accepted by the Heritage Lottery Fund. The 'permission to start' documents were sent in June confirmation is currently awaited. The scheme will begin with a number of events leading up to the centenary itself on 17th October. This will be followed by the capital work on the lift, gondola, viewing platforms and repainting. There is a contribution of £150,000 from Stockton Council.

- **Grass Verge Replacement** **-£100,000**

15. As discussions are still ongoing with Erimus regarding the available VAT Shelter funding for 2011/2012, this year's budget has been removed from the programme. However, the Environment Service has allocated £100,000 of funding from other highways budgets to enable the current grass verges work to be maintained, until a decision is reached on future funding availability.

- **Capital Investment in Community Capacity**
£803,000

16. Social Care will be receiving a capital grant from the Department of Health for the next two years. This will enable continued capital investment to support delivery of adult social care services and for developing community capacity.

OTHER VARIATIONS TO EXISTING PROJECTS

17. Other variations relate to changes in existing projects which do not impact on the overall gross expenditure and are shown in **Appendix B**.

The significant changes are:

- **Stewart Park Heritage Lottery Phase Two** **£300,000**

18. In addition to the work eligible for the current Heritage Lottery funding, it was decided that there was a need to extend the car park resurfacing work to other areas of the park. Funding was approved from the Building Improvement Programme to cover this.

- **Transporter Bridge Heritage Lottery** **£200,000**

19. This transfer is from Regeneration's Culture Development Fund and is part of the Council's contribution to the Transporter Bridge's Centenary project. The funding has been utilised across the three phases of the scheme. £15,700 has been utilised as match funding of phase one. £133,000 is to mainly fund the additional costs incurred for bringing the design works to RIBA stage D standard to allow the phase two bid to commence, and £51,300 for phase two. Phase one is now completed, and the permission to start documents for phase two have just been submitted.

- **Local Transport Plan** **£508,000**

20. The change in gross expenditure on the Local Transport Plan is due to a transfer to the Tees Valley Bus Network Infrastructure Improvements a contribution of £476,000 and the Transporter Bridge Centenary project as shown below.

Project	Gross Expenditure £	Earmarked Resources £	Net Expenditure £
Local Transport Plan	-508,000	-270,000	-238,000
Tees Valley Bus Network Infrastructure	476,000	238,000	238,000
Transporter Bridge Centenary Project	32,000	32,000	0
Total	0	0	0

- **Tees Valley Bus Network Infrastructure** **£476,000**

21. Although the scheme is a five-year project, the Department for Transport (DfT) funding for 2011/12 has only recently been confirmed, and it has yet to be decided how the grant funding will be distributed between the five partner Authorities. Any changes will be reported at quarter 2. This increase is Middlesbrough Council's commitment to the scheme in 2011-12.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

22. 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.

23. 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 £8.045 million has been re-profiled from 2011/2012 to 2012/2013 and future years.

24. 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	+64,000	-64,000	0
Slippage of Expenditure	-8,045,000	+8,045,000	0
Total	-7,981,000	+7,981,000	0

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

26. The reasons for any material re-profiling into 2012/2013 and future years from 2011/2012 are:

- **Building Schools for the Future (BSF) £121,000**

27. The re-profiling relates to the latest project management information across the BSF programme.

- **Stewart Park Heritage Lottery Phase Two £297,000**

28. The preliminary treatment of the land took longer than anticipated due to the severity of the contamination. As a result the capital works are likely to be delayed requiring re-profiling of some of the works into 2012-13.

- **Equal Pay Awards £4,444,000**

29. The latest assessment of the value of Equal Pay claims means that the allocation will not be required in 2011/2012.

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

30. Discussions around extending the existing funding agreement between the Council, One North East (ONE) and the Department of Business is on-going. It is not anticipated the full allocation will be spent this financial year and therefore, it is requested that £3,000,000 of funds be slipped into 2012/2013.

31. In overall terms **£0.064 million** has been re-profiled from 2012/2013 and future years to 2011/2012. There were no material items and the details by individual scheme are shown in **Appendix D**.

ALLOCATION OF EXISTING BLOCK BUDGETS

32. 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 1 Allocation £
Children, Families & Learning	Capital Improvements Block Budget	-1
	Devolved Formula Capital (DFC) Block Budget	-736
	Extended Schools' Block Budget	-5
	Supported Capital Expenditure Block Budget	-393
	BSF - D&B Block Budget	579
	BSF - ICT - Central Costs Block Budget	5
Corporate	Urgent Works Block Budget	-210
	BIP Block Budget	-1,938
	IT Refresh Block Budget	-718
Environment	Local Transport Plan	-2,369
	Invest To Save - Carbon Reduction	-140

EQUALITY IMPACT ASSESSMENT

33. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

34. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

35. In overall terms there is a decrease in the need for Council wide resources to support the capital programme of £259,000. This results from the changes reported in the budget update reports and a review of the key programme provisions and resources.

Item	£000's
Under-programming at Outturn	-4,788
Quarter 1 increase in net expenditure	2
Net change in available resources	-137
Increase in Capital Receipts	-124
Revised Under-programming at Quarter 1	-5,047

36. Gross expenditure has decreased from £329.717 million to £326.176 million and the level of under-programming at quarter 1 is currently estimated at £5.047 million (1.55%).
37. The overall programme position as at the quarter 1 review is shown at **Appendix F**.

38. **Legal Implications** – Not applicable.

RECOMMENDATIONS

39. 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

40. 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 – 4th Quarter Capital Monitoring and Review 21 June 2011

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