

MIDDLESBROUGH COUNCIL
OVERVIEW AND SCRUTINY BOARD

AGENDA ITEM 6

Capital Outturn 2013/2014

Deputy Mayor & Executive Member for Finance & Governance

Executive Director Commercial & Corporate Services

22 July 2014

PURPOSE OF THE REPORT

1. To present to Overview and Scrutiny Board an update on the Council's capital programme (2013/2014 to 2016/2017 as at 31 March 2014).

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 D**.

EXECUTIVE SUMMARY

3. The summary of key issues are listed below:-

- The four year capital budgets have increased by £9.4 million overall to a total of £160.5 million and is funded as follows:

	£m
• Grants	53.9
• Capital Receipts	35.0
• Affordable Borrowing	51.4
• Contributions	19.2
• Direct Revenue Funding	1.0

Total 160.5

- Additional capital resources of £13.3 million have been identified to support the programme and additional expenditure.
- £32 million of expenditure has been re-profiled.
- In July 2103, the capital programme was over-programmed by £4.7 million.

- This over-programming has now been addressed and following the review the capital programme is now under-programmed by £5 million by securing additional contributions and capital receipts. Capital resources are estimated to be £5 million in excess of the current agreed capital programme. These resources could be used to meet additional capital priorities or reduce the revenue cost of borrowing.

BACKGROUND AND EXTERNAL CONSULTATION

4. Following a major review of the capital programme in July 2013 the capital programme was agreed at £151 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.
5. Members will be aware the Council has embarked on a further appraisal and review of the capital priorities with a greater emphasis on Member involvement and achievement of outcomes in line with Council priorities. It is expected this review will come to completion in October 2014.

CHANGES IN GROSS EXPENDITURE AND RESOURCES

8. The change in gross expenditure since the last review is an increase of £9.377 million. Resources have increased by £13.274 million. A net increase of £3.897 million.
9. The changes in gross expenditure since the last review are summarised in the table below.

Service	4 Year Budget July 2013 £000's	4 Year Budget 31 March 2014 £000's	Change £000's
Wellbeing Care & Learning	17,960	19,725	1,765
Economic Development & Communities	120,254	124,881	4,627
Commercial & Corporate	12,859	15,844	2,985
Total	151,073	160,450	9,377

10. The changes to resources available come from.
 - School contributions +£1.4 million
 - Grants and Contributions + £2.1 million
 - Borrowing for the Cleveland Mall Hotel, paid for by the developer +£5.8 million
 - Affordable borrowing +£3.8 million
 - Other £0.2 million.
11. The significant expenditure variations to the programme are set out in paragraphs 12 to 20 below.

- **Outwood Academy** **£800,000**

12. This is a new project for internal alterations to various wings of the main school. Due to the work being internal, work can only be carried out avoiding disruption to day to day classes, predominantly carried out during the school holidays. The costs of the works will be fully charged back to the academy.

- **Community Capacity Grant** **£824,000**

13. Social Care will receive 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.

The grant has so far been committed to:

- Support Telecare £50,000
- IAS System £81,000
- Relocation of the contact centre to MICC £71,000
- Cumberland Centre Changing place development £34,000
- Relocation of the independent living centre ££168,000
- Connect service equipment £102,000.

£324,000 of the additional grant remains uncommitted.

- **Disabled Facilities Grant** **£760,363**

14. The Department for Communities and Local Government (DCLG) announced the 2014/15 Disabled Facilities Grant allocation in January 2014.

- **Cleveland Mall Hotel** **£5.8 Million**

15. In April 2014 the Council provided loan support for the development of the long term empty office accommodation of Captain Cook/Endeavour House. The loan will be repaid to the Council with interest over a period of 9 years, will see the accommodation converted into a 138 bedroom hotel which will be operated under a franchise by Holiday Inn Express Hotels. The development will see the development of a building that would otherwise remain empty and will create over 100 new jobs in the town.

- **Gresham Phase 2b** **-£2.1 Million**

16. Gresham Phase 2b project has been reduced by £2.1 million to reflect the Mayors decision on demolitions and to provide grant support to residents.

- **Investing In Physical Regeneration To Drive Economic Growth** **£835,000**

17. The Homes and Communities Agency (HCA) will contribute £2,450,000 to the Middlehaven Urban Pioneers project, however, this contribution will be made directly to contractors and not directly through the Council. An additional project, Site Assembly At Middlehaven, has been approved and HCA have made a contribution to the Council of £1,615,000. Taking the above into consideration, it is necessary to

reduce gross and earmarked expenditure stated on the Investing In Physical Regeneration To Drive Economic Growth project by £835,000.

- **Purchase of new Vehicles** **£500,000**

18. An allocation of £500,000 funding for 2013/2014 as approved in the Capital programme Report to Executive on 16 July 2013. However a further £500,000 was agreed to be available from other capital programme underspends.

- **Weekly Collection Fund** **-£421,000**

19. Capital expenditure has decreased by £421,000 and revenue expenditure has increased by £421,000. The overall Government grant to support the scheme remains the same. Of the remaining capital allocation, £195,000 has been re-profiled to enable improvements and enhancements to the revised collection arrangements, which will enable the final elements of the scheme to be implemented and help to further improve recycling rates.

- **ICT Strategy** **£2.4 million**

20. The Council has taken back direct responsibility for IT investment required for providing the Mouchel partnership IT investment.

21. Detailed variations are shown by service and individual schemes in **Appendix A**.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

22. Schemes to the value of £31.987 million have been re-profiled into later years from 2013/2014. Schemes totalling £555,000 have been brought forward into 2013/14. The table below summarises the re-profiling by service.

Service	Re-profiled to 2014/2015 £000's	b/fwd from 2014/2015 £000's	Net Re- profiling 2013/2014 £000's
Wellbeing Care & Learning	8,093	-93	8,000
Economic Development & Communities	19,636	-462	19,174
Commercial & Corporate Services	4,258	0	4,258
Total	31,987	-555	31,432

23. The key schemes which have been re-profiled are as follows:

- **Securing Service for Children with Complex Needs** **£423,000**

24. This funding is allocated for a new build for children with disabilities to stay on a long term basis. A site has been found for the new build but negotiations are still taking place. There is a possibility that this site may not be secured for the new build. The new build is for approximately 6 beds. The objective is to make savings from reducing the more expensive out of area placements. As the site is still at the negotiations stage, there is a possibility that this project will span into 2015/2016.

- **Devolved Formula Capital (DFC)** **£808,000**

25. This rolling budget allocation is received from the Education Funding Agency each year (2013/2014 £296,000, 2014/2015 £110,000). Most of the reduction between the years results from the increase in the number of schools changing to academy status and receiving funding directly from the Government. Each maintained school has a designated balance left out of this pot, which will be spent on projects which meet the criteria spend as and when they arise. The balance should reduce significantly during 2014/2015 and future years, as the designated balance each school has left to spend can be taken up from a single project.

- **Schools Supported Capital Expenditure** **£4,963,000**

26. This is a rolling budget for schools capital which is spent on projects which meet the criteria, as and when they arise.

- **Housing Regeneration – Gresham Phase 1** **£1,108,000**

27. The budget for Gresham Phase 1 has been re-profiled to allow for the completion of the site clearance of this phase.

- **Housing Regeneration – Gresham Phase 2a** **£764,000**

28. The budget for Gresham Phase 2a has been re-profiled to allow for the completion of the site clearance of this phase.

- **Housing Regeneration – House To Home** **£1,082,000**

29. Negotiations with a developer have delayed the delivery of the House To Home project. An agreement was therefore reached with DCLG to delay spend and the delivery of agreed outputs to 31st March 2015 and as such £1,082,000 of funds are to be re-profiled into 2014/2015.

- **Investing In Physical Regeneration To Drive Economic Growth** **£5,053,000**

30. £5,053,000 of funds, of which £4,828,000 is contributed by Homes and Communities Agency requires re-profiling. At the point of inclusion in the capital programme it was anticipated that works on individual projects would commence in 2013/2014, however, HCA subsequently re-prioritised certain projects such as Middlehaven Dock Bridge meaning works will not commence until 2014/2015. Delays have also been encountered on the Urban Park project due to adverse soil conditions being found during site investigation works, resulting in HCA seeking Government approval for further funding to deal with the remediation of the land.

- **Middlehaven Provision – Property Acquisition** **£2,164,000**

31. Works on Sulzer Dowding and Mills new premises are now progressing well with completion anticipated in September 2014. The remaining allocation of £2,164,000 is re-profiled into 2014/2015 to cover the expenditure expected to incur to complete the relocation.

- **Affordable Housing Via Section 106** **£1,201,000**

32. £1.2 million of available resources to support affordable housing via section 106 developer contributions has been re-profiled.

- **Critical Compliance And Investment Works Block Budget** **£1,016,000**

33. A review of priorities of the Critical Compliance And Investment Works was undertaken during 2013/2014. This resulted in changes to the timing and the priority of projects. The review has required the need to re-profile funding into 2014/2015.

- Central Works Depot \ Fence £150,000
- Multi Media Centre £189,
- Bus Station Toilets £95,000

- **Local Transport plan (LTP)** **£772,000**

34. £772,000 of LTP has been re-profiled. This is across a number of schemes, but the major re-profiling relates to delays in the Transporter Bridge Repainting (£325,000) and Highways Maintenance of (£205,000). Works to the Transporter bridge will take longer than originally estimated as a result of much more surface preparation work needing to be carried out prior to painting. This has resulted in a cost increase of £791,000 over the original estimate which has been funded from LTP.

- **Worksmart ICT** **£2.86 million**

35. This project has been re-profiled into 2014/2015 primarily due to the ongoing building review and service re-structures and will progress with the Change Programme.

36. Detailed re-profiling for all schemes is shown at **Appendix B**.

EQUALITY IMPACT ASSESSMENT

37. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

38. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

39. In July 2013 the level of over-programming for the 4 year programme (expenditure exceeding resources) was £4.766 million. The capital investment review within the Change Programme identified capital financing savings that addressed the over-programming issue. The overall impact of additional resources and changes to gross expenditure is shown in the table below.

	July 2013 £000's	31 March 2014 £000's	Change £000's
Over / (Under)-programming	4,766	(5,043)	9,809

40. The capital programme is now under-programmed by £5 million by securing additional contributions and capital receipts. Capital resources are estimated to be £5 million in excess of the current agreed capital programme. These resources could be used to meet additional capital priorities or reduce the revenue cost of borrowing.
41. The overall programme allowing for changes in expenditure and resources is summarised at **Appendix D**.
42. **Legal Implications** – Not applicable.

RECOMMENDATIONS

43. Overview and Scrutiny Board are asked to:

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

REASONS

44. 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:

None

AUTHOR: John Shiel,
TEL NO: (01642) 729548

Address:

Website: <http://www.middlesbrough.gov.uk>