

MIDDLESBROUGH COUNCIL
OVERVIEW AND SCRUTINY BOARD

AGENDA ITEM

1st Capital Monitoring & Review 2014/2015

Deputy Mayor & Executive Member for Finance & Governance

Executive Director Commercial & Corporate Services

9 December 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 August 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. This report provides Members with an updated position on the current approved capital programme to 2016/2017.
4. The report identifies the changes to the capital programme since it was last reported to Members in the 2013/2014 Capital Outturn report.
5. The capital budget for 2014/2015 is now £76.9 million.
6. The four year capital budgets have increased by £2.0 million overall to a total of £162.5 million and is funded as follows:

	£m
• Grants	54.9
• Capital Receipts	33.6
• Affordable Borrowing	51.4
• Contributions	20.2
• Direct Revenue Funding	2.4
Total	162.5

7. The major changes to the programme are as follows.

- Additional capital resources of £3.4 million have been identified to support the programme and additional expenditure. These come from.

• School contributions	£1.5 million
• Grants and Contributions	£1.9 million
Total	£3.4 million

- £12.8 million of projects have been re-profiled from 2014/2015 to 2015/2016. £4 million relating to two projects, which are Middlesbrough Sports Village (£2 million) and the TWI project - South West Iron Masters (£2 million) have been re-profiled forward from 2015/2016 into 2014/2015.
- Middlesbrough Sports Village enhancements including increasing the hall size and the addition of a velodrome have added £2.5 million to the project costs. This has been met through utilising capacity in IT investment and accommodation budgets.
- Two Regeneration projects, the cultural development fund - £180,000 and the general Opportunities pot £1,161,000 have been identified as no longer required and have released £1,341,000 back to the programme for new projects.
- The capital programme is under-programmed by £6.4 million (available resources exceeding expenditure)
- This under-programming could be used to meet additional capital priorities or reduce the revenue cost of borrowing. This is currently being considered by Executive as part of the review of capital priorities.

BACKGROUND AND EXTERNAL CONSULTATION

8. Members will be aware the Council is in the process of 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.

CHANGES IN GROSS EXPENDITURE AND RESOURCES

9. The change in gross expenditure since the last review is an increase of £2.033 million. Resources have increased by £3.378 million. A net increase of £1.345 million.
10. The changes in gross expenditure since the last review by Outcome are summarised in the table below.

Service	4 Year Budget 1 April 2014 £000's	4 Year Budget 31 August 2014 £000's	Change £000's
Outcome 1 – Economic Development	82,480	81,410	(1,070)
Outcome 2 – Supporting Communities	42	42	0
Outcome 4 – Learning & Skills	16,684	19,859	3,175
Outcome 6 – Social Care	6,212	6,312	100
Outcome 7 – Environment Property & Commercial Services	39,188	40,066	878
Outcome 8 – Finance & Investment	479	479	0
Outcome 9 – Organisation & Governance	15,365	14,315	(1,050)
Total	160,450	162,483	2,033

11. The changes to resources available come from.

- School contributions £1.5 million
- Grants and Contributions £1.9 million
- Total £3.4 million

12. The significant expenditure variations to the programme are set out in paragraphs 15 to 29 below.

Outcome 1

- **Housing Regeneration – Grove Hill Joint Venture £200,000**

13. Erimus Housing have contributed £200,000 of the Grove Hill Joint Venture allocation to allow the Council to complete the works being undertaken on the neighbourhood park and the acquisition of Palladium Shops.

- **Housing Regeneration – Empty Homes Round 2 £336,000**

14. The Council has been awarded a grant of £336,000 by the Homes and Communities Agency (HCA) to bring 10 empty homes back into use. When renovated, the Council will engage with a registered housing provider to offer the properties for affordable rent.

- **Boho 5 -£164,000**

15. The successful tender for the construction of Boho 5 was significantly less than originally anticipated; costs for the project have been re-calculated, resulting in savings of £164,000 to the grant providers HCA and the European Regional Development Fund (ERDF). This does not provide more resources for the Council.

- **Culture Development Fund** **-£180,000**
16. There are no calls on the Culture Development fund and as such the Council resource can be available for possible new starts as part of the capital review process.
- **General Opportunities Pot** **-£1,161,000**
17. There is no planned expenditure on the remainder of the General Opportunities Pot so the allocation can also be available for possible new starts as part of the capital review process.
- **Middlehaven Provision Property Acquisition** **£197,000**
18. HCA are providing an additional £197,000 to part cover additional expenditure incurred in the relocation of Sulzer Dowding and Mills.
- **Clairville Common** **-£130,000**
19. The original capital allocation for works on Clairville Common was £420,000, however, the costs of the required improvement works have now decreased to £320,000, this is detailed in a briefing paper to CEMT on 27th February 2014. Of the £320,000 revised allocation re-profiling of £290,000 into 2015/2016 will be required. As this is funded from an earmarked developer contribution it does not increase overall capital resources available.
- **Transporter Bridge**
20. The Transporter Bridge Enhancement and painting works has had a number of unforeseen technical problems. These have led to an extended delivery programme and additional redesigns and increased quantities of work. The total cost of the additional works and contractor claims is currently being assessed and a detailed report will be brought to Executive on these issues, but is not expected to exceed £4 million. This amount will be managed from Local Transport Plan (LTP) resources.

Outcome 4

- **Devolved Formula Capital 2014/2015** **£229,000**
21. We have received £229,000 for Devolved Formula Capital 2014/2015 funding from the Education Funding Agency (EfA). This funding is devolved to schools.
- **Universal Infant Free School Meals** **£261,000**
22. Key Stage 1 pupils all now entitled to a free school meal, a one off capital payment was received in 2014/2015 from the EfA to help schools prepare for the additional capacity of school meals provided, in the form of kitchen equipment and dining area facilities. £84,000 of this has been allocated to projects since the last review.
- **LA Capital Maintenance** **£947,000**
23. The Council has now received from the EfA the 2014/2015 allocation for schools capital maintenance.

- **School Direct Revenue Contributions** **£1,500,000**

24. Schools have contributed £1.5 million from revenue school balances towards individual schools projects since 1 April 2014.

Outcome 7

- **Ex-offenders Project** **(£228,000)**

25. This scheme has developed and will now be led by a partner organisation. Rather than the Council receiving a contribution to the project, the Council will make a contribution. Gross Council expenditure and received contributions is reduced accordingly. The overall support from the Council to the project remains unchanged.

- **Middlesbrough Sports Village** **£2,500,000**

26. As this scheme has evolved further refinements to the project have been required and additional enhancements such as a velodrome have been added to the project. A breakdown of the main additional costs is shown below. These additional costs will not have an impact on the overall capital resources available to the Council as they can be met from savings arising from a reassessment of the costs of both the IT capital provision and the accommodation provision.

	£
• Main Hall Extension	550,000
• Velodrome	1,000,000
• Gym Equipment	321,000
• Childrens Play Equipment	100,000
• Furniture	150,000
• Path & Cycle route from rail halt	202,000
• Road signage	50,000

- **Accommodation** **-£1,450,000**

27. An updated assessment of the accommodation requirement to support the Change Programme has been made and in the next two to three years, it is anticipated that only £1 million will be required to invest in the Civic Centre to ensure it remains fit for purpose. This will help to address heating and other office reconfigurations needed to maximise the use of the building.

Outcome 9

- **IT Investment** **-£1,050,000**

28. An updated assessment of the IT strategy to support the Change Programme has been made. The applications review and recent and planned upgrades to major Council IT systems has allowed a reassessment of future server investment requirements to be reduced. IT capital budgets are now consolidated in one service area.

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

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

30. Schemes to the value of £12.8 million have been re-profiled into later years from 2014/2015. 2 Schemes totalling £4.07 million have been brought forward into 2014/2015. The table below summarises the re-profiling by outcome.

Service	Re-profiled to 2014/2015 £000's	b/fwd from 2014/2015 £000's	Net Re-profiling 2013/2014 £000's
Outcome 1 – Economic Development	7,271	(2,070)	5,201
Outcome 7 – Environment Property & Commercial Services	3,000	(2,000)	1,000
Outcome 9 – Organisation & Governance	2,350	0	2,350
Total	12,621	(4,070)	8,551

31. The key schemes which have been re-profiled and the reasons are set out as follows in paragraphs 33 to 52.

Outcome 1

- **Housing Regeneration** **£1,816,000**

32. The 2014/2015 expenditure has been estimated on anticipated property acquisitions. Included in the projection for Gresham Phases 1 and 2a are estimates for the acquisition costs of a number of properties from a private landlord and a social housing provider. Both deals are anticipated to conclude this financial year but if delayed could slip into 2015/2016. The following budgets require re-profiling into 2015/2016 to complete the acquisition of the remaining properties within Gresham and St Hilda's:

- £428,000 St Hilda's
- £749,000 Gresham Phase 1
- £564,000 Gresham Phase 2a

33. £75,000 also requires re-profiling from the Gresham Phase 2b project as take up of grants, particularly from landlords has been slower than anticipated.

- **Boho 5** **£147,000**

34. £147,000 of funds require re-profiling into 2015/2016, this is due to delays in the procurement of the construction contract.

- **Investing In Physical Regeneration To Drive Economic Growth** **£616,000**

35. £616,000 of the 2014/2015 Council wide resource for this budget requires re-profiling into 2015/2016. This relates to the Middlehaven Dock Bridge project.

- **Affordable Housing Via Section S106** **£2,851,000**
36. £2,851,000 of expected section 106 contributions will not be received in 2014/2015 and therefore require re-profiling into 2015/2016.
- **Grey Towers Farm S106 Sport And Recreation Contribution** **£100,000**
37. There are plans in place to spend this allocation in 2015/2016, as such £100,000 requires re-profiling into 2015/2016.
- **Clairville Common** **£290,000**
38. Works on Clairville Common are planned to commence in spring 2015. It is anticipated that only £30,000 of the budget will be required in 2014/2015 and the remaining £290,000 requires re-profiling into 2015/2016.
- **Section 106 – Highways Infrastructure Developments** **£1,291,000**
39. The full 2014/2015 allocation of £1,291,000 has been re-profiled into 2015/2016 due to the delay in receipt of the various section 106 payments that the budget comprises.

Outcome 7

- **Section 106 – Play Facilities Kader / Brookfield** **£209,000**
40. £209,000 has been re-profiled into 2015/16 due to a change in the timing of the receipt of the section 106.
- **Section 106 – Middlebeck/ Millennium Green** **£100,000**
41. £100,000 has been re-profiled into 2015/16 due to the timing of the receipt of the section 106 contribution.
- **Critical Compliance & Investment Works (CCIW) Block Budget** **£482,000**
42. It is requested that £482,000 of the Critical Compliance & Investment Works Block Budget is re-profiled into 2015/2016 as works did not commence as planned due to the delay in the approval of the 2014/2015 programme.
- **CCIW – Multi Media** **£129,000**
43. Planned works on the Multi Media centre have been put on hold as the project is subject to appraisal in the capital review. It is requested that £129,000 is re-profiled into 2015/2016.
- **Energy Efficiency and Renewable Energy** **£154,000**
44. The Energy Efficiency and Renewable Energy project is subject to capital appraisal, should the project be approved it is intended to use the remaining resource for photovoltaics (PV) works at the Rainbow Centre and Neptune Centre, the works would

commence in 2015/2016 and it is requested that £154,000 is re-profiled to pay for the works.

Outcome 9

- **Disaster Recovery** **£1,000,000**

45. Of the £5.9million Applications Review allocations detailed above, £1 million relating to the Disaster Recovery Project needs to be re-profiled into 2015/2016. It is intended that this forms part of the provider re-tender exercise which will begin in 2015/2016.
46. Detailed re-profiling for all schemes is shown at **Appendix B**.

Re-profiling of expenditure and resources from future years to 2014/2015

47. £4.070 million of resources requires re-profiling from future years into 2014/2015. Details of the schemes where there is major re-profiling are listed below.

- **Investing In Physical Regeneration To Drive Economic Growth** **£2,070,000**

48. It is requested that £2,070,000 of earmarked resources are re-profiled into 2014/2015 to fund projects that have been agreed by both the Council and funding partners, primarily TWI Phase 1.

- **Middlesbrough Sports Village** **£2,000,000**

49. It is requested that £2,000,000 of future years funds are re-profiled into 2014/2015 as the construction of the Sports Village is being undertaken quicker than originally envisaged. Works are now expected to conclude in 2015/2016.
50. A report will shortly be presented to Executive requesting additional funding for the project to fund the full contract cost, the velodrome, gym and play equipment. Grant of £500,000 is being sought from British Cycling to part fund the costs of the velodrome.
51. Detailed re-profiling for all schemes is shown at **Appendix C**.

EQUALITY IMPACT ASSESSMENT

52. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

53. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

54. At The 2013/2014 outturn, the level of under-programming for the 4 year programme (resources exceeding expenditure) was £5.043 million. The revised position following this review has increased that estimated under-programming to £6.388 million.

	1 April 2014 £000's	31 August 2014 £000's	Change £000's
Over / (Under)-programming	(5,043)	(6,388)	1,345

55. Capital resources are estimated to be £6.4 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.
56. The overall programme allowing for changes in expenditure and resources is summarised at **Appendix D**.
57. **Legal Implications** – Not applicable.

RECOMMENDATIONS

58. Overview and Scrutiny Board are asked to:

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

REASONS

59. 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

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