

MIDDLESBROUGH COUNCIL
OVERVIEW AND SCRUTINY BOARD

AGENDA ITEM 4

28 April 2015

2nd Capital Monitoring & Review 2014/2015

Deputy Mayor & Executive Member for Finance & Governance

Executive Director Commercial & Corporate Services

28 April 2015

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 January 2014).

SUMMARY OF RECOMMENDATIONS

2. Overview and Scrutiny Board are asked to:
 - a) Note the projected outturn for 2014/2015 of £64.1 million.
 - b) Note the increase in the overall capital programme of £26.6 million.
 - c) Note the net re-profiling of £12.9 million.
 - d) Note the impact on the 2014/2015 revenue budget of a one-off saving of £420,000 resulting from the re-profiling of the 2014/2015 capital expenditure.
 - e) Note the capital programme for the period to 2017/18 as outlined in Appendix D.

EXECUTIVE SUMMARY

3. This report provides Members with an updated position on the current approved capital programme to 2017/2018.
4. The report identifies the changes to the capital programme since it was last reported to Executive in the 1st Capital Monitoring and Review on 4 November 2014. Members will note Executive agreed to a further 23 projects totalling £13.9 million being added to the capital programme on the 20 January following a review.
5. The capital budget for 2014/2015 is now £64.1 million.

6. The five year capital budget has increased by £26.6 million to a total of £189.1 million and is funded as follows:

	£ million	%
Grants	67.8	36
Capital Receipts	46.3	24
Affordable Borrowing	53.0	28
Contributions	20.6	11
Direct Revenue Funding	1.4	1
Total	189.1	100

7. The key elements of the additional £26.6 million relate to the following:

	£ million
• 23 New Schemes (Agreed by Executive 20 January)	13.9
• New School Funded Schemes	0.9
• Additional DFE Grant (2015/16 to 2016/17)	1.7
• Additional Social Care Grants (2015/16)	1.3
• Additional LTP funding (2015/16 to 2017/18)	8.3
• Other	0.5
Total	26.6

8. £13.2 million of projects have been re-profiled from 2014/2015 to 2015/2016. This has had an impact on the capital financing revenue budget resulting in a £420,000 one-off saving, as anticipated borrowing has not been required to fund the expenditure which has been re-profiled.

BACKGROUND AND EXTERNAL CONSULTATION

9. At the first monitoring and review of the 2014/2015 capital programme, Members asked for an update on the 10 largest projects. These are set out in detail for Member's information at **Appendix E** and are listed in the table below:

Outcome	Project Name	Budget £000's
1 - Economic Development	Local Transport Plan (LTP)	12,064
	TWI Phase 1	8,460
	Cleveland Mall Hotel (Loan)	5,800
	Gresham Phase2a	5,000
	Affordable Housing via Section 106	4,686
	Boho 6	3,875
	Transporter Bridge HLF Phase 2	2,103
4 - Learning & Skills	Linthorpe Primary School Extension	1,722
6 - Social Care	Disabled Facilities Grant	3,863
7- Environment	Middlesbrough Sports Village	21,452
	Total	69,025

CHANGES IN GROSS EXPENDITURE AND RESOURCES

10. The change in gross expenditure since the last review is an increase of £26.6 million. External resources have increased by £12.3 million, resulting in a net increase of £14.3 million to be funded by the Council.
11. The changes in gross expenditure since the last review by Outcome are summarised in the table below:

Service	5 Year Budget 31 August 2014 £000's	5 Year Budget 31 January 2015 £000's	Change £000's
Outcome 1 – Economic Development	81,410	100,112	18,702
Outcome 2 – Supporting Communities	42	42	0
Outcome 4 – Learning & Skills	19,859	22,543	2,684
Outcome 6 – Social Care	6,312	7,868	1,556
Outcome 7 – Environment Property & Commercial Services	40,085	43,409	3,324
Outcome 8 – Finance & Investment	460	0	-460
Outcome 9 – Organisation & Governance	14,315	15,114	799
Total	162,483	189,088	26,605

12. The £26.6 million additional resources comes from the following:

	£ Millions
• Grants and Contributions (external)	12.3
• Additional Borrowing	3.9
• Schools	2.8
• Under-programming (from 1 st Review)	6.4
• Current Over-programming (2 nd Review)	0.2
• Additional Capital Receipts	1.0
Total	26.6

13. On the 20 January 2015, Executive agreed to adding 23 new projects to the capital programme. These projects amount to £13.9 million of the £26.6 million. The 23 projects are shown on the table below. The further significant projects which make up the remainder of the £26.6 million are set out in paragraphs 14 to 23 below.

Outcome	Project Name	Budget 000's
1 - Economic Development	Street Lighting (Invest To Save)	5,000
	Town Hall HLF Lottery Project	811
	Tackling Town Centre Vacancies	180
	Boho 'Grow On' Space	425
	Baker Street Phase 2	250
	Town Centre Monitoring and WIFI	200
	Bringing Sites To Sale	88
	Zetland Car Park – Renew Waterproof Membrane	80
	Middlesbrough Theatre	1,502
	Capitalisation of Highways Maintenance	275
	Highways Maintenance	1,800
6 - Social Care	Financial Assistance Loans	180
7- Environment	Energy Efficiency (Invest to Save)	950
	Renewable Energy (Invest to Save)	840
	Playground Equipment	150
	Central Lodge, Stewart Park	300
	Parks Improvement	160
	Captain Cook Statue	250
	Back Street Waste Management	43
	Bereavement Services	166
	Capitalisation of Street Scene Costs	55
	Capitalisation of Wheeled Bin Replacements	100
	Small Members' projects	120
	Total	13,925

Outcome 4 – Learning & Skills

- **Devolved Formula Capital 2015/2016** **£223,000**
- **Basic Need 2015/2016 & 2016/2017** **£1,490,000**

14. The Education Funding Agency have confirmed new grants of £223,000 for the 2015/2016 financial year for Devolved Formula Capital and £1.49m for Basic Need for financial years 2015/2016 and 2016/2017 of £727,000 and £763,000 respectively.

- **Pallister Park Primary School** **£1,082,000**

15. A new scheme for internal alterations and extension. Planning will take place in 2014/2015 with the work scheduled to start 2015/2016.

- **Newham Bridge Primary School** **£102,000**

16. This project has increased by £102,000 since the last review. This is a school-led project to extend a classroom. Further changes were made to the plans which have incurred additional costs.

- **Schools Direct Revenue Contributions** **£2,828,000**

17. Schools have contributed £2.828 million from revenue school balances towards individual schools' projects since 1 April 2014.

Outcome 6 – Social Care

- **Community Capacity Grant** **£422,000**

18. The Council has received notification of a capital grant from the Department of Health as part of the Better Care Fund for 2015/2016. This will enable continued capital investment to support delivery of adult social care services and for developing community capacity.

- **Disabled Facilities Grant** **£885,000**

19. The Council has received notification of a capital grant from the Department for Communities and Local Government as part of the Better Care Fund for 2015/2016. This will enable continued capital investment to deliver the Disabled Facilities Grant programme.

Outcome 7 – Environment, Property & Commercial Services

- **MIMA Refurbishment** **£130,000**

20. Essential repairs and heating installation at MIMA are to be met from the MIMA sinking fund currently held within the Council's reserves.

- **Middlesbrough Sports Village** **£615,000**

21. £500,000 of the increase to the scheme relates to a contribution from British Cycling towards the Velodrome. The project total now includes in the contributions from James Cook Hospital and Middlesbrough College towards the access road of £115,000.

Outcome 8 – Finance & Investments

- **Equal Pay** **-£460,000**

22. We had retained a provision for potential equal pay costs following case law which effectively allowed claims up to 6 years after the breach of equal pay. It is now almost 8 years since the 3 years protection in job evaluation expired (March 2007) so there is no

longer any risk of further claims against the Council. The provision has been freed up to use as a capital resource.

Outcome 9 – Organisation & Governance

- **Agresso** **£775,000**

23. A budget of £3.2million was originally identified for the Agresso implementation. Whilst the overall cost is not expected to increase, the Council has sought to maximise the amount to be capitalised in order to provide more financial flexibility. The impact is that £775,000 more has been identified which can be capitalised from within existing resources. The revenue costs have reduced accordingly.

24. All scheme variations are shown by service and individual schemes in **Appendix A**.

RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

25. Schemes to the value of £13.2 million have been re-profiled into later years from 2014/2015. Schemes totalling £309,000 have been brought forward into 2014/2015. The table below summarises the re-profiling by outcome:

Service	Re-profiled from 2014/2015 £000's	b/fwd to 2014/2015 £000's	Net Re-profiling To future years £000's
Outcome 1 – Economic Development	7,638	(160)	7,478
Outcome 2 – Supporting Communities	32	0	32
Outcome 4 – Learning & Skills	3,676	0	3,676
Outcome 6 – Social Care	298	0	298
Outcome 7 – Environment Property & Commercial Services	365	(199)	166
Outcome 9 – Organisation & Governance	1,144	50	1194
Total	13,153	(309)	12,844

26. The key schemes which have been re-profiled and the reasons are set out as follows in paragraphs 27 to 49.

RE-PROFILING OF EXPENDITURE AND RESOURCES INTO FUTURE YEARS FROM 2014/2015

Outcome 1 – Economic Development

- **Stepping Stone (S106)** **£293,000**

27. The 2014/2015 allocation for Stepping Stones totalled £480,000, it is envisaged that £187,000 will be spent, the remaining £293,000 of funds require re-profiling to support applications in 2015/2016. This resulted from a less than anticipated take up of loans.

- **Gresham Phase 2a** **£320,000**

28. At the September review the resource allocated to Gresham Phase 2a totalled £1.7million. A number of acquisitions will not complete until 2015/2016 and appropriate provision has been made to meet the cost.

29. The 2014/2015 expenditure has been estimated based on probable acquisitions. Included in the projection for Gresham Phases 1 and 2a are costs submitted by a private landlord to acquire a number of properties and £100,000 allocated against 10 Endeavour properties. Both deals are anticipated to conclude this financial year but, if delayed, could slip into 2015/2016.

- **Gresham Phase 2b** **£275,000**

30. £275,000 requires re-profiling into 2015/2016 as the take up of grants, particularly by private landlords, has been far slower than anticipated. It is anticipated that other than £66,000 set aside for the take up-of home-owner grants the remaining sum will not be taken up. A further report on the proposed re-prioritisation of the funds within Gresham be forthcoming.

- **Gresham Environmental Improvements** **£307,000**

31. The programme of works for the above has now been agreed and it envisaged that the street lighting element will complete in 2014/2015. However, primarily due to a legal requirement to give three months' notice to utility companies, the footway and carriageway works will be undertaken in 2015/2016 resulting in the need to re-profile £307,000.

- **House To Home** **£382,000**

32. The package of grants to home owners will be committed to be spent in 2014/2015, however, some of the works will complete in quarter 1 of 2015/2016. £382,000 requires re-profiling into 2015/2016 to pay for the works. £700,000 of grants will be issued in 2014/2015.

- **Housing Delivery Vehicle (S106)** **£400,000**
33. Re-profiling of £400,000 is required as contractual difficulties proved more difficult to conclude than envisaged. The impact of the delay is in the acquisition of the anticipated properties which will be let for affordable rents.
- **TWI Phase 1** **£1,840,000**
34. Project expenditure has been delayed as TWI are expanding the size and purpose of the proposed facility. An Executive report outlining the position and seeking approval to commence the revised project was endorsed on 26th November 2014. Design works are complete and ground works commenced in January 2015. It is envisaged that £1.4 million will be spent on the project in 2014/2015, resulting in the need to re-profile £1.84 million into 2015/2016. This project is part funded by European Regional Development Fund Grant (ERDF). This grant must be spent no later than 30th September 2015. Impact. It is anticipated that the required grant expenditure will be defrayed within the required time-limits and as such the grant funding is expected to be secured.
- **IIPR Site Assembly At Middlehaven** **£1,407,000**
35. The Council started the Compulsory Purchase Order (CPO) of the remaining land at Middlehaven in August 2014. An enquiry date into the CPO has been set for the 31st March 2015 and as such the acquisition of the remaining properties will fall into 2015/2016, resulting in the need to re-profile £1.407million.
- **IIPR Middlehaven Urban Park** **£412,000**
36. Tenders for the works were received at the end of January. The Council is currently in the process of finalising the contractor for the works, which are due to commence in February with a proposed 17 week delivery programme. £412,000 of funds require re-profiling into 2015/2016 to pay for the works in that financial year.
- **Affordable Housing Via Section S106** **£760,000**
37. Other than Stepping Stone and the Housing Delivery Vehicle there are no planned Affordable Housing Via Section 106 initiatives in 2014/2015, therefore the £760,000 of contributions require re-profiling into 2015/2016.
- **Surface Water Management** **£145,000**
38. Studies are due to commence in February 2015 ending in August 2015, a plan of works will arise from the studies, and £145,000 requires re-profiling into 2015/2016.
- **LTP Unallocated Grant** **£500,000**
39. The service suspended a number of LTP funded schemes in order to provide contingencies for the Transporter Bridge project. This contingency will be held until the final costs of the project have been agreed.

Outcome 4 – Learning & Skills

- **Devolved Formula Capital (DFC)** **£876,000**

40. DFC is received from the EFA annually with a defined allocation to each school which they use on projects that meet the criteria for spend. It is a three year rolling programme.

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

41. There are plans in place to spend this one off income but delays with finding appropriate sites and planning permission have delayed the utilisation of this grant.

- **Early years 2 year old places funding (Trajectory Fund)** **£369,000**

42. £101,000 has been allocated to projects in the capital programme since the 1st review. The balance will be allocated to projects where the increase of nursery places for children aged 2 years can be provided in 2015/2016. The School Readiness manager is working with providers to identify further sites for expansion.

- **Basic Need, LA Capital Maintenance & Supported borrowing** **£2,064,000**

43. The Strategic School Planning Manager has prepared a capital programme which is being presented to Executive for approval of projects which will be allocated against this budget in future years. There is a big emphasis of increasing school places to keep up with the demand for pupil increases in future years.

Outcome 6 – Social Care

- **Community Capacity Grant** **£120,000**

44. The service has not identified any new schemes in this financial year. As a result of this, it is necessary to re-profile £120,000 of resources into 2015/2016.

- **Telecare** **£100,000**

45. Social Care has recently implemented a new operational model to enable the department to meet its duties under the Care Act. There is a focus within the Care Act on Wellbeing and Preventative services and the new operational model aims to utilise reablement and assistive technology (Telecare) to minimise reliance on more intensive services. Members of staff are now in post and being trained and it is expected that there will be a significant increase in referrals for assistive technology. As a result of this, it is estimated that £100,000 of planned expenditure can be re-profiled from 2014/2015 into future years

Outcome 7 - Environment, Property & Commercial Services

- **Cargo Fleet Investment** **£200,000**

46. Work is currently being determined to invest in the Depot, examining whether the work will be the landlord or tenant's responsibility. If the work is the landlord's responsibility this budget will only be used for the Council's share of the overall costs. It is likely work will now not take place until early 2015/2016.
47. Detailed re-profiling for all schemes is shown at **Appendix B**.

RE-PROFILING OF EXPENDITURE AND RESOURCES FROM FUTURE YEARS TO 2014/2015

48. £512,000 of resources requires re-profiling from future years into 2014/2015. Details of the only scheme where there is major re-profiling is listed below.

- **Outcome 1 – Economic Development - St. Hilda's** **£160,000**

49. £160,000 requires re-profiling from 2015/2016 into 2014/2015 as two properties have been acquired earlier than originally anticipated.
50. Detailed re-profiling figures for all schemes are shown at **Appendix C**.

EQUALITY IMPACT ASSESSMENT

51. Not applicable

OPTION APPRAISAL/RISK ASSESSMENT

52. Not Applicable

FINANCIAL, LEGAL AND WARD IMPLICATIONS

53. At the first capital review at the 31 August 2014 the level of under-programming for the 4 year programme (resources exceeding expenditure) was £6.388 million. The position following this review shows the capital programme to be over-programmed by £242,000.

	31 August 2014 £000's	31 January 2015 £000's	Change £000's
Over / (Under)-programming	(6,388)	242	6,630

54. Capital resources are estimated to be £0.242 million less than that of the current agreed capital programme. This level of over-programming is deemed to be acceptable on a capital programme of this size.
55. The overall programme allowing for changes in expenditure and resources is summarised at **Appendix D**.
56. **Legal Implications** – Not applicable.

RECOMMENDATIONS

57. Overview and Scrutiny Board are asked to:
 - a) Note the projected outturn for 2014/2015 of £64.1 million.
 - b) Note the increase in the overall capital programme of £26.6 million.
 - c) Note the net re-profiling of £12.9 million.
 - d) Note the impact on the 2014/2015 revenue budget of a one-off saving of £420,000 resulting from the re-profiling of the 2014/2015 capital expenditure.
 - e) Note the capital programme for the period to 2017/18 as outlined in Appendix D.

REASONS

58. 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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