

**MIDDLESBROUGH COUNCIL**  
**OVERVIEW AND SCRUTINY BOARD**

**AGENDA ITEM 4**

**Capital Outturn 2014/2015**

**Executive Member for Finance & Governance**

**Executive Director Commercial & Corporate Services**

**18 August 2015**

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**PURPOSE OF THE REPORT**

1. To present to Overview and Scrutiny Board the capital outturn and how this affects the capital programme (2013/2014 to 2017/2018) based on information at 31 March 2015.

**SUMMARY OF RECOMMENDATIONS**

2. Overview and Scrutiny Board are asked to:
  - a) Note the actual capital expenditure for 2014/2015 of £62.1 million.
  - b) Note the increase in the overall capital programme of £3.99 million.
  - c) Note the net re-profiling of £3.69 million for 2014/15 to 2015/2016 and a further £9.9 million over the whole programme period.
  - d) Note the overall net position has changed from £242,000 over-programmed to £63,000 under-programmed.
  - e) Note the overall capital programme for the period to 2017/2018 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, based on information to the 31 March 2015.
4. The report identifies the changes to the capital programme since it was last reported to Executive in the 2nd Capital Monitoring and Review on 21 April 2015.
5. The actual capital expenditure outturn for 2014/2015 is £62.1 million against a budget of £64.1 million at the second review.
6. The five year capital budget 2013/2014 to 2017/2018 has increased by £3.99 million to a total of £193.1 million.

7. The increase in funding required from Council resources is £3.6 million.
8. The changes in gross expenditure since the last review by Outcome are summarised in the table below:

Service	5 Year Budget 31 January 2015 £000's	5 Year Budget 31 March 2015 £000's	Change £000's
Outcome 1 – Economic Development	100,112	104,023	3,911
Outcome 2 – Supporting Communities	42	42	0
Outcome 4 – Learning & Skills	22,543	22,659	116
Outcome 6 – Social Care	7,868	7,859	-9
Outcome 7 – Environment Property & Commercial Services	43,409	43,384	-25
Outcome 8 – Finance & Investment	0	0	0
Outcome 9 – Organisation & Governance	15,114	15,114	0
<b>Total Increase in Gross Expenditure</b>	<b>189,088</b>	<b>193,081</b>	<b>3,993</b>

9. The report outlines the net re-profiling of £3.69 million for 2014/15 to 2015/2016 and a further £9.9 million over the whole programme period.

## BACKGROUND AND EXTERNAL CONSULTATION

10. Capital expenditure is defined by the Council as expenditure which creates, enhances the value of or extends the life of an asset which is held on the Council's balance sheet.
11. During 2014/2015 two capital monitoring reports have been presented to Executive. In addition a report was presented to Executive in January which sought agreement to a number of new starts which are now included in the programme. It is planned that as with last year two in-year monitoring reports will be presented to Executive during 2015/2016 based on progress to the 31 August 2015 and 31 January 2016.

## CHANGES IN GROSS EXPENDITURE AND RESOURCES

The significant projects, which make up the £3.99 million, are set out in paragraphs 12 to 17 below. Only variations above £100,000 are reported.

### Outcome 1

- **Hemlington Grange Electrical Connection** **£2,179,000**

12. The Council has invested £2,179,000 as upfront funding for the installation and modification of two circuit breakers at Stokesley primary substation from where two

11,000 volt aluminium underground cables will be installed to the western perimeter of the Hemlington Grange site. This provision will allow the development of circa 1,200 new dwellings by Taylor Wimpey on the Hemlington Grange site as well as the development of Cleveland Police's new community hub. This will be funded from borrowing. This investment was agreed by Executive on 24 March 2015.

- **Southfield Road Paving** **£1,512,000**

13. Under Section 278 of the Highways Act 1980, private developers can either pay for or carry out off-site works to public highways. The University Of Teesside has contributed £1,512,000 to the Council for highways improvements and the pedestrianisation on Southfield Road.

- **Section 278 Classified Roads** **£741,000**

14. Two further developers have contributed £741,000 for highways works undertaken in the Brookfield and Grey Towers areas.

- **Tees Valley Bus Networks Improvements** **-£549,000**

15. Following the substantial completion of the project and the final costs of the project being determined a reconciliation of the amount of DFT grant to be distributed to each local authority has now been completed. This has led to the requirement to fund £549,000 of expenditure incurred before 31/3/10 on Middlesbrough's elements of the project from the Local Transport Plan. This had previously been funded by DFT grant, however all expenditure before 31/3/10 is required to be funded by local contributions from each local authority.

#### **Outcome 4 – Learning & Skills**

- **Trinity Access Road** **£552,000**

16. A contribution of £552,000 has been received for the construction of the access road to Trinity Catholic College from the Diocese of Middlesbrough.

#### **Outcome 7 – Environment, Property & Commercial Services**

- **Middlesbrough Sports Village** **£2,511,000**

17. A payment as contribution towards the access road and new hospital car park on the site of £2,511,000 is outstanding. Discussions to resolve the issue are taking place but until an agreement is made the Council must fund the car park and access road from borrowing for which provision will be made.

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

## Transfers Between Service Areas

- **Highways Infrastructure S106** **£100,000**

19. £100,000 of the Highways Infrastructure S106 funds has been transferred to Environment, Property and Commercial Services to part pay for the Middlesbrough Sports Village access road.

## RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

20. Schemes to the value of £5.2 million have been re-profiled into later years from 2014/2015. Schemes totalling £1.6 million 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	2,737	1,055	1,682
Outcome 2 – Supporting Communities	0	0	0
Outcome 4 – Learning & Skills	933	47	886
Outcome 6 – Social Care	311	22	289
Outcome 7 – Environment Property & Commercial Services	374	416	-42
Outcome 9 – Organisation & Governance	892	17	875
<b>Total</b>	<b>5,247</b>	<b>1,557</b>	<b>3,690</b>

21. A further £9.9 million is reprogrammed over the whole programme period.

22. The key projects which have been re-profiled and the reasons are set out as follows in paragraphs 23 to 39. Only variations above £100,000 are reported.

### Outcome 1

- **Housing Regeneration – Gresham Phases 1 and 2a** **£1,376,000**

23. The 2014/2015 expenditure profile assumed the acquisition of a number of private developers properties, which were subject to negotiation throughout the year. The negotiations were not concluded and the resources have been re-profiled into 2015/2016. The re-profiling for each project is as follows

- £1,024,000 Gresham Phase 1
- £352,000 Gresham Phase 2a

- **House 2 Home** **£230,000**
24. The House 2 Home scheme was originally predicated on the planned investment by a private developer to refurbish 60 properties in Wentworth and Waverley streets, which would enable the Council to draw down capital to bring a further 40 private properties back into use. As the property exchange with the developer was not agreed, an alternative project plan was proposed to enable the required 100 outputs to be delivered by bringing a further 60 private properties back into use. In accordance with the corporate self-serve principles, property owners were required to appoint their own builders and complete the works before the grant funding could be drawn down. Owners have been unable to complete the works in accordance with the expenditure profile but all funds are committed and works scheduled to complete in quarter 1 of 2015/2016.
- **Middlehaven Urban Park & Urban Pioneers** **£335,000**
25. £335,000 of funds for the above require re-profiling into 2015/2016 as the contractor started on site later than expected due to a delay in the issuing of legal documents and purchase orders. The re-profiling for each project is as follows:
- £224,000 Middlehaven Urban Park
  - £111,000 Urban Pioneers
- **LTP Local Safety Schemes \ LTP Pedestrian Crossings** **£378,000**
26. Planned signal and resurfacing works on the above did not complete in 2014/2015, as a result £200,000 requires re-profiling into 2015/2016. Some of the re-profiled funds will be required to upgrade anti-skid surfaces on crossings which have already been installed. £178,000 of the re-profiling will be used to fund schemes listed in the Executive report of 9<sup>th</sup> February 2015. The re-profiling for each project is as follows.
- £254,000 LTP Local Safety Schemes
  - £124,000 LTP Pedestrian Crossings
- **LTP Block Budget Highways Maintenance** **£103,000**
27. In order to ensure that the overspend on the Transporter Bridge was met from LTP funds, part of the highways maintenance works were suspended. The Transporter Bridge costs can be met from unallocated funds and the £103,000 underspend can now be re-profiled into 2015/2016 to part fund the updated plan for highways maintenance.
- **Middlehaven Dock Bridge** **£4.2 million**
28. Further detailed investigation work has revealed significant cost differences between the original RIBA D design and the latest feasibility report carried out as part of the SCAPE procurement process.

29. These differences are being further investigated and an options report will be brought to a future Executive for consideration regarding the recommended course of action to deliver a new road bridge over the dock.

30. The latest feasibility report and subsequent future decisions on the form of bridge and procurement method will impact on the delivery timetable. It is considered, at this stage, the detail design works and contract document preparation will be concluded this year, with the bulk of the site works taking place in 2016/2017. The £1.1 million Local Growth Fund funding is expected to cover the 2015/2016 costs.

• **Town Hall Venue Development** **£2.0 million**

31. The consultants to the project have presented a detailed timescale for the Town Hall Venue Development capital works and have identified that the majority of the expenditure will occur in 2016/2017, this has resulted in re-profiling of £2,040,000 of funds from 2015/2016 into 2017/2018.

• **Section 106 Affordable Housing** **£3.7 million**

32. £3,686,000 of section 106 funds for Affordable Housing have been re-profiled into 2016/2017 from 2015/2016. The Council currently has £1,394,000 of section 106 funds secured and is anticipating an additional £2,444,000 receipts in 2015/2016. It is not anticipated that all of the funds available will be required in 2015/2016 so £3,686,000 is being re-profiled into future years.

• **Baker Street Phase 2** **£100,000**

33. The original capital project programme appraisal for Baker Street Phase 2 assumed that the private developer would not commence redevelopment of Bedford Street until 2016/2017. However, they are now on site and it is anticipated that their works will complete by December 2015. This allows the Council to start public realm works in October 2015 meaning that the Council can fulfil its ambition earlier than anticipated. This will require the £100,000 originally programmed to be spent in 2017/2018 to be re-profiled into 2015/2016.

• **Local Transport Plan (LTP) Unallocated Budget** **£617,000**

34. £617,000 of the LTP Unallocated Budget has been re-profiled from 2015/2016 into 2014/2015, this is primarily to fund the gap in assumed available Tees Valley Bus Network Improvement Grant and the over spend on the Transporter Bridge project.

• **TWI (The Welding Institute) Phase 1**  
**£112,000**

35. Works are progressing quicker than first anticipated, it has been necessary to re-profile £112,000 of the future year's budget allocation into 2014/2015 to pay for the works.

• **Surface Water Management** **£128,000**

36. It has been necessary to re-profile £128,000 of Council wide resources into 2014/2015 from 2015/2016 to fund necessary Highways drainage works and other works to the four highway drainage pumping stations.

#### **Outcome 6**

- **CSDPA – Adaptations / Top-ups / Equipment** **£111,000**

37. The funding for CSDPA covers three projects (Adaptations, Equipment and Top ups) and allocations for each scheme are indicative, this is a demand led service and although demand on top ups is decreasing there is an increase in demand for adaptations and equipment. The total spend on CSDPA in 2014/2015 was £445,000 and slippage of £111,000 is requested to ensure that appropriate funding is maintained to meet the anticipated demand for the projects and the programme to deliver this service as it is key to the prevention agenda.

#### **Outcome 7**

- **Middlesbrough Sports Village** **£254,000**

38. It was necessary to bring forward £254,000 from 2015/2016 allocated resources into 2014/2015. This was due to Mechanical and Electrical work and the installation of Children's play equipment being completed ahead of schedule. This resulted in contract payments being paid in March 2015 and not April 2015 as previously forecast.

#### **Outcome 8**

- **Integrated Communications System (ICS)** **£404,000**

39. The two major IT milestones that were expected to be met in 2014/2015 were Liquidlogic and Objective systems. Delays in application user acceptance testing and data migration user acceptance testing were the cause of these milestones not being met. These and are now due to occur in May 2015.
40. Detail of all re-profiling is set out in Appendices B and C

### **EQUALITY IMPACT ASSESSMENT**

41. Not applicable

### **OPTION APPRAISAL/RISK ASSESSMENT**

42. Not Applicable

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

43. At the second review at the 31 January 2015 the level of over-programming (resources exceeding expenditure) for the 5 year programme 2013/2014 to 2017/2018 was £0.242 million. The position following this review shows the capital programme to be under-programmed by £63,000.

	31 January 2015 £000's	31 March 2015 £000's	Change £000's
Over / (Under)-programming	242	(63)	305

44. Additional resources have come from the following:

	£ Millions
• Grants and Contributions (external)	-0.8
• Additional Borrowing	4.7
• Reduction Capital Receipts	-0.8
• Direct Revenue Funding	0.9
<b>Total</b>	<b>4.0</b>

45. The overall programme allowing for changes in expenditure and resources is summarised at **Appendix D**.
46. **Legal Implications** – Not applicable.

## RECOMMENDATIONS

47. Overview and Scrutiny Board are asked to:
- Note the actual capital expenditure for 2014/2015 of £62.1 million.
  - Note the increase in the overall capital programme of £3.99 million.
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  - Note the overall capital programme for the period to 2017/2018 as outlined in Appendix D.

## **REASONS**

48. To ensure that Middlesbrough Council reports on resource utilisation against approved capital budgets.

## **BACKGROUND PAPERS**

No background papers were used in the preparation of this report:

**None**

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