

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

**AGENDA ITEM: 6**

**1<sup>st</sup> Capital Monitoring Review 2015/2016**

**Executive Member for Finance & Governance**

**Executive Director Commercial & Corporate Services**

**8 December 2015**

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**PURPOSE OF THE REPORT**

1. To present to Overview and Scrutiny Board an update on the Council's capital programme (2013/2014 to 2017/2018).

**SUMMARY OF RECOMMENDATIONS**

2. Overview and Scrutiny Board are asked to:
  - a) Note that £476,000 less resources, are required for the capital programme from the Council.
  - b) Note the increase in the overall capital programme of £1.826 million.
  - c) Note the net re-profiling of £8.816 million for 2015/16 to 2016/2017
  - d) Note the overall capital programme for the period to 2017/2018 as outlined in Appendix E.

**EXECUTIVE SUMMARY**

4. This report provides Members with an updated position on the current approved capital programme including available capital receipts to 2017/2018, based on information to date.
5. The report identifies the changes to the capital programme since it was last reported to Overview and Scrutiny Board in the Capital Outturn Report on 18 August 2015.
6. The five year capital budget 2013/2014 to 2017/2018 has increased by £1.826 million to a total of £194.907 million.
7. The decrease in funding required from Council resources is £476,000.
8. The changes in gross expenditure since the last review by Outcome are summarised in the table below:

Service	5 Year Budget 31 March 2015 £000's	5 Year Budget To date 2015 £000's	Change £000's
Outcome 1 – Economic Development	104,023	104,728	705
Outcome 2 – Supporting Communities	42	42	0
Outcome 4 – Learning & Skills	22,659	23,279	620
Outcome 6 – Social Care	7,859	7,935	76
Outcome 7 – Environment Property & Commercial Services	43,384	43,294	-90
Outcome 9 – Organisation & Governance	15,114	15,629	515
<b>Total Increase in Gross Expenditure</b>	<b>193,081</b>	<b>194,907</b>	<b>1,826</b>

9. Assistant Directors have been asked to consider very carefully and provide assurance of what they think can be delivered in 2015/2016. The product of that assessment is that re-profiling of £9.176 million into 2016/2017 is needed for expenditure which will now not be incurred this year. Total capital budgets for 2015/2016 after re-profiling now totals £47.9 million. Details in relation to this re-profiling, is explained in paragraphs 26 to 44.
10. Actual capital expenditure to date against 2015/2016 capital budgets of £47.9 million is £19.1 million (40%).

## **BACKGROUND AND EXTERNAL CONSULTATION**

11. 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.
12. This report is the first of two in-year monitoring reports to be presented to Executive during 2015/2016. The report is based on all information to date. The next capital monitoring report will be presented to the Executive on the 12 April 2016.
13. The Council has agreed to borrow nearly £5 million more than originally anticipated for both the hospital car park and access road and the supply of electricity to the Hemlington Grange site in order to secure the capital receipt. This additional borrowing has added approximately £500,000 pressure to the Councils revenue budget and this was reported to Executive in the first revenue monitoring report on the 8th September 2015.

### **Review of Capital Reporting and Governance**

14. An improvement plan has been agreed to address issues identified by the Council's external auditor. This was considered by Corporate Affairs and Audit Committee on the 24 September 2015. The key implementation of the programme monitoring actions will be reported in the second capital review reported to Executive on 12 April 2016 and will include progress against project milestones and budget.

## CHANGES IN GROSS EXPENDITURE AND RESOURCES

15. The significant projects, which make up the £1.826 million, are set out in paragraphs 16 to 22 below. Only variations above £100,000 are reported.

### Outcome 1

- **Gresham Phase 2b** **-£630,000**

Funding Source	External	Council	Total
	£0	£630,000	£630,000

16. A property improvement package was secured via the capital programme in order to help residents, landlords and businesses within the phase 2b area of Gresham. To date £370,000 has been spent which has supported the improvement of 62 residential and 44 business properties. The Housing Regeneration team have made strenuous efforts to allocate the remaining funds but demand for the programme would now appear to be exhausted. Therefore, it is proposed that the remaining funds are returned to the wider capital programme.

- **Housing Regeneration – Empty Homes 2015 To 2018** **£800,000**

Funding Source	External	Council	Total
	£800,000	£0	£800,000

17. The Council has been awarded a grant of £800,000 by the Homes and Communities Agency (HCA) to bring 50 empty homes back into use. When renovated, the Council will engage with a registered housing provider to offer the properties for affordable rent. £240,000 of other resources, including £190,000 of section 106 contributions will also be spent on the project, giving a total budget of £1,040,000

- **Southfield Road Paving** **£568,000**

Funding Source	External	Council	Total
	£568,000	£0	£568,000

18. The University Of Teesside has requested that the Council undertake additional public realm works around the Southfield Road area. All of the works will be funded by the University.

### Outcome 4 – Learning & Skills

- **Archibald School Nursery** **£198,000**

Funding Source	External	Council	Total
	£198,000	£0	£198,000

19. A new scheme for nursery alterations and extension. Work has started in summer 2015 and will be completed in 2015-16

• **Berwick Hills – Community Learning Lodge** **£150,000**

Funding Source	External	Council	Total
	£150,000	£0	£150,000

20. A new scheme for Berwick Hills School to build a community learning space for school intervention work and community use. Work will start in autumn 2015 and will be completed in 2015/16.

• **Park House** **£125,000**

Funding Source	External	Council	Total
	£125,000	£0	£125,000

21. A new scheme for Ayresome School to build capacity to take 2 year olds. Work has started in summer 2015 and will be completed in 2015/16.

### Outcome 9 – Organisation & Governance

• **Agresso** **£517,000**

Funding Source	External	Council	Total
	£0	£517,000	£517,000

22. A briefing note was considered by LMT on 8th June 2015 which detailed additional costs totalling £617,000, of which £517,000 is of a capital nature and £100,000 for additional training and transitional costs. The capital element will cover implementation costs (Unit 4 and Mouchel). £523,000 remains available for the HR/Payroll system. This may be enough for that system depending on the options which are eventually taken.
23. All scheme variations are shown by service and individual schemes in **Appendix A**.

### RE-PROFILING OF EXPENDITURE BETWEEN FINANCIAL YEARS.

24. Schemes to the gross value of £9.176 million have been re-profiled into later years from 2015/2016. Schemes totalling £0.360 million have been brought forward into 2015/2016 a net overall position of £8.816 million. The table below summarises the re-profiling by outcome:

Service	Re-profiled from 2015/2016 £000's	b/fwd to 2015/2016 £000's	Net Re-profiling To future years £000's
Outcome 1 – Economic Development	5,236	360	4,876
Outcome 4 – Learning & Skills	1,105	0	1,105
Outcome 6 – Social Care	220	0	220
Outcome 7 – Environment Property & Commercial Services	1,815	0	1,815
Outcome 9 – Organisation & Governance	800	0	800
<b>Total</b>	<b>9,176</b>	<b>360</b>	<b>8,816</b>

25. The key projects which have been re-profiled and the reasons are set out as follows in paragraphs 26 to 44. Only variations above £100,000 are reported. All re-profiled items are listed in full in appendix C and D. The funding stream relating the re-profiling is shown for each project.

#### Outcome 1

- Housing Improvement – Stepping Stone** **£210,000**

Funding Source	External	Council	Total
	£210,000	£0	£210,000

26. One plot within the housing site remains unsold; £83,000 of affordable housing section 106 contributions has been allocated to 2015/16 to fund a Stepping Stone application. Phase 2 of the housing construction is not anticipated to conclude during 2015/16 and as such £210,000 of section 106 contributions requires re-profiling into 2016/17 to support any applications when phase 2 construction has concluded.

- Town Hall Venue Redevelopment** **£750,000**

Funding Source	External	Council	Total
	£380,000	£370,000	£750,000

27. Due to procurement issues, construction on the project has been delayed until May 2016. The Council had originally considered using SCAPE to procure the contractors but *following feasibility work the costs prepared by the contractor were considerably more than the available budget*. The Council is now looking to utilise the NEPO framework to procure the contractors. Project design and tender documents are being prepared with a view to commence procurement in December 2015. Therefore £380,000 of Heritage Lottery Fund grant and £370,000 of Council wide resources require re-profiling into 2016/17.

- **Middlehaven Dock Bridge** **£900,000**

Funding Source	External	Council	Total
	£136,000	£764,000	£900,000

28. A briefing paper regarding the Middlehaven Dock Bridge was presented to Leadership Management Team (LMT) on the 20th August 2015. The paper explained that the initial estimation of cost was considerably less than now understood. The paper presented options on whether the bridge should be fixed, semi fixed or swing. Discussions continue regarding the bridge and it is now unlikely that works other than feasibility and some site investigation will take place in 2015/16. £900,000 of resources, of which £764,000 are Council wide resources, have therefore been re-profiled into 2016/17 to fund construction costs.

- **Highways Infrastructure Development Section 106** **£1,761,000**

Funding Source	External	Council	Total
	£1,761,000	£0	£1,761,000

29. Detailed plans are currently being drawn up for expenditure of the Highways Infrastructure Development Section 106 contributed income. Should plans be agreed then only design works are anticipated to commence in 2015/16 giving the need to re-profile £1,761,000 of developer contributions into 2016/17.

- **Housing Regeneration Gresham Phase 1** **- £145,000**

Funding Source	External	Council	Total
	£0	£145,000	£145,000

30. £145,000 of borrowed funds requires re-profiling back into 2015/16 to reflect the increased unit cost of demolitions as the demolitions are now more ad hoc than in groups of houses which was more cost effective.

- **Baker Street Phase 2** **- £150,000**

Funding Source	External	Council	Total
	£0	£150,000	£150,000

31. £150,000 of Council wide resource is requested to be brought into 2015/16 from 2016/17 in order to complete the public realm works and provide grant assistance packages to the independent retailers situated at Baker Street.

- **Tackling Town Centre Vacancies** **£110,000**

Funding Source	External	Council	Total
	£0	£110,000	£110,000

32. Part of project is for a business rates relief which will now occur in 2016/2017.

• **Investing In Physical Regeneration** **£253,000**

Funding Source	External	Council	Total
	£0	£253,000	£253,000

33. Currently not seeking to spend the remaining funds as this budget could be used to part fund the potential additional cost of the Middlehaven Dock Bridge (feasibility work is currently ongoing to establish costs).

• **Housing Delivery Vehicle** **£200,000**

Funding Source	External	Council	Total
	£200,000	£0	£200,000

34. The Council is awaiting information from delivery partner before scheme can proceed, this delay will result in the Council acquiring only half of the properties in 2015/2016 than anticipated.

• **Affordable Housing Via Section 106** **£810,000**

Funding Source	External	Council	Total
	£810,000	£0	£810,000

35. The planned expenditure for this still being considered so the expenditure is now likely to occur in 2016/17.

**Outcome 4**

• **Supported Capital Expenditure Funding Block Budget** **£500,000**

Funding Source	External	Council	Total
	£0	£500,000	£500,000

36. The Supported Capital Expenditure funding is being held for a basic need project as over the next couple of years we will need to expand school capacity to ensure there are enough places to accommodate all children. There are no definite plans yet as to where these schemes will take place.

• **Devolved Formula Capital Funding Block Budget** **£480,000**

Funding	External	Council	Total
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Source	£480,000	£0	£480,000
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37. The Devolved Formula Capital funding is allocated to individual schools. The allocations are held centrally until specific projects are developed by the schools. Schools have a rolling three year programme to spend this money and generally save it up so they can spend it on a substantial scheme.

• **Securing Services for Children with Complex Needs** **£125,000**

Funding Source	External	Council	Total
	£125,000	£0	£125,000

38. A total of £425,000 is available for this children's home project from external funding. It is anticipated that £300,000 will be used in 2015/2016 to acquire a property with the balance of £125,000 being used to refurbish the property in 2016/2017. It is anticipated that this will be completed in the summer of 2016.

**Outcome 6**

• **Chronically Sick and Disabled Persons Act – Adaptations / Top-ups / Equipment** **£131,000**

Funding Source	External	Council	Total
	£0	£131,000	£131,000

39. The level of spend during 2015/16 is estimated at £475,000. As a result of this, £131,000 of planned expenditure can be re-profiled from 2015/165 into future years to meet expected demand commitments.

**Outcome 7**

• **Section 106 Allocations** **£455,000**

Funding Source	External	Council	Total
	£455,000	£0	£455,000

	£
• Kader Brookfield Play Facilities	209,000
• Sports Pitches	89,000
• Kader/Brookfield Multi Use Games Area	27,000
• Middlebeck and Millennium Green	100,000
• Hemlington Recreation Ground	30,000
Total	455,000

40. Discussions are currently taking place regarding the clarification of plans for the Section 106 related schemes. The majority of the nature and location of work has yet to be confirmed. Completion is not expected in this financial year resulting in the requirement to re-profile allocations totalling £455,000 into 2016/2017.

• **Town Centre Accommodation Strategy** **£1,000,000**

Funding Source	External	Council	Total
	£0	£1,000,000	£1,000,000

41. The scheme entitled “Worksmart Accommodation” will now be referred to as “Town Centre Accommodation Strategy”, as this more accurately describes the project. Detailed plans are currently being drawn up but it is not expected to commence this financial year. The funding has therefore been re-profiled to 2016/17.

• **Central Lodge - Stewart Park** **£300,000**

Funding Source	External	Council	Total
	£0	£300,000	£300,000

42. Askham Bryan College have indicated now that they do not require the Council’s funding towards the Heritage Lottery Fund bid until at least 2016/17.

• **Small Members Capital Schemes** **£60,000**

Funding Source	External	Council	Total
	£0	£60,000	£60,000

43. Although the process for bidding and allocation of the available resources is expected to start within the next month it is not anticipated that expenditure on agreed schemes will be incurred until 2016/2017.

**Outcome 9**

• **ICT – Disaster Recovery** **£800,000**

Funding Source	External	Council	Total
	£0	£800,000	£800,000

44. It expected that £200,000 of £1,000,000 will be spent in 2015/16 on infrastructure work. £800,000 of the funding is to be slipped to 2016/17 as there is a need to link this with the re-procurement of the ICT Service (which is planned to commence in October 2016) so that the strategy is consistent with that recommended by any re-procurement partner.

45. Detail of all re-profiling is set out in Appendices B and C.

## ALLOCATION OF BLOCK BUDGETS

46. The allocation of service individual block budgets is shown in detail at Appendix D

## EQUALITY IMPACT ASSESSMENT

47. Not applicable

## OPTION APPRAISAL/RISK ASSESSMENT

48. Not Applicable

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

49. At the 31 March 2015, the level of under-programming, (resources exceeding expenditure) for the 5 year programme, 2013/2014 to 2017/2018 was £63,000. The position following this review shows the capital programme to be under-programmed by £539,000. This should be considered against the £500,000 budget pressure on the capital financing budget which could contribute £53,000 towards the pressure if used to reduce borrowing and not spent against new projects.

	31 March 2015 £000's	1 <sup>st</sup> Review 2015 £000's	Change £000's
Over / (Under)-programming	(63)	(539)	(476)

50. Additional resources have come from the following:

	£ Millions
• Grants and Contributions (external)	1.045
• Direct Revenue Funding	1.238
<b>Total</b>	<b>2.283</b>

51. The overall programme allowing for changes in expenditure and resources is summarised at **Appendix E**.

52. **Legal Implications** – Not applicable.

## **RECOMMENDATIONS**

53. Overview and Scrutiny Board are asked to:

- a) Note that £476,000 less resources, are required for the capital programme from the Council.
- b) Note the increase in the overall capital programme of £1.826 million.
- c) Note the net re-profiling of £8.816 million for 2015/16 to 2016/2017
- d) Note the overall capital programme for the period to 2017/2018 as outlined in Appendix E.

## **REASONS**

54. 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:

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