

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
9 DECEMBER 2008**

CAPITAL BUDGET MONITORING 2008/2009

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Summary

This report presents the capital monitoring for the period to September 2008, with an outturn forecast for 2008/2009.

1. Budgets and Policy Framework

1.1 It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

2. Background

2.1 This report consolidates the capital monitoring undertaken by each directorate, which is summarised in the appendices. The notes in the main body of the following report represent a commentary on areas of concern or items of particular interest.

2.2 Medway Council has a capital programme for 2008/2009 now comprising well in excess of 100 principal schemes, including a significant number rolled forward from earlier years, and the substantial regeneration programme being progressed by the Medway Renaissance.

3. Progress

3.1 Table 1 below summarises the current overall expenditure and forecast outturn for capital schemes within each directorate in the 2008/2009 capital programme. This table summarises Appendix 1. Appendices 2 to 6 show the financial position by directorate.

Table 1: Spend to Date

Directorate	Approved Programme	Forecast spend 2008/2009	Spend and Commitments to date	Variance (is an underspend)	Approved programme forecast to spend in later years
	£'000	£'000	£'000	£'000	£'000
Business Support Dept	11,656	10,037	1,871	0	1,619
Children & Adults	35,479	28,651	10,318	0	6,827
Regeneration, Community & Culture	74,863	37,449	11,872	1,600	39,014
Members Priorities	1,728	1,320	302	(2)	406
TOTAL	123,726	77,457	24,362	1,598	47,866

4. Specific Scheme Monitoring Issues and Completions (By Directorate)

4.1 The format of the electronic capital budget monitoring reports presented to the Directorate Management Teams includes a considerable amount of detail provided by the relevant capital project managers regarding individual scheme progress and achievement of milestones. As in previous reports the 'at a glance' progress monitoring system based on the following criteria provides some statistical data for this report.



Scheme progressing on time and within budget



Scheme progressing on time but not within budget or scheme progressing on budget but not within expected timescales



Scheme neither progressing within expected timescales nor within budget.

4.2 Business Support Department

Progress Monitoring	☺	☹	☹	TOTAL SCHEMES
Business Support Department	17	2	0	19

- 4.2.1 There is an urgent need to demolish the Civic Centre, once fully vacated, to reduce running costs and, more specifically, empty rates. The project is included in the capital programme, albeit with no budget. Some preliminary expenditure has been incurred and officers are investigating how to progress and fund this project.
- 4.2.2 Slightly extended milestones have been set for the closing element of Customer First Phase 2 because of the corporate demand on ICT resources. Cashable efficiencies originally forecast were secured through earlier elements of the programme.
- 4.2.3 The BRMF is forecast to spend £790,000 in the current financial year. None of this relates to the backlog of maintenance of £1.5m proposed in Programme 6. The expenditure relates to emergency boiler and other works at various locations together with a contingency for further unpredicted emergency expenditure.
- 4.2.4 Housing Planned Maintenance - The capital programme for this area had an original budget of £2,791,400 and this was increased to £5,102,615 in July 2008 to take account of recent stock condition data and the need to reach the Decent Homes Standard by 2010. In recent months exercises have been carried out to soft market-test various works within the proposed capital programme to ensure that value for money is secured. As a result of this, there will be a delay in the commencement of some of the works and whilst the Council is still committed to completing them, they may take place in the next financial year.

HRA capital funding also provides a relatively small budget (£100,000) for disabled adaptations to Council dwellings. However, this budget is insufficient to meet demand and some tenants have been waiting for disabled adaptations to their council dwellings for up to three years, which is seen as unacceptable. Officers have ascertained that the backlog of works totals some £600,000. In the light of the above and the fact that the recent inspection of the strategic housing service highlighted the potential lack of investment in this area, it is requested that Members approve a budget virement of £600,000 from Planned Maintenance to Disabled Adaptations to Council Dwellings in the current financial year.

It is anticipated that there will be a need to increase the annual allocation for this purpose from 2009/2010 and future years to £150,000 per annum from the £100,000 currently allocated. In order to achieve this, Housing Management are currently looking at ways that the overall capital

programme could be funded in future years and options will reported to Members at a future date.

4.3 Children & Adults Directorate

Progress Monitoring	😊	😐	☹️	TOTAL SCHEMES
Children and Adults	40	10	0	50

4.3.1 Chatham South School has received Specialist School capital funding from the Department of Children, Schools and Families (DCSF) of £100,000.

4.3.2 School Travel Plans funding of £138,410 was received since the last report to Members.

4.3.3 The Old Vicarage Extension has been increased by £80,000 for additional facilities, which will include two extra bedrooms for increased occupancy. £50,000 will be funded by developer contributions and £30,000 from a virement within the existing capital programme.

4.4 Regeneration, Community & Culture Directorate

Progress Monitoring	😊	😐	☹️	TOTAL
REGENERATION, COMMUNITY & CULTURE	49	9	2	60

The Regeneration, Community & Culture Directorate capital programme is split into three areas for reporting purposes:

- General RC & C projects (Appendix 4)
- Communities & Local Government (CLG) related projects (Appendix 5)
- Members Priorities (Appendix 6)

4.4.1 Following on from the last capital monitoring report to Members regarding the A228 Residential Part 1 Claims, more information is now available. The budget for compensation was based on the experiences gained via the construction of the Gillingham Relief Road, which was of course built through an urban area. It was anticipated that given that the A228 widening was through a predominantly rural area, claims for resident compensation would not exceed that monetary value, indeed would probably be much reduced. £394,000 was therefore the original budget allocated to pay compensation claims. A few months ago we received a large number of householder claims (around 400) and that has now grown to over 800 as a number of firms approach householders on a 'commission only, no win no fee' basis. Those claims go through a

process which establishes ownership details and eligibility, to assess the validity of the claim. To date we have had to agree payments of £1.2m. These payments together with legal fees etc and CPO costs associated with the A228 result in a current forecast overspend of approximately £1.6m. We are currently mapping the area so we have an indication of the potential for further claims to be presented. It is anticipated that approximately £600,000 of the overspend can be found from savings elsewhere in the existing capital programme, subject to Member approval. Officers are still determining the likely exposure and seeking alternative funding sources.

- 4.4.2 Members will be aware that Medway Council has agreed to be the accountable body for the 'Parklands North Kent and Medway' programme, under the Greening the Gateway programme, the partnership working together to improve the environment of North Kent. The Department for Communities and Local Government (CLG) had shortlisted five schemes under the Parklands North Kent and Medway programme with a total value of some £20m half of which is funded by CLG.

Within this programme £2,096,112 has been awarded, subject to the funding agreement being agreed by CLG, for the Great Lines City Park project. The Great Lines City park is a rightly ambitious project to create a 75-hectare world-class park at the heart of Medway and at the core of the World Heritage Site application.

This investment will positively connect Gillingham and Chatham Town Centres and will also support the growing universities by providing direct and safe access to over 6,000 students. Additionally, Mid Kent College are fully funding 5.5ha of the Great Lines City Park at the Lower Lines including the restoration of the defensive ditch, a bridge crossing, landscaping and pathways. They are also establishing and fully endowing a Trust to maintain and manage the park into the future. £1.35m of their build costs has been approved as match funding for our Parklands application for the Great Lines City Park. Full Council approval is required to add this scheme to the capital programme.

- 4.4.3 Funding has been secured from the Big Lottery Fund (BLF) for four schemes under the Medway Childrens Play Initiative (£624,220). Originally treated as a revenue grant, the projects are capital in nature and have, accordingly, been incorporated into the capital programme. Three of the projects also have Section 106 funding available as follows:
- Pottery Road, Hoo - £13,966
 - Jacksons Recreation Ground - £25,000
 - Riverside Country Park - £15,660

The Pottery Road scheme should complete this month and consultation will shortly commence on the others

The fourth scheme successful in the bid is the Rainham Wheelpark (formerly Cozenton Park but relocated following discussions with Ward Members). Rainham youth facilities also have an allocation of £100,000 from Member's Priorities. The original purpose of this Member Priority funding was to provide a youth community centre in Rainham. Following




detailed investigations, This budget proved insufficient for refurbishment/new build and additional external funding is being sought. Officers are currently determining the most efficient use of the joint resources.

4.4.4 Additional Section 106 funds of £207,597 have been added to the programme, being further Compass Close amenity works. This funding is towards the provision of improvements to and maintenance of the Copperfields Recreation Ground and towards the provision of improvements to formal sports facilities at Shorts Way Rochester.

4.4.5 With regard to the CLG portfolio, at present there are only funding agreements in place for Medway Renaissance Regeneration Unit and the Medway Park Development at the Black Lion. Appraisals have been submitted and are being negotiated for the remaining CLG-funded projects, but so far the Council is spending at risk on these schemes, despite having indicative allocations awarded much earlier in the financial year.

The risks of spending without funding agreements have been flagged up to the individual project boards. The alternative option would be not to spend on projects until a funding agreement is received but this has been discussed with CLG and is not an option and could result in a loss of funding.

4.5 Members Priorities

Progress Monitoring				TOTAL SCHEMES
MEMBERS PRIORITIES	28	8	0	36

4.5.1 Since the last report, three new schemes have been approved as follows:

- Lighting at Parkwood shopping precinct - £4,000
- Halling service road - £6,000
- Corporate promotional work - £2,000

4.5.2 Four schemes have been approved so far during October and will be included in the next report, although as the sums awarded are comparatively sizeable, they are listed here for information:

- Sun Pier demolition of unsafe walkway - £62,000
- Upgrading public conveniences at Parkwood - £30,000
- Speed warning signs at Woodside - £30,000
- Resurface and provide lighting to footpath at Pepys Way/ Brompton Lane, Strood - £28,000

4.5.3 £39,000 has been spent in the year to date on 31 Ward Improvement Fund projects, with one (£3,000) in the pipeline.

5. New Schemes and Virements

5.1 The following addition to the capital programme will require Full Council approval:

- £2,096,112 CLG funding for the Great Lines City Park (per section 4.4.2)

5.2 In accordance with delegated authority, the following addition has been approved:

- Chatham South School £100,000 (per section 4.3.1)
- School Travel plans £138,410 (per section 4.3.2)
- The Old Vicarage extension £80,000 (per section 4.3.3)
- Compass Close amenity works £207,597 (per section 4.4.4)

6. Funding Arrangements

6.1 Expenditure on capital projects is backed by cash or borrowing. The following table shows the resource allocation to support the approved capital programme as set out in Table 1 although this does not include the schemes at 5.1 above.

Table 2: Resources Available

Funding Source	Forecast Spend 2008/2009 £000's	Total Approved Programme £000's
Borrowing through the Single Capital Pot	14,788	17,065
Prudential Borrowing	6,668	7,354
Government Grant	34,574	70,577
Major Repairs Allowance/Reserve	2,944	2,944
Capital Receipts	7,261	11,135
Developer funds/Specific reserves	2,583	7,592
Revenue and Reserves	2,493	2,493
Other contributions	4,566	4,566
Unfunded (A228 Part 1 Claims)	1,580	1,600
Total	77,457	125,326

The £48m difference between the forecast spend in 2008/2009 and the total approved programme is represented by approved funding for future years.

7. Conclusions

7.1 This report provides an update on expenditure to the end of September against the approved capital programme.

8. Financial and Legal Implications

8.1 The financial implications are fully analysed in the report.

8.2 There are no direct legal implications.

9. Recommendations

Members are requested to note the contents of the report and the progress to date towards achieving the outputs set by the capital programme.

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Background papers:

Report to Council 28 February 2008, Capital and Revenue Budgets 2008/2009