

BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
18 AUGUST 2009
CAPITAL BUDGET MONITORING 2009/2010

Report from: Mick Hayward, Chief Finance Officer

Author: Peter Bown, Accounting Manager

Summary

This report presents the capital monitoring for the period to May 2009, with an outturn forecast for 2009/2010.

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. It is for the Overview and Scrutiny Committee to hold Cabinet accountable for those actions taken.

2. Background

2.1 This capital budget monitoring report was considered by Cabinet on 14 July 2009.

2.2 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.

2.3 Medway Council has a capital programme for 2009/2010 now approaching 200 individual schemes. Approximately 140 of these are principal schemes, i.e. over £100,000, including a significant number rolled forward from earlier years, and the substantial regeneration programme being progressed by 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 2009/2010 capital programme. This table summarises Appendix 1. Appendices 2 to 6 show the financial position for each capital scheme by directorate.

Table 1: Spend to Date

Directorate	Approved Programme	Forecast spend 2009/2010	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	17,433	14,011	3,353	298	3,720
Children & Adults	40,843	33,609	(78)	2	7,236
Regeneration, Community & Culture	56,333	39,572	3,456	6	16,767
Members Priorities	2,897	1,754	103	23	1,166
TOTAL	117,506	88,946	6,834	329	28,889

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	23	3	0	26

- 4.2.1 The monitoring of the ongoing Strood Riverside CPO project has been transferred from the HCA section of the RC&C report as all HCA funding has been exhausted and the final stages of the scheme are being managed within the Property department with new funding from Capital Receipts as approved at Council on 26 February. Strood Riverside is showing an overspend rolled forward from 2008/2009, as the final payment to Network Rail was made at the end of March 2009 rather than in the new financial year.
- 4.2.2 With responsibility for libraries now falling under the BSD umbrella, the existing library management scheme has been added to the programme, along with two new projects being funded from the PSA reward grant: the new mobile library; and new library PCs.
- 4.2.3 The Gun Wharf project is drawing to a conclusion with the final moves from the Strood offices. The total project budget is just over £21.5m and there is currently a potential overspend of £298,000 showing for Gun Wharf (appendix 2). The elongated schedule for moves has generated additional costs both directly from the moves and indirectly from other works associated with those moves. Officers are currently reviewing the full cost for completion of the office moves, including the decommissioning of the Civic Centre, and the funding streams available. The outcome of this review will be reported in the next monitoring round.
- 4.2.4 Council on the 18 June 2009 approved 4 new capital schemes for the Business Support department that will be added to the appendices in the next monitoring round. The schemes will be funded from capital receipts and are as follows:
- St. George's Centre kitchen extension - £330,000
 - Increase of budget for the Civic Centre demolition - £300,000 (already reflected on appendices)
 - New Council website - £250,000
 - Gun Wharf signage & reception area – £100,000
- 4.2.5 The General Fund housing element of the Business Support capital programme consists of eight schemes. The budget for this part of the capital programme totals £3,628,012 in 2009/2010 and it is projected that of this, £3,212,587 will be expended within the current financial year with the remaining £415,425 to be spent in 2010/2011.




- 4.2.6 A report on the HRA capital programme was considered by this Committee on 2 July 2009. Members noted the report outlining the current position and future proposals for the HRA capital programme.

4.3 Children & Adults Directorate

Progress Monitoring				TOTAL SCHEMES
Children and Adults	65	5	0	70

- 4.3.1 Council on 18 June 2009 approved a £602,000 increase in the capital programme for project management and technical advisory services in relation to the construction of three academies in Medway. This budget is to be funded from £400,000 of 'Partnerships for Schools' grant with the balance of £202,000 to be met from existing school capital budgets.
- 4.3.2 The DCSF have allocated £475,000 of delegated funding to Greenacre and The Howard as Specialist Sports Colleges for building improvements.
- 4.3.3 11 Early Years projects (provision of childrens centres) are commencing now, ahead of schedule.

4.4 Regeneration, Community & Culture Directorate

Progress Monitoring				TOTAL
Regeneration, Community & Culture	59	8	1	68

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

- General RC & C projects (Appendix 4)
- Homes and Communities Agency (HCA) related projects (Appendix 5).
- Members Priorities (Appendix 6)

- 4.4.1 Funding agreements have been received earlier than anticipated for the HCA funded projects which means there is no need to delay works or spend at risk on those schemes.
- 4.4.2 Significant progress is being made at the Medway Park Development at the Black Lion, with the opening date scheduled for early 2010.




4.4.3 The PSA reward funding has enabled the following schemes to be added to the RC & C programme for 2009/2010:

- Air conditioning Central Theatre - £20,000
- Brook pumping station subsidence - £100,000
- Brook Theatre seating - £120,000
- Partners for Growth - £135,000
- Rochester Gallery relocation - £25,000
- Play Areas (to be added to appendices next time) - £36,000.

4.4.4 The one 'sad' face for RC&C relates to the cessation of progress currently on the Watermill Wharf scheme, and this is not expected to improve in the near future.

4.4.5 Full Council, on 30 July approved funding for remedial works to a collapsed retaining wall at Church Terrace, Luton. This scheme will be included in the next monitoring report.

4.5 Members Priorities

Progress Monitoring				TOTAL SCHEMES
Members Priorities	22	7	2	31

4.5.1 There was an unallocated balance of £66,106 rolled over from the 2008/2009 Members Priorities budget. Additionally, £875,000 pa for both 2009/2010 and 2010/2011 was awarded from the PSA Reward Grant monies at the Council meeting on 26 February. £10,000 will be returned to the pot from an abandoned scheme to install CCTV at Cliffe Woods and, for consistency, the £25,000 budget for allotment projects, announced at the same meeting has been included as a Member Priority.

4.5.2 Schemes approved so far in 2009/2010 (as well as those in 4.5.3 above) include:

- Stoke School pool equipment - £5,000
- Adult playground Rainham Recreation Ground - £18,000
- Meresborough Road traffic calming - £50,000 (further funding required to enable scheme to commence)
- Princes Park Ball Court - £110,000
- Albemarle Road play area - £38,000 (plus £5,300 from WIF)
- Brompton alley lighting - £15,000

5. New Schemes and Virements

5.1 There are no schemes or virements which require formal Cabinet or Council approval.

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.

Table 2: Resources Available

Funding Source	Forecast Spend 2009/2010 £000's	Total Approved Programme £000's
Borrowing through the Single Capital Pot	14,326	16,230
Prudential Borrowing	2,437	3,123
Government Grant	50,526	72,199
Major Repairs Allowance/Reserve	5,052	5,052
Capital Receipts	9,642	12,753
Developer funds/Specific reserves	5,990	7,214
Revenue and Reserves	675	935
Unfunded	298	0
Total	88,946	117,506

The £28m difference between the forecast spend in 2009/2010 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 May against the approved capital programme.

8. Risk Management

- 8.1 The Corporate Risk Register does not identify specific capital schemes which present a risk to the Council. However, with any capital programme of this magnitude there is a possibility that schemes may not be delivered on time thus not fulfilling the Council's strategic priorities and also schemes may not be delivered within approved funding thus straining the Council's limited capital resources. The Council has a good track record of managing capital schemes and identifying alternative sources of funding where schemes are subject to unforeseen and unavoidable additional costs, for example, the collapse of the Church Terrace retaining wall.
- 8.2 The most significant risk facing delivery of the Council's capital programme is maximising external funding for regeneration. The current economic climate is deterring investors from committing substantial sums for development at Rochester Riverside, for example, and some Government funding is currently being approved on a year to year basis rather than for the lifetime of the projects. In order to progress the Council's regeneration programme, officers are currently investigating alternative methods of delivery should external funding not be forthcoming.

9. Financial and Legal Implications

9.1 The financial implications are fully analysed in the report.

9.2 There are no direct legal implications.

10. Recommendations

10.1 That Members note the spending and funding forecasts summarised at Tables 1 and 2 in the report

Lead officer contact

Peter Bown, Accounting Manager, Gun Wharf, Tel (01634) 332311,
E-mail peter.bown@medway.gov.uk

Background papers:

Report to Council 26 February 2009, Capital and Revenue Budgets 2009/2010
Report to Cabinet 14 July 2009, Capital Budget Monitoring 2009/2010
Report to Council 30 July 2009, Church Terrace Retaining Wall, Luton.