

**BUSINESS SUPPORT**  
**OVERVIEW AND SCRUTINY COMMITTEE**  
**10 DECEMBER 2009**  
**CAPITAL BUDGET MONITORING 2009/2010**

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**Summary**

This report presents the capital monitoring for the period to September 2009, with an outturn forecast for 2009/2010 and future years.

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

2.2 Medway Council has a capital programme for 2009/2010 now in excess of 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 the Medway Renaissance.

**3. Progress**

3.1 Table 1 below summarises the current overall expenditure and forecasts on capital schemes within each directorate for the 2009/2010 capital programme. This table summarises Appendix 1. Appendices 2 to 6 show the position 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	19,416	14,829	5,162	199	4,786
Children & Adults	41,820	34,435	5,924	52	7,437
Regeneration, Community & Culture	90,709	38,986	12,749	(72)	51,651
Members Priorities	2,947	1,866	255	3	1,089
<b>TOTAL</b>	<b>154,897</b>	<b>90,116</b>	<b>24,090</b>	<b>181</b>	<b>64,962</b>

#### 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	25	5	0	30

- 4.2.1 A previous report to Members indicated a forecast overspend on the New Civic Headquarters budget of £298,000. This has now been revised to £199,000 against which £187,000 has already been spent. The overspending of just short of £200,000 is relative to a total scheme budget of £21.5m and includes unavoidable costs incurred as a consequence of the extended occupation of parts of the Civic Centre, and a prolonged removals schedule. The scheme was financed from prudential borrowing, and it is recommended that when the spend is finally concluded this be adjusted to accommodate the overspend. The revenue consequences will be minimal with the borrowing costs recovered over a 60 year life.
- 4.2.2 Additional funding of £37,732 was received from the Department for Children, Schools and Families (DCSF) relating to the Integrated Childrens Systems project which will enable further enhancements to the ICT systems used by Children and Adults Services.
- 4.2.3 The ICT Strategic Fund received an additional £340,000 from Kent County Council as their contribution to the shared Kent Data Centre.
- 4.2.4 Energy Efficiency Top-Up Grants – the status of this scheme has improved to ‘good’ since the last report to Members as the project is now fully operational and the full 2009/2010 funding (£75,000) will be expended. The scheme offers grants of up to £1,000 to provide home improvements that will reduce fuel wastage and also make energy costs more affordable.
- 4.2.5 Empty Homes – This Regional Housing Board funded scheme offers homeowners loans of up to £45,000 in order that vacant properties may be brought up to a decent standard for habitation. So far just 7 loans have been approved against a target of 22, hence the scheme has slipped to a ‘straight’ face. In some cases the maximum loan is insufficient to carry out the required works, and access to additional funds from other sources is limited; additionally potential landlords are less willing to take on additional financial commitments in the current economic climate.

### 4.3 Children and Adults Directorate

Progress Monitoring				Total Schemes
Children and Adults	69	7	0	76

- 4.3.1 Since the last report to Members the following additions have been added to the Children and Adults capital programme:

- £5,108 for the Kitchen/ Dining matched funding scheme – the £2,554 awarded by the DCSF is matched by the same amount of school contributions;
- £100,000 standards fund grant from the DCSF for Specialist Schools; the funds were applied for by Robert Napier school and are being held by Medway Council until the school’s plans are approved by the DCSF Special Schools architect;

- £53,985 standards fund grant from the DCSF for the Schools Travel Plan to provide on site improvements which will promote or enable more sustainable travel to school, such as lockers, cycle storage, new paths, drainage, CCTV, etc. Allocated in full, by Safer Journeys Team, to seven Medway schools;
- £15,000 from a school contribution to the Riverside School Children's Centre;
- A £10,806 school contribution to the Greenvale Infant School foundation unit works;
- A further £4,000 from the DCSF for the Youth Capital Fund to be allocated within the existing programme of schemes.

4.3.2 Over the summer a number of schemes have been completed in anticipation of the new school year, including the following:

- The Hoo St. Werburgh Primary school Early Years Foundation Stage project to extend and adapt the existing units has been completed and officially opened;
- The White Road Community Centre-based Children's Centre is complete and operational; the only non-school based childrens centre so far in Medway, funded by SureStart;
- Another childrens centre at St. Margaret at Troy Town has also had an official opening and is in use;
- The Abbey Court nursery/ foundation stage provision at the Rainham site was completed and open for the September intake for 3+ year olds, on time and within budget, offering a unique facility in Medway;
- The first phase of rebuilding Walderslade Primary school was completed during the summer closure: demolition of 80% of the existing school buildings to free up the footprint for the new building was completed, and new modular classrooms were installed on site to enable the school to remain operational. Phase 2 has commenced; following receipt of planning permission (with conditions), the detailed design is now being drawn up by consultants. This work is being funded by the Primary Strategy Programme;
- The existing mobile classrooms at Robert Napier School were removed and replaced with new temporary buildings being Phase 1 of the 6<sup>th</sup> form centre programme;
- The environmental works at Strood Academy (DCSF funding reported to Members last cycle) to enable key areas to be fit for purpose was completed during the summer break and the school opened on time in September;

4.3.3 Cabinet Members have requested a standing item in the Capital Monitoring reports for progress updates on the Strood and other Medway academies. This is the first of those updates:

**Strood Academy - £29.74m (indicative)**

Developed an Outline Business Case (OBC) which is currently being circulated within Medway before being considered by Cabinet elsewhere on

this agenda. Thereafter it will be forwarded to Partnerships for Schools (PfS) to be approved. Once approved, this secures the funding from PfS.

**Bishop of Rochester Academy - £29.74m (indicative)**

Only at the early stages of developing the OBC, this is due to be submitted March 2010. Thereafter it will be forwarded to PfS to be approved. Once approved, this secures the funding from PfS.

**Gillingham Academy - £29.74m (indicative)**

Only at the early stages of developing the OBC, this is due to be submitted May 2010. Thereafter it will be forwarded to PfS to be approved. Once approved, this secures the funding from PfS.

In parallel with the above, a Gateway 1 High Risk Report has been produced and is currently being circulated within Medway before being submitted for Procurement Board for November 4. We will seek Members approval of the preferred procurement route, that being the PfS National Framework, in order to proceed with procuring the Design and Build Contractor.

Below is a high level programme giving an indication of what to expect over the coming months for the overall programme.

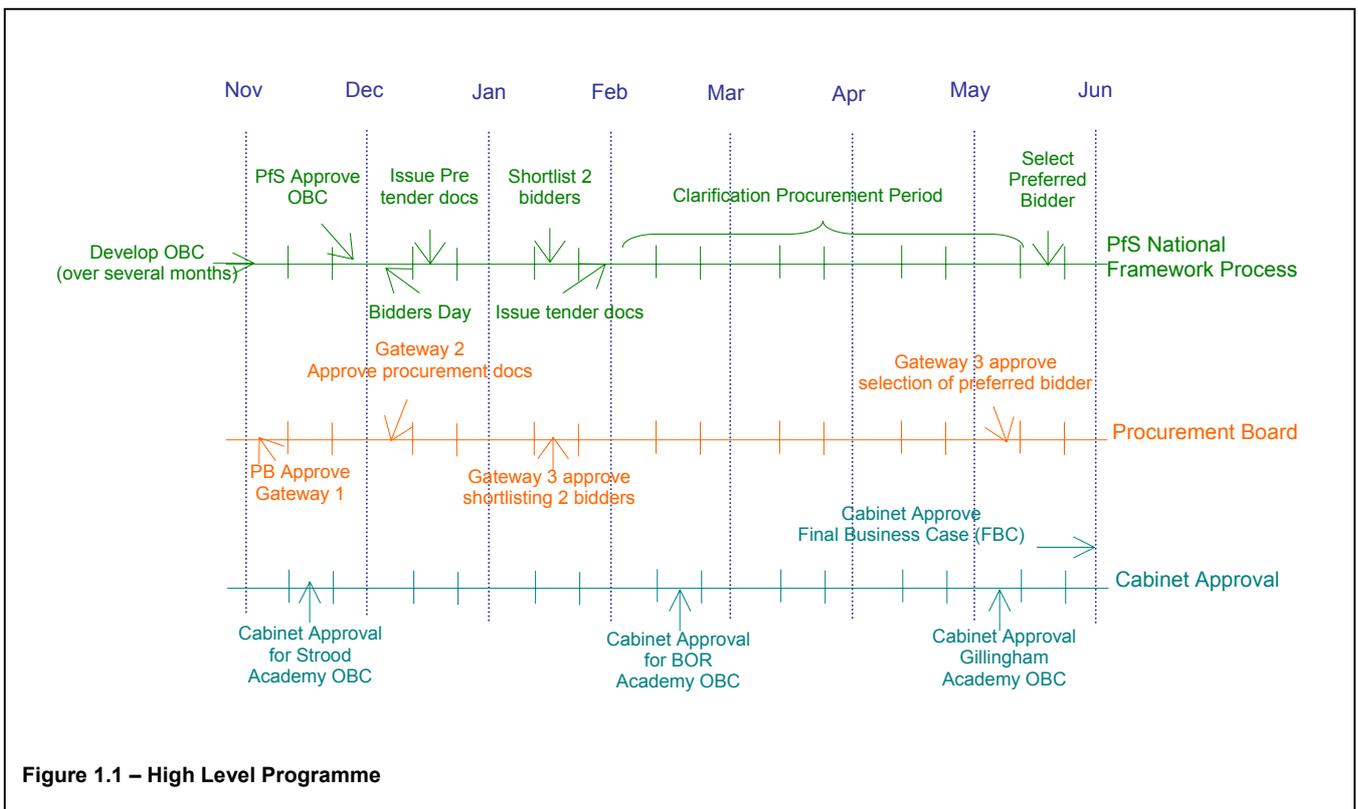


Figure 1.1 – High Level Programme

#### 4.4 Regeneration, Community & Culture

Progress Monitoring	😊	😐	😞	Total Schemes
Regeneration Community & Culture	63	12	0	75

4.4.1 The £4.9m funding pledged by the Department for Transport for environmental and CCTV improvements to the Medway Tunnel has now been received, and the contract for the works has been awarded.

4.4.2 Other additions to the programme are as follows:

- Additional Homes & Communities Agency (HCA) grant funding of £20,000 p.a. for 2009/2010 and 2010/2011 has been awarded to the Great Lines Heritage Park project;
- Quality Bus Corridor – additional HCA grant funding allocation of £3,000, and £94,103 Section 106 contribution;
- Greening the Gateway – a total of £44,500 additional funding obtained from the following sources:
  - £3,500 from Natural England being contribution to Intereg bid;
  - £5,000 from KCC as contribution to Intereg bid;
  - £10,000 from Arts Council England to support Arts Framework event;
  - £26,000 from KCC to support cluster study post
- For budget monitoring purposes, a £200,000 budget has been included on the Parklands Management Scheme; this is the costs of managing the Great Lines Heritage Park project, and the 4 non-Medway Parklands schemes where Medway Council is the accountable body. All expenditure on this code up to the budget limit will be reimbursed to Medway Council by the projects at the year end.

4.4.3 In consultation with the appropriate Members, the following virements have been made under delegated authority:

- Reallocate £139,000 of capital receipts funding from the dormant Watermill Wharf scheme as follows:
  - £19,000 to Jobshop Chatham to cover Health & Safety requirements in the Jobshop building and other minor start-up expenses;
  - £70,000 to the Guildhall Museum as the Council contribution to the 'Opening the Doors' scheme (details in para 4.4.4);
  - £50,000 as the Council contribution to improvements at Upnor Castle (see para 4.4.4)

4.4.4 These two new projects have been added to the capital programme, jointly funded by Intereg, the Heritage Lottery Fund (HLF) and the Council.

The 'Opening the Doors' project at the Guildhall Museum will incorporate the following improvements, designed to increase footfall and extend access to the museum collections by:

- Opening a new and fully accessible High Street public entrance to the Guildhall;

- Establishing a new “orientation” entrance room to include a re-located shop (currently the shop is poorly sited at the back of the building);
- Establishing a new object-focused learning resource room in the space vacated by the shop, allowing more objects to be pulled out of collection storage;
- Completely refurbishing and re-presenting the “Medway Room” – the gallery focused on the River Medway using new technologies and creative display techniques;
- New visitor signage.

The project will be phased over 2 years such that the museum will not have to close to the public at any point during the works. Timetable – end 2009 to end 2011. The total budget of £230,000 has been secured from Interreg grant £110,000; HLF £50,000; and Council contribution (see 4.4.3) £70,000.

The second project is ‘Improving Visitor Interpretation’ at Upnor Castle:

- Having completed £200,000 worth of conservation work in 2008 (mainly on the river walls and the two towers), the Castle is now in need of some investment in new interpretation, and there is also a need to begin the process of identifying a long term use for the Barrack building;
- The project scope is as follows:
  - New displays in the towers – £60,000
  - Option appraisal and feasibility work for the Barracks - £40,000 – work started September 2009 with completion September 2010. This will identify the favoured use and undertake feasibility of conversion including full capital costs for total project and identify funding sources.

The total cost of this project is estimated to be £100,000, funded by Interreg grant of £50,000 matched by Council funding of £50,000 (see para 4.4.3 above).

#### 4.5 Members Priorities

Progress Monitoring	☺	☹	☹	Total Schemes
Members Priorities	29	8	0	37

4.5.1 Since the last report to Members, the following schemes have been approved:

- Bloors Lane allotments – solar panels to generate power to well - £10,000;
- Contribution to Shipwrights Estate environmental improvements led by MHS Homes - £40,000;
- Car park extension at Luton Recreation Ground – initial budget of £1,000 to enable planning application to be submitted; anticipated cost of scheme will be approximately £38,000 – to be added to capital programme when the scheme has been fully designed and costed.

## 5. New Schemes and Virements

5.1.1 In accordance with delegated authority, the following additions have been approved:

- Integrated Childrens Systems project - £37,732 (para 4.2.2 refers)
- ICT Strategic Fund - £340,000 (para 4.2.3 refers)
- Kitchen/ Dining project for schools - £5,108 (para 4.3.1 refers)
- Specialist Schools funding for Robert Napier - £100,000 (para 4.3.1)
- Schools Travel Plan - £53,985 (para 4.3.1 refers)
- Riverside School Children's Centre - £15,000 (para 4.3.1)
- Greenvale Infant Foundation unit - £10,806 (para 4.3.1)
- Youth Capital Fund - £4,000 (para 4.3.1)
- Medway Tunnel - £4,900,000 (para 4.4.1)
- Great Lines Heritage Park - £40,000 (para 4.4.2)
- Quality Bus Corridor - £97,103 (para 4.4.2)
- Greening the Gateway - £44,500 (para 4.4.2)
- Parklands Management Scheme - £200,000 (para 4.4.2)
- Guildhall Museum 'Opening the Doors' - £230,000 (para 4.4.4)
- Upnor Castle Improvements - £100,000 (para 4.4.4)

5.1.2 Virements approved under delegated authority as detailed in Section 4.4.3

## 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**

<b>Funding Source</b>	<b>Forecast Spend 2009/2010 £000's</b>	<b>Total Approved Programme £000's</b>
Borrowing through the Single Capital Pot	13,442	20,047
Prudential Borrowing	2,439	4,926
Government Grant	51,108	99,978
Major Repairs Allowance/Reserve	5,052	5,052
Capital Receipts	10,659	16,267
Developer and other contributions	6,403	7,682
Reserves/ Revenue	832	945
Currently Unfunded	181	0
<b>Total</b>	<b>90,116</b>	<b>154,897</b>

6.2 The £65m 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 September against the approved capital programme.
- 7.2 In considering this report on 24 November, Cabinet noted:
- The spending and funding forecasts summarised at Tables 1 and 2;
  - Additions to the capital programme as detailed in section 5.1.1 and
  - The virements as detailed in paragraph 5.1.2.

## **8. Risk Management**

- 8.1 With a total capital programme approaching £155 million there is always 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 external funding approvals 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.
- 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 continually investigating alternative methods of delivery should external funding not be forthcoming.
- 8.2.1 At the last Business Support Overview and Scrutiny Committee, Members requested that specific reference be made to the risks associated with the Chatham Dynamic Bus Facility. The comments of the Director are as follows:

The risks are that the latest plans do not get planning permission, or that funding runs out or is withdrawn by Government. To mitigate that we are working with the bus companies, statutory consultees and Members to ensure the plans are fit for purpose and stand the best chance of gaining consent. We are in touch with the Government agency who are funding the scheme to ensure that the money is secure.

The proposal will be considered by the Planning Committee on 27 January 2010.

## **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:

- a) The spending and funding forecasts summarised at Tables 1 and 2;
- b) Additions to the capital programme as detailed in section 5.1.1 and
- c) The virements as detailed in paragraph 5.1.2.

### **Lead officer contact**

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### **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 Cabinet 22 September 2009, Capital Budget Monitoring 2009/2010  
Report to Cabinet 24 November 2009, Capital Budget Monitoring 2009/2010