

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

3 FEBRUARY 2015

CAPITAL BUDGET MONITORING 2014/2015 – ROUND 2

Portfolio Holder: Councillor Alan Jarrett, Finance
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Summary

This report details the capital monitoring forecasts as at the end of November 2014.

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.
- 1.2 The Overview and Scrutiny Committee has the responsibility to review financial performance in the context of the budget strategy.

2. Background

- 2.1 The approved capital programme for 2014/15 and future years is £86.8 million, representing both brought forward schemes and new approvals.
- 2.2 This report consolidates the capital monitoring undertaken by each directorate and this is summarised in the appendix that details the individual schemes and their financial position. The 'smiley' attached to each scheme is indicative of the scheme progress as set out in 3.2 below. The notes in the main body of the report, below, represent a commentary on areas of concern or items of particular interest.

3. Progress

- 3.1 Table 1 below summarises the current overall expenditure and the forecast position against the capital programme, representing a summary of the detailed information at Appendix 1.

Table 1: Summary – capital spend and forecasts

Directorate	Approved Programme	Spend to March 2014	Forecast spend 2014-15	Forecast spend in later years	Forecast Variance
	£'000	£'000	£'000	£'000	£'000
Children and Adult Services	166,258	131,918	22,770	12,502	932
Regeneration, Community and Culture	77,782	42,217	18,242	17,311	(12)
Business Support Department	36,055	31,180	2,339	2,536	(0)
Housing Revenue Account	35,088	23,890	6,483	4,405	(310)
Member Priorities	842	247	530	40	(25)
Public Health	200	0	4	296	100
TOTAL	316,225	229,452	50,368	37,090	685

3.2 The Appendix utilises a 'smiley face' project monitoring system that indicates progress at a glance. With only a few exceptions, the relevant budget manager has provided the information in the progress fields of the report. The criteria for the 'smiley' rating is as follows:



Scheme progressing on time or within budget



Scheme progressing on time but not within 5% of budget or scheme progressing on budget but not within expected timescales



Scheme neither progressing within expected timescales nor within 5% of budget.

4. Specific Scheme Monitoring Issues and Completions

4.1 Children and Adults

4.1.1 The 2014/15 initial capital programme was funded as follows:

- Condition Programme - £2.5 million;
- Basic Need - £4.6 million, covering 2015/16 and 2016/17;
- Adult Social Care - £547,000;
- Schools Devolved Formula Capital - £452,000.
- Universal Infant School Means - £567,000
- 2013/14 carry forward amounted to £23.4 million
- £2.0 million DSG Reserves.

4.1.2 The following schemes have been approved following round one and have been added to the capital program:

- Expansion of the Old Vicarage £120,000
- YOT move to Strood Youth Centre £50,000

4.1.3 This has resulted in a Children and Adult Services 2014/15 capital programme of £34.3 million.

- 4.1.4 The directorate is forecasting total capital expenditure of £35.3 million of which £25.5 million is anticipated to be spent this year and £9.8 million in future years. This represents an overspend of just over £1.0 million.
- 4.1.5 The academies programme is forecasting an overspend of almost £1.0 million due to the removal costs of additional asbestos found at Brompton, Strood and Bishop of Rochester Academies that the council has accepted liability for. This follows a successful legal challenge against the contractor, BAM, which resulted in liability for the additional costs being split between the council and the contractor. Cabinet has agreed a virement of £1.0m from the Basic Needs programme to cover this.
- 4.1.6 There remain some outstanding additional claims for costs from the contractor on the Brompton and Bishop of Rochester schemes, that the council is disputing, as well as some further additional costs that the council is liable for, but are yet to be quantified and this will continue to be monitored.
- 4.1.7 The Wainscott Primary Expansion scheme is forecasting an overspend of £177,000 due to the discovery and subsequent removal of slow worms and the extensive highway improvement works required to gain planning permission at the site.

4.2 Regeneration, Community and Culture

- 4.2.1 The addition of £1.4 million, increasing the Strood Sports Centre scheme to £1.9 million, takes the directorate's programme up to £47.0 million, against which it is currently forecasting a small underspend of £321,000.
- 4.2.2 There is currently one scheme forecasting an overspend in Frontline Services where the new Parking IT system is forecast to overspend by £40,000. Council have agreed an addition to the programme, to be met from a revenue contribution.

4.3 Business Support

- 4.3.1 Council agreed two further additions to the Business Support Department's capital programme for 2014/15. £800,000 has been added for the Riverside One Relocation project and £400,000 has been added for the Smarter Working at Gun Wharf project. A further £200,000 was added under urgency powers for the relocation of CASH services to Chatham, however the estimated cost of this scheme has now been revised and Council has been asked to agree a further £100,000.
- 4.3.2 £3.2 million was rolled forward from the 2013/14 programme, so the Department's total capital programme is now £4.88 million this year.
- 4.3.3 The Department's forecast reflects the planned phasing of expenditure and anticipates a roll forward of £2.54 million into future years.

5. Member Priorities

5.1 There have been some new allocations since Round 1:

- Twydall Community Centre Toilets - £15,000
- Hockaday's Bridge Rainham - £27,000
- Enterprise Foundation Project - £5000
- Barberry Avenue Verge Protection - £28,578
- Laburnum Sycamore Rec Play Area - £25,000
- Planting St Margaret's Church - £2,561

6. New Schemes and Virements

6.1 At its meeting on 13 January 2015 Cabinet approved virement of £1.0 million from the Basic Needs Programme to fund the forecast overspend on the Academies Programme arising from the cost of removing unforeseen asbestos

6.2 At its meeting on 22 January 2014 Council approved the following additions to the programme:

- £42,830 to fund the purchase of a tractor and ancillary equipment to meet Greenspaces land management obligations around wildlife conservation. Specifically this equipment will be used to support the management of existing habitats and the creation of new habitats to improve the conservation value of Medway Greenspaces Estate. The capital purchase of this specialist equipment will be financed through Prudential Borrowing funded from within existing budgets.
- £4,000,000 for Flood Defences along a new river wall at Strood Riverside. This is to be funded from a successful bid against PWLB project rate borrowing (a special discounted rate of 0.4% below standard PWLB rates) and repaid from the future capital receipts that the regeneration programme is expected to generate.
- £40,000 addition to the new Parking system scheme created by the necessity of extending the licence arrangements for the old system, to be funded via a revenue contribution from additional parking income.
- Following revisions to the original plans and submission of the architect's estimation of refurbishment costs a further £100,000 addition is required to the relocation of the Contraception and Sexual Health scheme, taking it up to £300,000. This will also be funded from the Public Health reserves.
- In accordance with Cabinet minute 133/2013 the Assistant Director for Legal and Corporate Services, in consultation with the Portfolio Holder for Finance, has negotiated the purchase of freehold land in Horsted Valley on the best terms reasonably obtainable. The £50,000 cost will need to be added to the programme to be funded from the capital receipt from the sale of the Hook Meadow Snack Bar site.

7. Conclusions

7.1 This report provides an analysis of the projected expenditure against the Council's capital programme, based upon the latest round of monitoring returns submitted by managers in November 2014.

8. Risk Management

- 8.1 The risk of overspending against the programme is managed through regular monitoring and remedial action as appropriate throughout the year. There remains some residual risk around the liability for asbestos removal at the three new Academies.

9 Financial and Legal Implications

- 9.1 The financial implications are fully analysed in the report.

10 Recommendations

- 10.1 The Committee is requested to note:
- the spending forecasts summarised at Table 1;
 - the £1.0 million virement referred to at 6.1;
 - the new approvals referred to at 6.2.

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Background papers

Capital budget approved by Full Council 20 February 2014
<http://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?Ild=11659>