

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

8 OCTOBER 2015

CAPITAL BUDGET MONITORING 2015/16 – QUARTER 1

Report from: Phil Watts, Chief Finance Officer

Report Author: John Chance, Head of Finance Strategy

Summary

This report details the capital monitoring forecasts as at the end of June 2015 and updates Members on the schemes contained within the capital programme.

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 scrutinise performance and the budget strategy.

2. Background

- 2.1 The approved capital programme for 2015/16 and future years is £121.3m, being £47.9m in respect of brought forward schemes, £59.4m of new approvals agreed by Council in February 2015 and further £14.0m of new schemes agreed by the Chief Finance Officer, in consultation with the Leader, in accordance with Chapter 4, Part 6, Section 3.7 of the Constitution.
- 2.2 This report consolidates the capital monitoring undertaken by each directorate and this is detailed in the appendix. The accompanying narrative provides a brief description of each scheme, describing the progress of each and the outputs achieved. The notes in the main body of the report, below, represent a commentary on areas of concern or items of particular interest.

3. The Current Capital Programme Summary

- 3.1 The table below summarises the current programme across the departments spanning a 3 year period.

Service	Spend To	Current Round	2015/16	2015/16 Round 1	2015/16 Round 1	2015/16 Round 1	2015/16 Round 1	2015/16
	March 2015	Budget	Act + Comms	1516 Forecast	1617 Forecast	1718 Forecast	1819+ Forecast	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
BUSINESS SUPPORT	30,530	2,862	521	2,303	412	0	0	(147)
MEMBERS PRIORITIES	0	402	48	392	0	0	0	(10)
REGENERATION, COMMUNITY & CULT	53,645	61,935	7,034	22,579	15,512	18,110	5,735	1
CHILDREN AND ADULTS	137,476	35,214	2,055	22,580	7,118	2,935	2,545	(36)
HOUSING REVENUE ACCOUNT	30,173	20,589	6,696	8,087	7,600	4903	0	1
PUBLIC HEALTH	0	296	10	296	0	0	0	0
Grand Total	251,824	121,298	16,364	56,237	30,642	25,948	8,280	(191)

The following table identifies how the programme is funded.

Funding Source	C&A	RCC	HRA	BSD	PH	Member Priorities	TOTAL PROGRAMME
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Borrowing	0	5,348	0	602	0	0	5,950
Capital Grants	23,002	50,645	0	266	0	0	73,912
Capital Receipts	2,341	3,463	0	1,200	0	402	7,405
RTB Receipts	0	378	0	0	0	0	378
S106 Contributions	7,333	801	0	0	0	0	8,135
Revenue / Reserves	2,538	1,300	20,589	794	296	0	25,518
	35,214	61,935	20,589	2,862	296	402	121,298

3.2 The capital receipt requirement underpinning the three year programme stands at £7.4m, however, current estimates of receipts over the same period suggest a shortfall against this requirement of approximately £3.0m. In addition to this, it is estimated that the building repairs and maintenance fund requires an injection of funding, estimated at between £1.0m and £2.0m to deliver essential works, including circa £400,000 of dilapidations at the Compass Centre.

3.3 As a short term solution there are two options:

- Carry out a fundamental review and reprioritisation of the current programme and curtail or cancel low priority schemes to the value of £6.3m, or
- Re-profile the current programme over the longer term in anticipation of additional grant and other funding streams in the future

3.4 The second option is more favourable with the least effect on the longer term capital programme. With the size of the gap involved it is recommended to look at programmes financed by other means, e.g. non-ringfenced grants, with a view to substituting funding, where grants can be used in the short term to fund expenditure in lieu of future capital receipts.

3.5 The problem is exacerbated with two projects reporting adverse variances. Suggested mitigation is provided:

- Section 106 Green Spaces (Appendix page 11) – re-profiling needed in conjunction with other s.106 projects
- ICT Thin Client (Appendix page 16) – capitalised revenue costs so will need appropriate funding stream; probable use of in year slippage

4 New Schemes and Virements

- 4.1 The current programme includes several additions to the programme:
- £9.05m of Basic Need Grant for 2017/18, announced as part of the 2015/16 financial settlement. This will be used to deliver the additional primary school places required over the medium term.
 - £674,000 to fund a second tranche of works to school kitchens to facilitate the roll-out of Universal Free School Meals.
 - £3.86m of HRA reserves to deliver a programme of works in Beatty Avenue.
 - £93,000 of Coastal Communities funding to deliver the conversion of Bath Hard Lane arches into creative workspace units.
 - £500,000 of the funds transferred from the HRA to deliver Twydall Community Hub.

5. Risk Analysis

- 5.1 This report provides Members with progress on the schemes, and detail those schemes that have been delivered to date.

6. Financial and Legal Implications

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

7. Cabinet

- 7.1 On the 25 August Cabinet noted the forecast outturn figure and the additions to the capital programme under delegations, as summarised in paragraph 4.1 .
- 7.2 Cabinet approved the proposals to manage the deficit in capital receipts as set out in paragraph 3.4, i.e. via a re-profiling exercise.

8 Recommendations

- 8.1 Members of the Overview and Scrutiny Committee are invited to note and comment on the forecast outturn position and proposed management actions following round 1 of the quarterly capital monitoring report for 2015/16.

Lead officer contact

John Chance, Head of Finance Strategy, Gun Wharf, Tel. (01634) 332151.
e-mail john.chance@medway.gov.uk

Background papers

Revenue budget approved by Council 26 February 2015
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2974&Ver=4>

Appendices:

Appendix 1 – Detailed Capital Budget Monitoring