

CABINET

20 NOVEMBER 2018

CAPITAL BUDGET MONITORING 2018/19 – QUARTER 2

Portfolio Holder: Councillor Alan Jarrett, Leader
 Report from: Phil Watts, Chief Finance Officer
 Author: Katey Durkin, Head of Finance Strategy

Summary

This report presents the results of the Council's capital monitoring for Q2 of the 2018/19 financial year, including out-turn forecasts and reference to any new schemes for approval.

1. Budget and policy framework

- 1.1 Cabinet are responsible for ensuring that expenditure for each capital scheme remains within the budget approved by Council.

2. Background

- 2.1 The approved capital programme for 2018/19 is £227.773million. This report consolidates the capital expenditure forecasts for the second quarter and Appendix 1 provides a scheme by scheme forecast position for the whole programme. The report also provides details of any additions to the capital programme since the Quarter 1 monitoring report.

3. Forecast Position at Quarter 2

- 3.1 Table 1 summarises the overall capital programme and the latest forecast position:

Directorate	Current Budget £000s	2018/19 Forecast £000s	2019/20 Forecast £000s	2020/21 Forecast £000s	2021/22 Forecast £000s	Forecast Variance £000s
Children and Adults	15,915	14,629	1,465	0	0	178
Regeneration, Culture, Environment and Transformation	61,895	38,974	16,198	5,838	886	0
Housing Revenue Account	7,045	5,714	1,331	0	0	0
Business Support Department	142,723	13,991	52,151	38,697	37,884	0
Public Health	0	0	0	0	0	0
Members Priorities	197	197	0	0	0	0
Total	227,773	73,505	71,144	44,534	38,770	178

3.2 Table 2 shows how the current programme is funded:

Funding Source	C&A £000s	RCET £000s	HRA £000s	BSD £000s	Public Health £000s	Member Priorities £000s	Total £000s
Prudential Borrowing	0	6,852	0	20,164	0	0	27,016
Borrowing in lieu of Capital Receipts	0	10,768	0	121,352	0	0	132,120
Capital Receipts	0	2,905	0	257	0	194	3,355
Capital Grants	15,249	39,762	0	31	0	0	55,041
RTB Receipts	0	127	300	0	0	0	427
S106 Contributions	667	1,437	0	0	0	0	2,104
Revenue / Reserves	0	46	6,745	919	0	0	7,710
Total	15,916	61,895	7,045	142,723	0	194	227,773

3.3 The overspend on Children and Adults of £178,000 relates to variances on four schemes:

- Hundred of Hoo Primary extension phase 2 – value engineering throughout the project is projected to result in an underspend of £85,000 which will be transferred back to the Basic Need Programme.
- Abbey Court relocation and expansion – value engineering throughout the project is projected to result in an underspend of £86,000 which will be transferred back to the Basic Need Programme.
- Family Hubs and Wellbeing Centre – works required to bring the Elaine Centre up to the required standard to deliver the services previously provided at Bligh resulted in a forecast overspend of £50,000. This will be funded by a revenue contribution to capital.
- Children & Adults Mobile Working – the overspend of £299,000 relates to the cost of the prudential borrowing taken out to fund the purchase of mobile devices. Cabinet are asked to recommend to the January meeting of the Full Council that this sum be added to the Capital Programme, funded by prudential borrowing.

4. New Schemes and Virements

- 4.1 At its meeting on 19 July 2018, Full Council approved the addition to the capital programme of £850,000 to fund the re-modelling of the Britton Farm supermarket premises, following the departure of Budgens, to allow it be let as new office accommodation for KMPT (Kent and Medway NHS and Social Care Partnership Trust).
- 4.2 In August 2018, the Chief Finance Officer, in consultation with the Leader approved the addition of £235,000 to the capital programme for road adoption works and tree works relating to St Mary's Island, with funding received from the developer via a S38 Agreement. This was in accordance with Chapter 4, Part 6, Paragraph 3.7 of Medway Council's Constitution.
- 4.3 At its meeting on 14 September 2018, the South East Local Enterprise Partnership (SELEP) Accountability Board awarded £650,000 of Growing Places Fund investment to the Innovation Park Medway southern site enabling works project. This funding will allow essential enabling works to be completed on the southern site, de-risking the site for potential occupiers and will as a result bring forward development. Full Council

approved the addition of £650,000 to the capital programme at its meeting on 11 October 2018.

- 4.4 The cost of loft rigging at Chatham Dockyard funded by the Local Enterprise Partnership (LEP) had been included as an item of capital expenditure within the 2018-19 Medway Council Capital Programme. Officers have reviewed the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The conclusion is that no capital entry is required in the Authority's financial statements. The Council is acting as an intermediary by receiving the LEP funding and passing it onto the Dockyard Trust. Accordingly the item has been removed from the Capital Programme to reflect this revision in accounting treatment.
- 4.5 In August 2018, Procurement Board considered a report outlining that the current contract for Medway Adult Education's Management Information System (MIS) would end in March 2019 and, coupled with the incumbent provider announcement that they will not be able to supply the product from April 2019, it will be necessary to procure a replacement system. The MIS produces all of the performance data for the Service as well as information on course take-up that drives the marketing of the service in what is a very competitive environment. It is also the foundation for producing funding claims, without which the service area could not claim the approximate £1.7million annual allocation from the Education and Skills Funding Agency (ESFA). The capital cost for the purchase and implementation of a replacement system is £33,000, to be funded through Prudential Borrowing with the ongoing revenue cost funded from Medway Adult Education Service revenue budgets. Cabinet are asked to recommend to the January meeting of the Full Council that this be added to the capital programme.
- 4.6 At its July meeting, the Council approved the establishment of a Shared Licensing Service between Gravesham Borough Council and Medway Council. That report outlined that there will be some investment/set-up costs in order to ensure the arrangement is effective. While two existing schemes relating to the Riverside One Relocation and Smarter Working in Gun Wharf are forecasted to budget in this report, the schemes have ended. The Chief Legal Officer will vire the unused budgets totalling £23,000, under delegated authority set out in the Employee Delegation Scheme in the Constitution (Chapter 3, Part 4, Paragraph 2.1) to part-fund the capital costs of establishing the shared service; the balance will be funded from Licensing Service revenue budgets. The resulting capital scheme will have a total value of £34,000. Cabinet are asked to recommend to the January meeting of the Full Council that this be added to the capital programme.
- 4.7 At its October meeting Cabinet considered a report on the RVS Older Persons Centre which concluded that the Council would work to support the continued identification and consideration of buildings within the Council's Estate that could provide a low cost property for RVS. The Leader recommended that support be given to RVS through provision of a capital grant for up to £25,000 to be spent on the fit out of a premises and Cabinet are asked to recommend to the January meeting of the Full Council that this be added to the capital programme.

5. Risk Analysis

- 5.1 The report provides detailed information regarding individual schemes and no significant risks have been identified to the current programme.

6. Financial and Legal Implications

6.1 The financial implications are fully analysed in the report. There are no direct legal implications to this report.

7. Recommendations

7.1 Cabinet are asked to note the spending forecasts summarised at Table 1 of the report.

7.2 Cabinet are also asked to recommend to Full Council that the following sums be added to the Capital Programme:

7.2.1 The sum of £299,000 be added in respect of the Children and Adults Mobile Working as set out in paragraph 3.3 of the report.

7.2.2 The sum of £33,000 be added in respect of the Medway Adult Education's Management Information System as set out in paragraph 4.5 of the report.

7.2.3 The sum of £11,000 to form a new scheme with a total value of £34,000 in respect of the Shared Licensing Service, as set out at paragraph 4.6 of the report.

7.3 Cabinet are also asked to recommended to Full Council to add a sum of up to £25,000 to the capital programme in respect of a capital grant to RVS as set out in paragraph 4.7 of the report; and

7.3.1 Agree to delegate authority to the Chief Finance Officer, in consultation with the Leader, to determine the final amount of the capital grant to RVS (up to £25,000) on review of the final business case.

8. Suggested reasons for decisions

8.1 Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council.

Lead officer contact

Katey Durkin, Head of Finance Strategy, Gun Wharf
Katey.durkin@medway.gov.uk

Appendices

Appendix 1 – Capital Budget Monitoring

Background papers

Capital budget approved by Council 22 February 2018

<https://democracy.medway.gov.uk/mgAi.aspx?ID=18048#mgDocuments>

Council approved additions to the Capital programme

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=41537>

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=4055&Ver=4>