

## COUNCIL

24 JANUARY 2019

# ADDITIONS TO THE REVENUE BUDGET AND CAPITAL PROGRAMME

Portfolio Holder: Councillor Alan Jarrett, Leader  
Report from: Phil Watts, Chief Finance Officer  
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### Summary

This report requests Full Council approval for a number of additions to the Capital Programme and Revenue Budget.

### 1. Budget and Policy Framework

- 1.1. It is the responsibility of Cabinet to ensure that expenditure remains within the budgets approved by the Council, but it remains the responsibility of Council to approve additions to the Capital Programme and Revenue Budget.

### 2. Background

- 2.1. Council approved its initial Capital Programme for 2018/19 and beyond at its meeting on 22 February 2018. Since then there have been a number of additions and as at Quarter 2, the Capital Programme amounted to £227.7million.
- 2.2. Several further schemes and proposals have been identified, which would require spending over and above that previously agreed. At its meetings on 20 November 2018 and 18 December 2018, the Cabinet recommended the following schemes for approval by Full Council:

### 3. Children and Adults Mobile Working

- 3.1. On 20 November the Cabinet considered the Q2 Capital Budget Monitoring report which reported an overspend of £299,000 in relation to the cost of the prudential borrowing taken out to fund the purchase of mobile devices. Cabinet recommended to Full Council that this sum be added to the Capital Programme, funded by prudential borrowing.

#### **4. Medway Adult Education's Management Information System**

- 4.1. 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.

#### **5. Shared Licensing Service**

- 5.1. 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 the Q2 Capital Monitoring, 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.

#### **6. Capital Grant to RVS**

- 6.1. 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. Subsequently, the Leader's recommendation 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 was included in the Q2 Capital Budget Monitoring report considered by the Cabinet on 20 November 2018. At the same meeting, the Cabinet agreed 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.

#### **7. Independent ASD Special School – Cornwallis site**

- 7.1. At its meeting on 23 October 2018 the Cabinet approved the progression by Medway Commercial Group to project manage an Independent Autism Spectrum Disorder (ASD) Special School on the Cornwallis site, which includes provision for residential and respite care. The estimated cost to deliver the school is £24.7million, to be funded through prudential borrowing.

## **8. Local Transport Capital Funding 2018-19 (Department of Transport)**

- 8.1. The Chancellor of the Exchequer announced in the Budget 2018 the allocation of £420million in the 2018/19 financial year for local highways maintenance, with Medway Council receiving £1.128million. A programme of works in accordance with the funding criteria is in the process of being developed for scheme delivery.

## **9. Market Hall Multi-Storey Car Park Infrastructure Works**

- 9.1. The top deck of Market Hall Multi-Storey Car Park, Chatham, requires resealing as it has reached its economic lifespan being in very poor surface condition. There are also ongoing issues of water ingress that place the Council at risk of third party insurance claims. Under the terms of the existing lease, and proposed new lease that is currently being entered into, Medway Council are responsible for maintenance of the car park including all associated running costs; as such there is a lease obligation for the authority to undertake these works and this cost cannot be avoided.
- 9.2. However officers have negotiated a proposed agreement with Tesco to extend the head lease, which would result in a £150,000 capital receipt and waiver of the £15,500pa rent (index-linked) for the next 65 years that would otherwise be due from the Council. The cost for the works is estimated at £505,393 to be funded through prudential borrowing. Repayment of a loan at 3% over 65 years can be met from the savings generated to the Parking Account.

## **10. Family Hubs and Wellbeing Centre**

- 10.1. In the Quarter 2 Capital Budget Monitoring report, an overspend of £50,000 was reported against the Family Hubs and Wellbeing Centre which will be funded from a revenue contribution.

## **11. CCTV Hardware**

- 11.1. An update on the CCTV Audit carried out by the Council's Front Line Services Division was reported to Regeneration, Culture and Environment Overview and Scrutiny Committee on 6 December 2018. The audit has identified a need to invest in the repair and replacement of cameras for which the sum of £80,000 has been earmarked, to be funded from capital receipts.

## **12. Housing Infrastructure Fund Bid – Phase 2**

- 12.1. Following on from the successful Expression of Interest to the Housing Infrastructure Fund (HIF) to enable growth in and around the Hoo Peninsula and waterfront regeneration sites of £170million, the Council was invited to the next stage of bidding, the development and submission of a full Green Book Appraisal (GBA) business case. At its meeting on 19 July, the Council agreed to the addition of up to £750,000 to the revenue budget, initially funded from reserves, with this sum sufficient to cover the first phase of work necessary to complete the Green Book Appraisal.
- 12.2. As part of the business case, the Council has to provide a robust programme indicating that delivery of the proposed interventions is possible by the funding spend deadline of 31 March 2023. In order to do this, the Council will need to

take the proposed rail station and highways improvements through detailed design ready for capital delivery, prior to securing formal approval for the HIF bid. This second phase of work will require funding of £445,000 to ensure the Council's final GBA business case is robust, and significantly improves the chances of success. Not undertaking this work would not provide certainty around completion by 31 March 2023 and would therefore undermine the Council's case.

### 13. Risk Analysis

13.1. Children and Adults Mobile Working – None identified.

13.2. Medway Adult Education's Management Information System:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Risk of overspend	Delivery of system could cost more than estimated	Robust monitoring to ensure the project is delivered on budget and schedule	C3

13.3. Shared Licensing Service:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Shared service not successfully delivered	Savings and improvements in service delivered by sharing the service may not be realised.	Robust monitoring to ensure the shared service is delivered.	C3

13.4. Capital Grant to RVS – None identified.

13.5. Independent ASD Special School – Cornwallis site:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Risk of overspend	Delivery of school could cost more than estimated	Robust monitoring to ensure the school is delivered on budget and schedule	C3
Interest rate risk	Prudential borrowing	Robust treasury management to minimise interest cost	C3

13.6. Local Transport Capital Funding 2018-19 (Department of Transport):

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Risk of overspend	Programme developed for the funding could cost more than estimated	Robust monitoring to ensure the programme is delivered on budget and schedule	C3

13.7. Market Hall Multi-storey Car Park Infrastructure Works:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Risk of overspend	Costs for works could be higher than estimated	Robust monitoring to ensure the scheme is delivered on budget and schedule	C3
Interest rate risk	Prudential borrowing	Robust treasury management to minimise interest cost	C3

13.8. Family Hubs and Wellbeing Centre:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
The project may not be deliverable if the additional funding is not agreed	The Elaine Centre may not be brought up to the required standard to deliver the services previously provided at Bligh	Robust monitoring to ensure the scheme is delivered within revised budget	D2

13.9. CCTV Hardware:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Legislation	Ensure that the CCTV Code of Practice is followed	Ensure that CCTV cameras are annually reviewed as to their effectiveness	C3

Community Safety	Reduction in cameras could increase fear of crime and lessen chances of identifying offenders	Thorough annual reviews to ensure that CCTV is located in the most high risk areas	D3
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#### 13.10. Housing Infrastructure Fund Bid – Phase 2

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
HIF bid might not be successful	The works will be carried out in advance of the funding bid being approved	A project board is managing this to maximise the likelihood of the bid being successful	C2
Risk of overspend	Programme developed for the funding could cost more than estimated	Robust monitoring to ensure the programme is delivered on budget and schedule	C3

### 14. Financial and Legal Implications

14.1. The financial implications are fully analysed in the report and summarised in the table below:

Children and Adults Mobile Working	£299,000
Medway Adult Education's Management Information System	£33,000
Shared Licensing Service	£11,000 addition to form a scheme of £34,000
Capital Grant to RVS	up to £25,000
Independent ASD Special School – Cornwallis site	£24.7million
Local Transport Capital Funding 2018-19 (Department of Transport)	£1.128million
Market Hall Multi-Storey Car Park Infrastructure Works	£505,393
Family Hubs and Wellbeing Centre	£50,000
CCTV Hardware	£80,000
Addition to the Revenue Budget: Housing Infrastructure Fund Bid – Phase 2	£445,000

14.2. There are no direct legal implications to this report.

## **15. Recommendation**

15.1. The Council is asked to add the schemes set out in sections 3 to 11 of the report to the Capital Programme and the scheme set out in section 12 of the report to the Revenue Budget.

### **Lead officer contact**

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### **Appendices**

None

### **Background papers**

Capital and Revenue Budgets 2018/19 to Council 22 February 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=3775&Ver=4>

Shared Licensing Service report to Council 19 July 2018:

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

RVS Older Persons Centre report to Cabinet 23 October 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4091&Ver=4>

Special Educational Needs and Disabilities Provision Proposal to Cabinet 23 October 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4091&Ver=4>

Q2 Capital Budget Monitoring to Cabinet 20 November 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4100&Ver=4>

Capital Additions Report to Cabinet 18 December 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4112&Ver=4>

Update on CCTV Audit to Regeneration, Culture and Environment Overview and Scrutiny Committee on 6 December 2018:

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=437&MId=4107&Ver=4>