

## BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE

**22 AUGUST 2019**

### CAPITAL BUDGET MONITORING – ROUND 1 2019/20

Report from: Phil Watts, Chief Finance Officer

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#### Summary

This report presents the results of the first round of the Council's capital budget monitoring for the financial year 2019/20.

#### 1. Budget and Policy Framework

- 1.1 Cabinet are responsible for ensuring that income and expenditure remain within the budget approved by Council. Additions to the capital programme are a matter for Full Council.

#### 2. Background

- 2.1 The approved capital programme for 2019/20 is £281.369 million. This report consolidates the first round of capital budget forecasts for 2019/20. Appendix 1 to the report provides details of the forecast position for every scheme in the programme.

#### 3. Round 1 forecast position

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

**Table 1: Monitoring Summary**

Directorate	Current Budget £000s	2019/20 Forecast £000s	2020/21 Forecast £000s	2021/22 Forecast £000s	2022/23 Forecast £000s	Forecast Variance £000s
Children and Adults (including Public Health)	33,101	6,945	26,164	0	0	8
Regeneration, Culture, Environment and Transformation	56,302	39,225	11,822	5,444	729	918
Housing Revenue Account	11,270	7,105	4,165	0	0	0
Business Support Department	180,329	62,621	50,472	37,280	18,355	(11,601)
Members Priorities	366	366	0	0	0	0
<b>Total</b>	<b>281,369</b>	<b>116,262</b>	<b>92,623</b>	<b>42,724</b>	<b>19,085</b>	<b>(10,676)</b>

3.2 Table 2 shows how the current capital programme is funded.

**Table 2: Capital Funding Summary**

Funding Source	C&A (inc Public Health)	RCET	HRA	BSD	Member Priorities	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Prudential Borrowing	24,720	12,025	3,487	178,801	0	219,034
Borrowing in lieu of Capital Receipts	0	4,313	0	0	0	4,313
Capital Receipts	50	3,593	0	604	366	4,612
Capital Grants	1,375	34,818	0	74	0	36,266
RTB Receipts	0	0	1,235	0	0	1,235
S106 Contributions	6,922	1,553	0	0	0	8,475
Revenue / Reserves	34	1	6,549	850	0	7,434
<b>Total</b>	<b>33,101</b>	<b>56,302</b>	<b>11,271</b>	<b>180,329</b>	<b>366</b>	<b>281,369</b>

- 3.3 There is an overspend of £8,000 on the Family Hubs and Wellbeing Center programme, however funding has been identified to meet this pressure through Section 106 contributions and a contribution from the service revenue budget.
- 3.4 Mercury abatement works to the Medway Crematorium overspent by £67,000 as additional concreting works were required to the base. Management are working to identify additional funding or a suitable virement.
- 3.5 Works to improve traffic management and the installation of automatic vehicle barriers at the Civic Amenity Sites are forecast to underspend by £11,000.
- 3.6 Infrastructure works required to maintain the Medway Tunnel are forecasting a pressure of £672,000 and although funding has been sought from the Department of Transport, this has not yet been confirmed. If no grant is forthcoming then the overall Highways programme may need to be reviewed with a view to identifying a suitable virement.
- 3.7 The Landscaping works to provide new public realm on Chatham Riverside through the Command of the Heights project have identified archaeological remains, which have caused in delays and additional works, resulting in a forecast pressure of £168,000. Management are working to reduce costs through value engineering, however it may be necessary to identify additional funding.
- 3.8 Delays in the delivery of the project to install the Rochester Station Totem resulted in additional costs including ground works and connection charges that were not budgeted, resulting in a pressure of £22,000. Management are working to identify an alternative funding source.
- 3.9 A reduction in the number of units being delivered and a change in the form of the building at the Whiffens Avenue Medway Development Company (MDC) development are forecast to result in an underspend of £2.321 million. When the scheme is completed, the underspend will be transferred back to the Medway Development Company programme.
- 3.10 As the 'Medway Growth' scheme, under a joint venture with Norse Property Services, will not now proceed, the Council will not incur this expenditure and will no longer need to borrow the £1.339 million funding. Cabinet has agreed to recommend to Council the deletion of this scheme from the capital programme.

3.11 A change in the funding arrangements of the Gun Wharf Salix Scheme result in a forecast underspend of £48,000.

3.12 The purchase of the Pentagon Centre was concluded for a sum lower than the capital budget approved, resulting in an underspend of £7.893 million.

#### **4. Conclusions**

4.1 The first round of capital budget monitoring for 2019/20 forecasts a favourable variance of £10.676 million.

#### **5. Financial, risk management and legal implications**

5.1 The financial implications are set out in the body of the report. There are no legal implications within this report. The Council's capital monitoring process is designed to help mitigate the risk of overspending against the agreed budget at year-end; this report sets out the areas of potential overspend forecast and the actions identified by management and Members to mitigate these.

#### **6. Recommendations**

6.1 The Committee is asked to note:

- a) the results of the first round of capital budget monitoring for 2019/20;
- b) that Cabinet has recommended to Full Council that the S106 and revenue contribution identified to fund the overspend on the Family Hubs and Wellbeing Centre scheme is added to the capital programme, as set out at paragraph 3.3 of this report.
- c) that Cabinet has recommended to Full Council that the capital programme is reduced by £1.339 million, as outlined at paragraph 3.10 of this report.

#### **Lead officer contact**

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#### **Appendices**

Appendix 1 – Capital Budget Monitoring

#### **Background papers**

Revenue budget approved by Council 21 February 2019:

<https://democracy.medway.gov.uk/mgAi.aspx?ID=20679#mgDocuments>