

## **COUNCIL**

**23 JANUARY 2020**

### **AMENDMENTS 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 amendments to the Revenue Budget and Capital Programme as recommended by Cabinet following the Round 1 and 2 2019/20 Capital Budget Monitoring Reports. The report also includes an addition to deliver secondary surge classes following a recommendation from Cabinet on 19 November.

Following confirmation from the government that the Council's £170million Housing Infrastructure Fund bid has been successful, this report advises Full Council that this scheme has been added to the Capital Programme under the Chief Finance Officer's delegated authority. The report also asks Full Council to reduce the Revenue budget by the £850,000 added in October 2019 for advance works on the HIF programme, which will now be funded from the capital scheme.

#### **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 the capital programme for 2019/20 and beyond of £295.867million at its meeting on 21 February 2019.
- 2.2. Several further schemes and proposals have been identified which would require spending over and above that previously agreed and a number of other amendments to the programme are now required. At its meetings on 6 August 2019 and 19 November 2019, the Cabinet recommended the following amendments to the programme for approval by Full Council:

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

- 3.1. The Round 1 Capital Budget Monitoring report was considered by Cabinet on 6 August, and reported an overspend of £8,000 on the Family Hubs and Wellbeing

Center programme. Funding has been identified to meet this pressure, primarily Section 106 contributions, and Cabinet recommended that Council agree the additions to the Capital Programme to fund this overspend.

#### **4. Medway Growth**

- 4.1. 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. Therefore, Cabinet, on 6 August, recommended to Council that this scheme be deleted from the capital programme.

#### **5. Mercury Abatement**

- 5.1. The Round 2 Capital Budget Monitoring report was considered by Cabinet on 19 November, and reported that Mercury abatement works to the Medway Crematorium overspent by £102,259 as additional concreting works were required to the base. It has not been possible to identify additional funding or a suitable virement, and therefore Cabinet recommended to Full Council to increase the budget, funded from further borrowing.

#### **6. Command of the Heights**

- 6.1. 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 delays and additional works, resulting in an overspend of £397,259. Further grant funding has been secured through the Heritage Lottery Fund to finance a significant element of this overspend; the work associated with the Casements. The balance will be secured from Great Lines Heritage Park Section 106 contributions and a contribution from the Greenspaces Development revenue budget. Cabinet, on 19 November, recommended to Full Council to increase the budget to include this funding.

#### **7. Rochester Station Totem**

- 7.1. 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 an overspend of £22,942. It has not been possible to identify additional funding or a suitable virement, and as such Cabinet, on 19 November, recommended to Full Council to increase the budget, funded from capital receipts.

#### **8. HRA New Build Phase IV**

- 8.1. The Housing Service has proposed expansion of the New Build Phase 4 scheme which is currently delivering 23 units at an approved cost of £3.287 million. The initial feasibility work has identified four viable sites in Twydall, where resident engagement has taken place and which will be fed into planning applications anticipated to be submitted by the end of 2019. The proposal would deliver a further 32 units in a mix of two bedroom houses at affordable rent and one bedroom bungalows at social rent. The proposal to expand the existing Phase 4 scheme would cost an additional £4.1 million and would be funded 70% from borrowing and 30% from 'Right to Buy' capital receipts in line with the existing Phase 4 scheme. Cabinet, on 19 November, recommended to Full Council to increase the budget for this scheme.

## **9. HRA Buy Back Scheme**

- 9.1. If an HRA property is sold under the 'Right to Buy' and is re-sold within 10 years the seller must first offer it to their old landlord, and if it is re-sold within 5 years a proportion of the discount awarded on the original sale must be repaid. The Council's Housing Service have identified opportunities to buy back HRA properties sold under the Right to Buy where an element of the discount would be repaid to the Council. In order to progress with these purchases, Cabinet, on 19 November, recommend to Full Council that £300,000 be added to the Capital Programme for an HRA Buy Back scheme, funded from HRA Reserves and 'Right to Buy' receipts.

## **10. ICT Data Centre Works**

- 10.1. The Capital Strategy considered by the Cabinet on 24 September 2019 set out the investment requirements to deliver the Council's corporate ICT strategy, noting that maintaining the data centre at Gun Wharf would require "significant capital investment to upgrade the servers and other crucial hardware and infrastructure. There are a number of strands to this work and the total cost will be in the region of £2 million, some of which will need to be incurred this year". Initial works are required to:

- Replace the Windows 2008 server and all databases running on Windows 2008 SQL servers, required to maintain access to central government and partners via the connection with the Public Service Network,
- Replace file servers to leverage investment in Office 365, and
- Replacements to ensure the Uninterruptable Power Supply remains operational.

Cabinet recommended to Full Council the addition of £380,000 for these unavoidable works, to be funded from borrowing.

## **11. Housing Infrastructure Fund**

- 11.1. On 1 November the Ministry of Homes, Communities and Local Government confirmed that Medway Council had been successful in its £170million 'New Routes to Good Growth' Housing Infrastructure Fund Forward Funding bid. As noted in the Draft Capital and Revenue Budget 2020/21 presented to Cabinet on 19 November, the Housing Infrastructure Fund (HIF) schemes have been added to the Council's Capital Programme under the Chief Finance Officer's delegated authority, as set out in the Constitution, Chapter 4: Part 6, Paragraph 3.

- 11.2. In October 2019, Full Council approved the addition of £850,000 to the revenue budget, funded from revenue reserves to:

- Continue programmed works to complete RIBA stage 3 (road scheme) and GRIP 2 (rail scheme) at risk until the end of December 2019.
- Undertake other works at risk until the end of December 2019.

Officers have had confirmation from Homes England that as this element of funding was included in the original Business Case for the HIF bid, it can be claimed back in the first drawdown of HIF funding now the bid has been successful. Full Council is therefore asked to reduce the Revenue Budget by £850,000, as the expenditure can now be met from the £170million HIF capital scheme.

## **12. Secondary Surge Classes for September 2020**

- 12.1. On 19 November the Cabinet agreed the commencement of the projects required

to provide surge classes necessary to meet the need for secondary school places for the intake in September 2020. The report set out a total of 9 schemes to deliver an additional 248 year 7 non-selective school places;

- two to be delivered at no cost;
- three funded from a virement from the SEND school budget under the delegation of the Director – People Services with a total value of £320,000;
- The Cabinet agreed to fund three schemes from a virement from the SEND school budget with a total value of £1.180million.

In addition, the Cabinet recommended to Full Council the approval of a virement of £1.5million from the SEND school budget for the final scheme.

### 13. Risk Analysis

13.1. Family Hubs and Wellbeing Centre: none identified.

13.2. Medway Growth: none identified.

13.3. Mercury Abatement: none identified.

13.4. Command of the Heights:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Risk of further overspend	Works could identify further archaeological remains resulting in further delays and additional works.	Robust monitoring to ensure the project is delivered on budget and schedule	C2

13.5. Rochester Station Totem: none identified.

13.6. HRA New Build Phase IV:

<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. HRA Buy Back Scheme: none identified.

13.8. ICT Data Centre Works:

<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

13.9. Housing Infrastructure Fund:

<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, which would impact on the Council's own resources	Robust monitoring to ensure the programme is delivered on budget and schedule	C3

13.10. Secondary Surge Classes for September 2020:

<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, which would place further pressure on the Council's funds	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 tables below:

<b>Capital Programme changes</b>	<b>£</b>
Family Hubs and Wellbeing Centre – capital addition	8,000
Medway Growth – capital reduction	(1,339,000)
Mercury Abatement – capital addition	102,259
Command of the Heights – capital addition	397,259
Rochester Station Totem – capital addition	22,942
HRA New Build Phase IV – capital addition	3,287,000
HRA Buy Back Scheme – capital addition	300,000
ICT Data Centre Works – capital addition	380,000
Housing Infrastructure Fund – capital addition	170,000,000
Secondary Surge Classes for September 2020 – capital addition	1,500,000
<b>Total</b>	<b>174,658,460</b>

<b>Revenue Budget changes</b>	<b>£</b>
Housing Infrastructure Fund – revenue reduction	(850,000)
<b>Total</b>	<b>(850,000)</b>

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 12 of the report to the Capital Programme, and to remove £850,000 from the Revenue Budget as set out in section 11.2 of the report.

### Lead officer contact

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### Appendices

None

### Background papers

None