

## **CABINET**

**25 AUGUST 2020**

### **CAPITAL BUDGET MONITORING REPORT ROUND 1 2020/21**

Portfolio Holder: Councillor Alan Jarrett, Leader  
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 process for 2020/21. The report also asks Cabinet to approve a virement, and to recommend a number of additions to the capital programme to Council.

#### 1. Budget and Policy Framework

- 1.1. Cabinet are responsible for ensuring that capital expenditure remains within the budget approved by Council. Additional schemes (capital additions) or movements in budgets between schemes (virements) are required. Virements below £150,000 can be approved by Directors under delegated authority. Virements between £150,000 and £1million can be approved by Cabinet and those in excess of £1million are a matter for Council.
- 1.2. The Chief Finance Officer has delegated authority to approve in year additions to the capital programme, in consultation with the Finance Portfolio Holder, subject to the following criteria:
  - funding coming from external sources,
  - no financial contribution coming from the Council,
  - funding being ringfenced for specific purposes.Any additions made under delegated authority are reported through the next budget monitoring report.

#### 2. Background

- 2.1. The approved capital programme for 2020/21 is £429.681million. This report consolidates the first round of capital budget forecasts for 2020/21. Appendix 1 provides details of budget managers forecasts for each scheme and updates of the current progress. Where schemes are projected to complete later than the current financial year, a forecast of the anticipated spend profile is given. Each scheme is given a progress rating based upon both the time expected to complete and the cost against that originally anticipated/budgeted for.

### 3. Summary Capital Programme Position and Funding 2020/21

3.1. Table 1 below summarises the capital programme and Round 1 forecast position. Table 2 shows how the current programme is funded.

**Table 1: Capital Monitoring Summary**

Directorate	Current Budget	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Forecast Under/(over) spend
	£000's	£000's	£000's	£000's	£000's	£000's
Children and Adults (including Public Health)	28,523	9,694	16,024	2,805		0.000
Regeneration, Culture and Environment	235,309	49,199	52,901	77,284	58,405	2,479
Housing Revenue Account	24,756	13,309	11,747	0	0	300
Business Support Department	140,730	36,742	65,030	39,019	0	61
Members Priorities	363	323	40	0	0	0
<b>Total</b>	<b>429,681</b>	<b>109,267</b>	<b>145,742</b>	<b>119,108</b>	<b>58,405</b>	<b>2,840</b>

**Table 2: Capital Funding Summary**

Funding Source	Total	C&A (Inc. Public Health)	RCE	HRA	BSD	Member Priorities
	£000's	£000's	£000's	£000's	£000's	£000's
Prudential Borrowing	103,397	24,077	35,307	14,000	30,013	0
Borrowing in lieu of Capital Receipts	111,247	902	0	0	110,345	0
Capital Receipts	3,375	11	2,770	0	231	363
Capital Grants	199,196	4,031	195,163	0	2	0
RTB Receipts	9	0	9	0	0	0
Developer Contributions	1,565	404	1,161	0	0	0
Revenue / Reserves	10,892	0	6	10,747	139	0
<b>Total</b>	<b>429,681</b>	<b>29,425</b>	<b>234,416</b>	<b>24,747</b>	<b>140,730</b>	<b>363</b>

### 4. Children & Adults including Public Health

4.1. Capital schemes in the Directorate are collectively forecast to budget.

4.2. SEN School – It is expected that the Education and Skills Funding Agency (ESFA) will fund the provision of a new SEN school in Medway, and as such the remaining budget of £18.698million for this scheme will not required for

that purpose. There remains a need to provide additional high needs places in Medway, and a separate report is presented elsewhere on this agenda proposing to fund two new schemes from a virement of this balance. In order to support the programme set out in that report however, Cabinet is asked to approve the virement of £750,000 from the High Needs Special Places scheme to fund the Council's agreed contribution to the Department for Education towards the new build school at Cornwallis Avenue, Gillingham.

- 4.3. Capital Programme Management – the Children & Adults capital programme has grown significantly in terms of complexity and scale in recent years. Cost associated with the management of the programme are met via charges to individual capital schemes, predominantly from basic need grant funding. As that grant has reduced, it is now necessary to add a further £121,000 to this scheme, to be funded by S106 contributions. Cabinet is asked to recommend Full Council to approve this addition to the capital programme.
- 4.4. The following virements have been carried out under the Director of C&A's delegated authority during the first part of the 2020/21 financial year:
- £4,000 from Riverside Primary Expansion to 2FE to Basic Needs Programme to cover a projected overspend from a projected underspend,
  - £24,000 from Riverside Primary Expansion to 2fE to Riverside Hall Extension to cover a projected overspend from a projected underspend,
  - £24,000 from Maundene Stabilisation to Condition Programme to cover a projected overspend from a projected underspend, and
  - £6,000 from OPP modernisation and transformation to Integrated Care System to cover a projected overspend from a projected underspend.

## 5. Regeneration, Culture & Environment

- 5.1. Capital schemes in the Directorate are collectively forecasting an adverse variance of £2.479million.
- 5.2. Strood Riverside Phase 1&2 – In 2019/20 the delivery of Strood Waterfront capital scheme overspent by £686,000 as costs outside of the Council's control were incurred on the delivery of the flood defences, mainly around delays caused by utilities. In order to ready the site to be marketable so it can be developed, additional works are required costing a further £2.364million over the next five years. The maintenance of the existing flood defences once the site is developed will be funded through S106 and service charges on tenants. The scheme to date has been largely funded through borrowing against the future capital receipts achievable on the site, and this addition would bring the total borrowing to £12.851million, within the predicted capital receipt of c£18million. This proposal was discussed and endorsed by Members at Member Project Board, and the Cabinet is therefore asked to recommend to Full Council the addition of £3.050million, funded by borrowing in lieu of future capital receipts, to the Council's Capital Programme.
- 5.3. Potholes – Medway Council have secured £1.925million from the Department for Transport (DfT) Pothole Challenge Fund for 2020-21. An estimate of the 2020/21 allocation of £144,000 was included in the Capital Programme at the beginning of the year, so this addition represents a further £1.781million which

has been added to the capital programme by the Chief Finance Officer under delegated authority. The funding has been applied as follows:

- Carriageway Resurfacing Programme (Unclassified Network) - £974,000,
- Carriageway Pothole Repairs - £150,000,
- Stoke Bridge Resurfacing - £450,000, and
- Medway Tunnel Annual Running Cost contribution - £207,000.

5.4. Disabled Facilities Grants – Medway Council’s allocation of £2.177million further funding announced after the Council set the original budget has been added to the Capital Programme under the Chief Finance Officer’s delegated authority.

5.5. Wigmore Community Hub Condition Programme – the scheme is projected to overspend by £31,000 arising from the instruction of the Wigmore Community Hub Board that upgrade works be enhanced however no funding source has been identified.

## 6. Housing Revenue Account

6.1. On 4 February 2020 the Cabinet approved the inclusion of £300,000 budget for the buyback of HRA properties within the HRA Capital programme for 2020/21. In error, this addition was not included in the HRA capital programme approved by Full Council, and as such this scheme is currently showing as a forecast overspend. Cabinet is asked to recommend this addition to Full Council, funded from the HRA revenue reserves and 1-4-1 capital receipts.

## 7. Business Support Department

7.1. Capital schemes in the Directorate are collectively forecasted to overspend by £61,000.

7.2. Mountbatten House Purchase – Work required in advance of the purchase, including preparation for a Compulsory Purchase Order, are anticipated to cost £384,000. Cabinet is asked to recommend to Full Council this addition to the Capital Programme, to be funded by a virement from the Medway Development Company Ltd holding scheme.

7.3. The following virements have been carried out under the Chief Finance Officers delegated authority during the first part of the 2020/21 financial year:

- £54,000 from the Medway Development Co Ltd scheme holding the balance of the approved prudential borrowing to the MDC White Road Scheme to fund an overspend.
- £7,000 from the Medway Development Co Ltd scheme holding the balance of the approved prudential borrowing to the MDC Britten Farm Remodelling Scheme to fund an overspend.

## 8. Members Priorities

8.1. Members priorities capital scheme are forecasted to budget.

## 9. Flexible Use of Capital Receipts

9.1. On 20 February 2020, alongside the Capital and Revenue Budgets, Council approved the Flexible Use of Capital Receipts Strategy. This enables the Council to use a temporary flexibility granted by the Government to use capital receipts to spend on the revenue costs of reform projects that generate ongoing savings to the revenue budget. The strategy set out three broad areas for such investment:

- Tools and services to support our embedded business change and digital services to deliver efficiencies,
- Delivery of elements of the Children's Services Improvement Plan, and
- Costs associated with the financial recovery plan for the High Needs Block of the Dedicated Schools Grant.

9.2. The Council has an available balance for this purpose as at the 31 March 2020 of £3.75million of unallocated capital receipts, to which a further £6.87million is anticipated to be added in 2020/21 and 2021/22. It is proposed that some of the available capital receipts are allocated to establish a new transformation programme that will build on the successes and benefits of the three year programme that ran from 2016-2019. The proposed programme would require investment of £3,275,300 based on the following:

<b>Activity</b>	<b>Total Investment</b>
Children's Improvement Programme one-off costs: <ul style="list-style-type: none"> <li>- Practice Improvement: £83,000</li> <li>- Improvement Board Governance: £32,800</li> <li>- Improvement Team Delivery: £238,900</li> <li>- Recruitment &amp; Onboarding: £317,400</li> <li>- Workforce Development &amp; Training: £21,200</li> <li>- IT &amp; Systems: £126,000.</li> </ul>	£819,300
Investment in a network of sensors and ICT requirements to deliver Smart City ambitions and deliver improvements in operational efficiency around waste collection, fly tipping, winter gritting and gully emptying.	£500,000
Investment in the development of the Council's HR and Payroll system to deliver more efficient and effective control of the functions and internal processes across the Council.	£200,000
Additional resources to deliver a review identifying opportunities to rationalise the Council's ICT systems: 2 officers appointed on fixed term for 12 months.	£91,000
Provision of kiosks and implementation of self-scanning system to enable residents and customers to scan documents, reducing avoidable face to face contact.	£40,000
Supporting the capacity and effectiveness of senior management through Facet5 personality profiling and supported learning and development.	£38,000

<b>Activity</b>	<b>Total Investment</b>
Additional fixed term Occupational Therapist resources to complete a programme of targeted reviews in Adult Social Care.	£37,000
Additional resources to support the delivery of Business Change projects to deliver savings identified through the budget build process: <ul style="list-style-type: none"> <li>- 7 officers appointed on fixed term for 18 months analysing service demand and mapping processes, and</li> <li>- funding to back-fill existing staff so they can be released to work on business change projects, reducing use of consultants.</li> </ul>	£550,000
Transformation and innovation budget to fund further projects, as directed by Transformation Board.	£1,000,000
<b>Total</b>	<b>£3,275,300</b>

9.3. It is therefore recommended that a capital budget be created to support these specific investment priorities, and to enable other opportunities that may arise in 2020/21 2021/22 to be acted on promptly before the flexibility ends in March 2022. As such Cabinet is asked to recommend to Full Council the addition of £3,275,300 to deliver a new transformation programme.

## 10. Conclusions

10.1. The first round of Capital Budget Monitoring for 2020/21 forecasts an overspend of £2.840million.

## 11. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget.	Overspends on budget would need to be funded from other sources; the Council's limited reserves or further borrowing, at further revenue cost.	The capital monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	AI

## 12. Financial implications

12.1. The financial implications are set out in the body of the report.

## 13. Legal implications

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

## 14. Recommendations for Cabinet

- 14.1. Cabinet is asked to note the results of the first round of capital budget monitoring for 2020/21.
- 14.2. Cabinet is asked to approve the virement of £750,000 from the High Needs Special Places scheme to fund the Council's agreed contribution to the Department for Education towards the new build school at Cornwallis Avenue, Gillingham as set out in paragraph 4.2 of the report.
- 14.3. Cabinet is asked to recommend to Full Council the addition of £121,000 to the Capital Programme Management scheme, to be funded by S106 contributions as set out at paragraph 4.3 of the report.
- 14.4. Cabinet is asked to recommend to Full Council the addition of £3.050million for further works to Strood Riverside Phase 1&2, funded from borrowing in lieu of future capital receipts, to the Council's Capital Programme as set out at paragraph 5.2 of the report.
- 14.5. Cabinet is asked to recommend to Full Council the addition of £300,000 in respect of HRA buyback, which was omitted in error from the budget set in February as set out at paragraph 6.1 of the report.
- 14.6. Cabinet is asked to recommend to Full Council the addition of £384,000 to the Mountbatten House Purchase scheme, to be funded from a virement from the Medway Development Company Ltd holding scheme as set out at paragraph 7.2 of the report.
- 14.7. Cabinet is asked to recommend to Full Council the addition of £3,275,300 under the Flexible Use of Capital Receipts Strategy, to fund a new transformation programme as set out in section 9 of this report.

## 15. Suggested Reason for decision

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

## Lead officer Contact

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## Appendices

Appendix 1 – 2020/21 Capital Budget Monitoring Round 1.

## Background Papers

None