

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

21 OCTOBER 2021

CAPITAL BUDGET MONITORING REPORT ROUND 1 2021/22

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Summary

This report presents the results of the first round of the Council's capital budget monitoring process for 2021/22.

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 2021/22 is £475.661million. This report consolidates the first round of capital budget forecasts for 2021/22. Appendix 1 provides details of budget manager's 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 2021/22

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: Monitoring Summary

Directorate	Current Budget £000s	2021/22 Forecast £000s	2022/23 Forecast £000s	2023/24 Forecast £000s	2024/25+ Forecast £000s	Forecast Under/ (over) spend £000s
Children and Adults (including Public Health)	30,074	10,548	16,204	0	0	(3,322)
Regeneration, Culture and Environment	419,164	122,882	107,522	137,017	51,727	(16)
Housing Revenue Account	21,656	15,643	6,013	0	0	0
Business Support Department	4,404	3,034	1,025	311	0	(34)
Members Priorities	363	323	40	0	0	0
Total	475,661	152,430	130,804	137,328	51,727	(3,372)

Table 2: Capital Funding Summary

Funding Source	Total £000s	C&A (inc. Public Health) £000s	RCE £000s	HRA £000s	BSD £000s	Member Priorities £000s
Prudential Borrowing	100,037	22,690	64,528	12,572	247	0
Borrowing in lieu of Capital Receipts	112,193	0	112,193	0	0	0
Borrowing in lieu of Future Business Rates	36,533	0	36,533	0	0	0
Borrowing in lieu of Future Section 106 Contributions	1,585	1,585	0	0	0	0
Capital Receipts	7,699	623	2,591	0	4,122	363
Capital Grants	204,500	2,440	202,058	0	2	0
RTB Receipts	45	0	0	45	0	0
Developer Contributions	3,969	2,736	1,233	0	0	0
Revenue / Reserves	9,100	0	27	9,039	34	0
Total	475,661	30,074	419,164	21,656	4,404	363

4. Children & Adults including Public Health

- 4.1. Table 1 above shows a forecast underspend of £3.322million.
- 4.2. Basic Needs – the Basic Needs programme is forecast to underspend by £22,000, but this net figure includes a projected overspend of £18,000 relating to Thomas Aveling Bulge works where further costs have been incurred. The scheme was funded via Section 106 Contributions, but relevant contributions have been used on other projects. Officers are working to find the additional funding required by using a 'swap' mechanism between this and Basic Needs Grant; looking at schemes previously undertaken which were funded from this grant and swapping the funding with available Section 106 monies, thereby replenishing the Basic Needs Grant which is currently fully depleted. This will give a more flexible source of funding for schemes such as Thomas Aveling Bulge whilst ensuring that available developer contributions use is maximised. This exercise will be undertaken in the coming months and officers provide an update on the progress at round 2.
- 4.3. Condition Programme – the Condition programme is forecast to budget.
- 4.4. SEN Strategy – The SEN Strategy programme is forecast to underspend by £3.3million. The £2.468million budget for the SEN School will now not be required as the Department for Education will deliver the school. There is also a projected underspend of £825,000 relating to Abbey Court Phase 2. This is as a result of the costs of works being lower than originally anticipated.
- 4.5. Children Improvement Programme, Children's Social Care and Social Care – schemes in these services are all forecast to budget.

5. Regeneration, Culture & Environment

- 5.1. Table 1 above shows a projected underspend of £16,000.
- 5.2. Front Line Services – whilst this service is projecting to spend to budget, a new scheme to improve the slip road at the Medway City Estate was added to the capital programme during round 1. The budget for this scheme is currently £133,537 and was added by the Chief Finance Officer in consultation with the Finance Portfolio Holder under delegated authority as the funding was from an external source (Section 106 Developer Contributions). However, further funding of £384,542 is required and a source for this is the capital scheme 9T989 – Integrated Transport which is funded from LTP grant. At their meeting on 24 August 2021, the Cabinet approved this virement. (Decision 95/2021 refers).
- 5.3. Culture & Community – this service is projecting an overspend of £17,000 relating to the Corn Exchange Refurbishment. This scheme along with the Guildhall Museum Refurbishment was due to be funded from capital receipts from the sale of the conservancy building. However, these specific resources have been used and therefore officers will need to look for a further source of funding for this projected variance against the approved budget.
- 5.4. Regeneration – this service is projecting an underspend of £33,000 on the Medway Development Company holding account. This is due to additional

costs being incurred towards the end of the last financial year for the future high streets funded schemes that were recharged in the current financial year, meaning the spend will be lower than originally budgeted.

5.5. Housing Infrastructure Fund and Communications – these services are projecting to spend to budget.

6. Housing Revenue Account (HRA)

6.1. Capital schemes in the HRA are all forecast to budget.

7. Business Support Department

7.1. Capital schemes in the Directorate are collectively forecasting an underspend of £34,000.

7.2. The Licensing Shared Service Setup scheme has been completed with an underspend of £34,000.

8. Members Priorities

8.1. Members Priorities capital schemes are all forecast to budget.

9. Developer Contributions

9.1. Developer contributions (primarily relating to Section 106 Agreements) are included within the current Capital Programme as set out in table 3 overleaf.

Table 3: Developer Contributions in the current Capital Programme

	Current Budget £000s	2020/21 Forecast £000s	2021/22 Forecast £000s	2022/23 Forecast £000s	2023/24 Forecast £000s	Forecast Under/(over) spend £000s
<u>Capital Reserve Developer Contributions</u>						
S106 Highways & Transport Cap	392	392	0	0	0	0
S106 Education Cap	2,736	2,228	496	0	0	(11)
S106 Leisure/Heritage Cap	435	282	153	0	0	0
Developer Contributions from Capital Reserves	3,562	2,902	649	0	0	(11)
<u>Revenue Reserve Developer Contributions</u>						
S106 Public Realm Rev	406	23	124	100	159	0
Developer Contributions from Revenue Reserves	406	23	124	100	159	0

10. Conclusions

10.1. The first round of Capital Budget Monitoring for 2020/21 forecasts an underspend of £3.372million.

11. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget.	Overspends 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.	A1
Capital receipts	A significant proportion of the Capital Programme is funded from capital receipts; if the Council does not achieve the required receipts, some elements of the programme may either need to be curtailed or refinanced.	Close monitoring of the programmes anticipated to deliver capital receipts, and careful management of the delivery of those schemes funded from receipts.	D2 (Low likelihood, major impact)
Medway Development Company activity	A reduction or slowing of the housing market could mean that MDC schemes planned may not generate the revenue income or the capital receipts assumed in the Council's budget.	<p>Skilled and experienced staff within the company and at the Council are focused on the production of high-quality businesses cases, leading to the selection and delivery of schemes that will perform well.</p> <p>Close monitoring of the programme and careful management of</p>	D2 (Low likelihood, major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		the delivery are supported by scrutiny from senior officers and Members.	
Housing Infrastructure Fund	The delivery of the HIF scheme is funded by Homes England, however any overspend must be funded by the Council.	<p>A dedicated team of skilled and experienced staff are focussed on the delivery of the HIF programme.</p> <p>Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.</p>	C2 (Significant likelihood, major impact)

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

14.1. The Committee is asked to note the results of the first round of capital budget monitoring for 2021/22.

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Appendices

Appendix 1 – 2021/22 Capital Budget Monitoring Round 1.

Background Papers

None