

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

25 NOVEMBER 2021

CAPITAL BUDGET MONITORING REPORT ROUND 2 2021/22

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Summary

This report presents the results of the second 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 as at the round two is £476.711million. This report consolidates the second 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 two forecast position. Table 2 details how the approved programme will be 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)	30,194	9,128	18,569	50	0	(2,447)
Regeneration, Culture and Environment	420,094	164,887	120,631	130,969	3,625	17
Housing Revenue Account	21,656	12,386	9,270	0	0	0
Business Support Department	4,404	2,344	1,528	498	0	(34)
Members Priorities	363	323	40	0	0	0
Total	476,711	189,068	150,038	131,517	3,625	(2,464)

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	205,393	2,440	202,952	0	2	0
RTB Receipts	45	0	0	45	0	0
Developer Contributions	4,126	2,856	1,270	0	0	0
Revenue / Reserves	9,100	0	27	9,039	34	0
Total	476,711	30,194	420,094	21,656	4,404	363

4. Children & Adults including Public Health

- 4.1. Table 1 above shows a forecast underspend of £2.447million, whilst the following additions have been made since Round 1:

Cost Centre	Service	Budget Approved (£'000)	Funding Source	Approved by
9X583 – The Rowans Primary Support Service	Basic Needs	45	Section 106 Contributions	Chief Finance Officer in consultation with the Finance Portfolio Holder 03/08/21
9X584 – Riverside Car Park Works	Basic Needs	75	Section 106 Contributions	Chief Finance Officer in consultation with the Finance Portfolio Holder 03/08/21

- 4.2. Basic Needs – besides the new additions, as referenced in 4.1 above, the remainder of the Basic Needs programme is forecast to overspend by £23,000 but this net figure includes a projected overspend relating to Thomas Aveling Bulge (£18,000) and Greenacre Bulge (£42,000), partially offset by forecast underspends of £5,000 relating to Hundred of Hoo Primary Expansion Phase 2, £3,000 for Rainham Mark Expansion and £28,000 for Halling Primary Phase 2. The schemes within the Basic Needs area are all currently funded from a mixture of section 106 Contributions and prudential borrowing. Officers are working to find the additional funding required by using a 'swap' mechanism between section 106 developer contributions and Basic Needs Grant. This will involve 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 capital schemes 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 3. It should be noted that most of the works within this service are funded from Section 106 developer contributions, which are quite specific in nature and therefore can only fund works for the purpose set out in the agreement, thereby making the option to vire monies from one specific scheme to another, unless allowed for within the section 106 planning agreement.

- 4.3. Commissioning – this service area has forecast to budget.

- 4.4. Condition Programme – this service area has forecast to budget.

- 4.5. SEN Strategy – The SEN Strategy programme is forecast to underspend by £2.47million. 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 £3,000 relating to Abbey Court Relocation & expansion where works have been completed and no further spend is required.
- 4.6. 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 on page 2 shows a projected underspend for this Directorate of Capital schemes in the Directorate are collectively forecasting an overspend of £17,000, whilst the following additions have been made since Round 1:

Cost Centre	Service	Budget Approved (£'000)	Funding Source	Approved by
9L298 – Darnley Road Play Area	Culture & Community	18	Section 106 Contributions	Chief Finance Officer in consultation with the Finance Portfolio Holder 03/08/21
9L299 – Northcote Rec & Rede Common	Culture & Community	20	Section 106 Contributions	Chief Finance Officer in consultation with the Finance Portfolio Holder 03/08/21
9T547 – England Coast Footpath Super Steps	Front Line Services	28	Capital Grant	Chief Finance Officer in consultation with the Finance Portfolio Holder 13/09/21
9T548 – England Coast Footpath	Front Line Services	87	Capital Grant	Chief Finance Officer in consultation with the Finance Portfolio Holder 25/09/21
9T080 – IPM Phase 1 & 2 Public Realm	Regeneration	778	Capital Grant	Chief Finance Officer in consultation with the Finance Portfolio Holder 13/09/21

- 5.2. In addition to the above, the following virements have been approved since Round 1:

Source of Virement Cost Centre	Recipient Of Virement Cost Centre	Virement (£'000)	Funding Source	Approved by
9T989 – Integrated Transport LTP3	9T625 – Medway City Estate Connectivity	385	LTP Capital Grant	Cabinet 24/08/21

- 5.3. Front Line Services – this service area has forecast to budget.
- 5.4. Housing Infrastructure Fund and Communications – this service area has forecast to budget.
- 5.5. 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.
- 5.6. Regeneration – this service area has forecast 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	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Forecast Under/ (over) spend
	£000s	£000s	£000s	£000s	£000s	£000s
Capital Reserve Developer Contributions						
S106 Highways & Transport Cap	392	392	0	0	0	0
S106 Education Cap	2,856	2,348	496	0	0	(11)
S106 Leisure/Heritage Cap	472	312	153	5	2	0
Developer Contributions from Capital Reserves	3,720	3,052	649	5	2	(11)
Revenue Reserve Developer Contributions						
S106 Public Realm Rev	406	23	124	100	159	0
Developer Contributions from Revenue Reserves	406	23	124	100	159	0

9.2. The projected underspend against the education developer contributions is as a result of schemes forecasting underspends within Basic Needs (Hundred of Hoo Primary Phase 2 £5,000 and Rainham Mark Expansion £3,000) and within SEN Strategy (Abbey Court Relocation & expansion £3,000).

10. Conclusions

10.1. The second round of Capital Budget Monitoring for 2020/21 forecasts an underspend of £2.464million. These projected underspends within Children's & Adults (£2.447million) and Business Support Department (£34,000), partially offset by a projected overspend within Regeneration, Culture & Environment (£17,000).

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	The capital monitoring process is designed to identify and facilitate management action to mitigate	AI

Risk	Description	Action to avoid or mitigate risk	Risk rating
	further revenue cost.	the risk of overspending against the agreed budget.	
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 the delivery are supported by scrutiny from senior officers and Members.</p>	D2 (Low likelihood, major impact)
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</p>	C2 (Significant likelihood, major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		management of the delivery are supported by scrutiny from senior officers and Members.	

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. Recommendation

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

Lead officer contact

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Appendices

Appendix 1 – 2021/22 Capital Budget Monitoring Round 2

Background Papers

None