

REGENERATION, CULTURE AND ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

15 AUGUST 2023

CAPITAL BUDGET MONITORING – ROUND 1 2023/24

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Summary

This report presents the results of the first round of the Council's capital budget monitoring process for 2023/24.

1. Recommendations

- 1.1. It is recommended that the Regeneration, Culture and Environment Overview and Scrutiny Committee notes the results of the first round of capital budget monitoring for 2023/24.
- 1.2. It is recommended that the Regeneration, Culture and Environment Overview and Scrutiny Committee notes the changes made to the capital programme as set out in 9.1 and 9.2 to this report.
- 1.3. It is recommended that the Regeneration, Culture and Environment Overview and Scrutiny Committee notes that Cabinet recommended to Council the removal of the completed Platters Farm Panels and Rainham Signage schemes from the Members Priorities capital programme.
- 1.4. It is recommended that the Regeneration, Culture and Environment Overview and Scrutiny Committee notes that Cabinet recommended to Council the removal of the unallocated balance of £49.751million from the MDC programme.

2. Budget and policy framework

- 2.1. Cabinet is responsible for ensuring that capital expenditure remains within the budget approved by Council. Where required, the report will give details relating to additional schemes (capital additions) or movements in budgets between schemes (virements). 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.

- 2.2. The Chief Operating 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, to be used for a specific purpose on a specific asset,
 - no financial contribution coming from the Council,
 - funding being ringfenced for specific purposes.
- 2.3. Any additions made under delegated authority are reported through the next budget monitoring report.

3. Background

- 3.1. The approved capital programme relating to Regeneration, Culture & Environment for 2023/24 and beyond is £390.000million. Together with spend incurred on this programme in prior years, the total approved cost of these schemes in the approved programme is £633.542million. This report consolidates the first round of capital budget forecasts for 2023/24, based on returns submitted by individual budget managers during June 2023. An analysis is provided below for each service area detailing both financial forecasts and providing an update as to the current progress of capital schemes, and any management action required to deal with either budgetary or progress issues. Where schemes are projected to complete later than the current financial year, a forecast of the anticipated spend profile is given.

4. Overview and Scrutiny

- 4.1. At its meeting on 20 July 2023 Full Council approved changes to the terms of reference to the Overview and Scrutiny committees. From 2023/24 financial year the budget monitoring reports are included in the terms of reference of all four overview & scrutiny committees not just the Business Support and Digital Overview and Scrutiny committee.

5. Summary Capital Budget Position 2023/24

- 5.1. Table 1 below summarises the capital programme and Round 1 forecast position. Table 2 details how the approved programme will be funded.

Table 1: Round 1 Capital Monitoring Summary

Directorate	Total Approved Cost £000s	Total Expenditure to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 2023/24 £000s	Forecast Spend in Future Years £000s	Forecast (Under)/overspend £000s
Regeneration, Culture and Environment	568,931	214,609	354,322	72,805	131,899	(149,617)
Housing Revenue Account	64,513	28,921	35,591	18,925	16,667	0
Members Priorities (RCE)	98	12	86	46	40	0
Total	633,542	243,542	390,000	91,776	148,606	(149,732)

Table 2: Funding the Capital Budget

Funding Source	Total £000s	RCE £000s	HRA £000s	Members Priorities (RCE) £000s
Capital Grants	192,073	189,698	2,375	0
Developer Contributions	421	421	0	0
Capital Receipts	4,063	3,977	0	86
RTB Receipts	6,972	0	6,972	0
Revenue / Reserves	12,126	1,095	11,031	0
Prudential Borrowing	62,255	47,041	15,213	0
Borrowing in lieu of Capital Receipts	69,988	69,988	0	0
Borrowing in lieu of Future Business Rates	19,993	19,993	0	0
Borrowing in lieu of Future Rent	11,760	11,760	0	0
Borrowing in lieu of Future Section 106 Contributions	0	0	0	0
Borrowing in lieu of Future NHS Grant	10,348	10,348	0	0
Total	390,000	354,322	35,591	86

6. Regeneration, Culture and Environment

6.1. The Regeneration, Culture and Environment programme is forecast to underspend by £149.617million against the current approved budget before proposed management action as set out below.

Service	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 2023/24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
FLS - Environmental Services	9,221	9,106	115	603	0	488
FLS - Highways	95,920	77,047	18,873	10,951	7,922	0
FLS - Integrated Transport	19,221	17,959	1,262	1,262	0	0
FLS - Other Front Line Services	13,740	12,768	972	972	0	0
Front Line Services	138,102	116,880	21,222	13,788	7,922	488
Housing Infrastructure Fund	170,529	19,042	151,488	1,508	0	(149,979)
Culture & Community	34,008	5,181	28,827	21,050	7,767	(10)
Regeneration - Corporate Property	20,251	10,262	9,990	6,908	3,082	0
Regeneration - Future High Streets Fund	9,034	3,215	5,819	5,819	0	0
Regeneration - Green Spaces	1,591	1,049	542	308	505	0
Regeneration - Innovation Park Medway	61,307	29,176	32,131	7,365	24,767	0
Regeneration - Medway Development Company	54,478	4,315	50,163	296	49,751	(116)
Regeneration - Other	79,631	25,490	54,141	15,574	38,567	0
Regeneration	226,292	139,142	152,785	36,459	116,210	(116)
General Fund Total	568,931	214,609	342,167	72,805	131,899	(149,617)
Housing Revenue Account	64,513	28,921	35,591	18,925	16,667	0
Regeneration, Culture and Environment Total	699,350	309,180	390,000	91,776	148,606	(149,617)

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
FLS - Environmental Services	9,221	9,106	115	603	0	488
<p>The schemes within this area are the Household Waste Recycling Centre (HWRC) Civic Amenity Sites Improvements, the purpose of which is to undertake HWRC Civic amenities infrastructure works, traffic management at the main entrances, allow vehicles to exit, Automatic vehicle barrier and the Operational Depot Site which is to acquire an operational depot site.</p> <ul style="list-style-type: none"> • HWRC Civic Amenity Sites Improvements (Remaining Budget £3,000), the remainder of this budget is due to be spent on compactors during late summer and into the autumn. • Operational Depot Site (Remaining Budget £112,000), the site was handed over in December 2022 and is now in full operation with Medway Norse. As reported in 2022/23 monitoring, there are still some outstanding issues around potential claims from the contractor for inflation and contract variations. Medway Council is disputing these and final agreement has not yet been reached, however officers have indicated that it is likely that the final agreed amount will be c£488,000 above the remaining budget for this scheme. This will be the subject of a future report from the service to Cabinet and Council to seek additional once the final amount is known. <p>Funding: the above schemes are funded by a mixture of capital receipts (HWRC Civic Amenity Sites Improvements) and prudential borrowing (Operational Depot Site).</p> <p>Budgetary Forecast: it is currently projected that these schemes will overspend the allocated budget by £488,000, for which the service will report to Cabinet and Council separately to seek a budget addition.</p>						

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
FLS - Highways	95,920	77,047	18,873	10,951	7,922	0

The purpose of the schemes within this area are to ensure highways within Medway are in a good condition and include the following schemes:

- LED Lantern Replacement Scheme (Remaining Budget £751,000), the LED scheme is split into two parts: The main LED Conversion scheme which has approximately 500 lanterns has now been completed; and through the Highways Infrastructure Contract (HIC), 1,254 (non-standard/conservation style lanterns). This part of the scheme has been delayed due to supply chain issues and problems integrating the new system to the existing lantern. There are 127 lanterns still outstanding and it is anticipated that these will be completed by autumn.
- Enforcement Cameras (Remaining Budget £2.019million), project for the development and implementation of Safer Healthier Streets Programme schemes that would enable the Council to carry out the civil enforcement of moving traffic offences under part 6 of the Traffic Management Act 2004, this will also include School Streets and Red Routes. The outcomes comprise the installation of cameras across all schemes within the programme in order to enforce traffic offences at agreed locations. This will also cover any physical infrastructure improvements as required. The procurement process for the cameras has now commenced.
- Motorway Signage (Remaining Budget £60,000), the original project design will not proceed. Officers are currently reviewing the options available for an alternative scheme therefore nothing is forecast to be spent in the current financial year.
- Potholes (Remaining Budget £2.470million), The Stoke Bridge tender was postponed to this financial year due to agreements required with Network Rail. This work will now commence in the summer with estimated completion in the autumn. The annual resurfacing programme for this financial year has identified 16 sites, of which 11 are now complete with a total area of 28,648m². The annual large patching programme is scheduled to start in the autumn.
- Medway Tunnel (Remaining Budget £10.529million), general Maintenance. On track to deliver scheduled annual maintenance, inspections and any minor repairs. It is expected the service will go out to tender in late summer 2023/24.
- Horsted Gyratory & Ped Imps (Remaining Budget £64,000), there are two project objectives: achieve improved traffic flow through the design and installation of traffic signal control on the gyratory and the installation of a controlled pedestrian/cycle crossing in the vicinity of Pilots View (Horsted Park). Design work for the former will continue, with the pedestrian/cycle crossing implemented in 2023/24.
- Design & Resurfacing (Remaining Budget £1.539million), carriageway and footpath resurfacing towards the annual resurfacing programme. There are no scheduled carriageway sites this financial year. There are 10 footway sites identified for resurfacing this financial year, with works currently progressing on the first site.
- Street Furniture (Remaining Budget £0), renewal of street furniture across the network. The service intends to vire funding from the Highways Maintenance LTP3 budget to provide funds this scheme in 2023/24, which will be reported in later rounds of monitoring.
- Structures & Tunnels (Remaining Budget £74,000), the team is currently working on a minor works programme from inspections carried out in 2022/23 that identified repairs or structures required.
- Highways Maintenance LTP3 (Remaining Budget £1.366million), the minor works programme for structures (produced from inspections) has commenced and is on track. The programmes for Crash Barriers and to implement Skid Policy are also ongoing.

Funding: the above schemes are funded by a mixture of capital grants (Potholes, Medway Tunnel [part] and Highways Maintenance LTP3); section 106 contributions (Horsted Gyratory & Ped Imps); capital receipts (Motorway Signage, Medway Tunnel [part], Design & Resurfacing [part], Street Furniture and Structures & Tunnels); reserves (Design & Resurfacing [part]); and prudential borrowing (LED Lantern Replacement Scheme and Enforcement Cameras).

Budgetary Forecast: it is anticipated at the current time that the schemes will complete within the approved budget.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
FLS - Integrated Transport	19,221	17,959	1,262	1,262	0	0
<p>The purpose of the schemes within this area is to facilitate Medway's Integrated Transport Strategy and includes the following schemes:</p> <ul style="list-style-type: none"> Controlled Parking Zones (Remaining Budget £28,000), this budget is used for the controlled parking design and implementation on Rochester Riverside with spend being aligned to the delivery of housing on the site. It is currently expected that the remaining budget will be spent in 2023/24. Integrated Transport LTP3 (Remaining Budget £1.234million), project for the design and implementation of an agreed suite of transport infrastructure improvements aligned with the Local Transport Plan and Climate Change Action Plan, related to sustainable transport (walking, cycling and public transport), road safety, and traffic management (including parking design). <p>Funding: the above schemes are funded by way of a mixture of Government Grant Integrated Transport LTP3 [part]; and Section 106 Developer Contributions (Controlled Parking Zones and Integrated Transport LTP3 [part]).</p> <p>Budgetary Forecast: it is anticipated at the current time that the schemes will complete within the approved budget.</p>						

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
FLS - Other Front Line Services	13,740	12,768	972	972	0	0
<p>The purpose of the schemes within this area are as follows:</p> <ul style="list-style-type: none"> England Coast Path Super Steps (Remaining Budget £1,000), the works have now been completed and all grant claims submitted to Natural England. England Coast Path Grain – Rainham (Remaining Budget £4,000), the works have been completed and a grant claim has been submitted to Natural England. CCTV (Remaining Budget £46,000), work is underway to improve and upgrade Medway's CCTV infrastructure. The remaining budget will be utilised to upgrade analogue cameras to digital. New Pay and Display Machines (Remaining Budget £1,000), this project is now complete with the final invoice awaited. Bereavement Path Repairs (Remaining Budget £82,000), the project manager is currently reviewing the remaining damaged cemetery roadways, after which Volker will be asked to quote and complete a plan for the remaining works. Active Travel (Remaining Budget £734,000), there are three live schemes: an Active Travel route between Cuxton and Strood (design work during 2023/24), a pedestrian/cycle path on Four Elms Hill (construction in 2023/24) and a programme of School Streets to promote Active Travel (delivery in 2023/24). Strood Town Centre (Remaining Budget £12,000), scheme completed; remaining budget to be used for ongoing monitoring and surveys. Medway City Estate Connectivity (Remaining Budget £92,000), this scheme includes Highways Design Fees, Stage 3 Road Safety Auditing, remaining payments to utility companies, the reinstatement of a traffic camera, completion of the Anthonys Way east lighting works including ducting, connections and disconnection and removal of old columns, and the reinstatement of tunnel matrix sign on new posts with ducting for comms and power. The scheme is now substantially complete, subject to minor changes to road markings and signs, and payment of outstanding land transfer fees. <p>Funding: The schemes above are funded from a mixture of Capital Grants (England Coast Path Super Steps, England Coast Path Grain – Rainham, Active Travel, Strood Town Centre and Medway City Est Connectivity); Capital Receipts (CCTV and Bereavement Path Repairs) and Borrowing in Lieu of Capital Receipts (New Pay and Display Machines).</p> <p>Budgetary Forecast: it is anticipated at the current time that the schemes will complete within the approved budget.</p>						

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Housing Infrastructure Fund (HIF)	170,529	19,042	151,488	1,508	0	(149,979)

The purpose of this service area is to deliver infrastructure on the Hoo Peninsula to facilitate the construction of a large housing project. The schemes included are as follows:

- HIF Project Delivery (remaining budget £3.520 million)
- HIF Rail (remaining budget £59.674 million)
- HIF Highways (remaining budget £81.104 million)
- HIF Strategic Environmental Management Scheme (remaining budget £13.602 million)
- HIF Preliminary Costs (remaining budget £83,000)

On 10 March 2023, the Council shared draft proposals with Homes England to seek to deliver a new sustainable community within the HIF budget. The proposals were deliverable within the £170million HIF funding envelope and would have concluded construction in December 2026. The scheme sought to provide infrastructure to deliver 9,531 new homes and resulted in a Benefit Cost Ratio of 2.6:1 which represents 'high' value for money. On 23 May 2023 Homes England met with the Council stating that they were recommending declining this proposal. Officers sought to work with Central Government to resolve this. Given the urgency of concerns that the Council was about to lose the grant funds, it was then agreed to submit a reduced proposal focusing on improvements to Four Elms roundabout, Sans Pareil roundabout, Deangate Community Parkland and other public transport. This £100million proposal could have enabled up to 5,500 new homes and was also considered to be good value for money. However, this was also declined on 10 July 2023. The letter refusing that option also acted to close the grant programme. Officers are now working to close the scheme and to reclaim funds spent at risk. On 19 July 2023, Homes England confirmed that they have agreed to fund what will be classed as legitimate costs incurred up to the end of August 2023. It is currently estimated that the level of likely expenditure is estimated to be just under £3.2million (£500,000 from February and March 2023, together with an anticipated £2.6million to the end of August 2023), leaving a remaining projected unfunded budget of £150million across the programme. It is intended that once the final claims with Homes England have been settled, the remaining unfunded budget will be removed from the Council's capital programme by the Chief Operating Officer in conjunction with the Finance Portfolio Holder under delegated powers as set out in the Constitution.

In principle there is a risk that the South East Local Enterprise Partnership (SELEP) could claim back the £1.8million used to design part of the HIF Highways scheme that was then subsumed into the wider scheme. However, the funding was spent in good faith and the work will form part of the emerging Local Plan. The road will need to be delivered in order to achieve housing targets both on the peninsula and the wider area of Medway. This then represents a strong case for the spend and a low risk of a challenge or successful challenge from the SELEP or central government. With the confirmation from central government that they will not clawback the £17million spent on the HIF together with agreeing to fund the £3.2million spent since the last claim, there is a clear precedent of work completed for and relating to the HIF being spent in good faith and central government supporting this which is likely to be reflected by the SELEP. Officers will begin discussions with SELEP on the above basis.

There are understood to be eight HIF schemes going through the same process, with a number being of a similar scale to Medway. At this stage it is understood that two other HIF schemes have closed down. One being in Lancashire with a value of £140 million of HIF grant. The second scheme is understood to be of much smaller value. A report dealing with the current situation with this scheme will be presented elsewhere on this agenda.

Funding: the above schemes are funded by way of Government Grants.

Budgetary Forecast: it is estimated that this scheme will underspend by £149.979million should Central Government follow the recommendation of Homes England to discontinue this scheme.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Culture & Community	34,008	5,181	28,827	21,050	7,767	(10)

The schemes within this service area are as follows:

- World Heritage Site & GLHP (Remaining Budget £31,000), this scheme has now completed and officers are exploring options and may seek a Member decision if appropriate in due course.
- Lordswood Community Hub (Remaining Budget £330,000), the project is now largely complete barring snagging items, with the building re-opening to the public on Monday 19th June 2023. The project has delivered a refurbished library space at Lordswood, now able to offer the full range of Community Hub services to residents. Additions to the building include a new hireable public meeting room, public disabled toilet, better connections between the library and on-site youth centre and an upgraded public computer suite. Value engineering has delivered an approximate £10,000 saving against the project budget.
- Mobile Library Purchase (Remaining Budget £150,000), this is a new scheme for 2023/24 to purchase a new mobile library.
- EH LMA - Environmental Mon (Remaining Budget £269,000), conservation works to all three sites are ongoing. Main elements include the widening of the gates at Rochester Castle, the repair of the piers and railings along castle view as well as damp repairs and maintenance at Upnor Castle. Future works will include surveys and remedial works to Rochester Castle keep walls. Timings of works is difficult to project given requirements of applying for scheduled ancient monuments consent and agreeing methodologies.
- Guildhall Museum Refurbishment (Remaining Budget £3,000), works on new Dickens Gallery have been completed and the gallery is open and operational. Remaining sum to be spent on equipment (large TV screen for presentations) to support meeting hires and talks at the museum.
- Splashes Replacement Scheme (Remaining Budget £21.744million, as previously reported, the project continues to perform within budget and on time, with building works scheduled to finish in April 2024 to enable the new sports centre to open in summer 2024. The vast majority of the steel frame structure is up, Cross Laminated Timber (CLT) for the main pool area is currently being delivered with this being installed over the next month. Supplies continue to be delivered with costs being closely monitored due to inflation and fluctuation in prices.
- Dickens Chalet Restoration (Remaining Budget £100,000), fundraising for Chalet ongoing with plans to implement the works in 2024/25. Though the service has forecast spend within the existing budget, they now project that it would cost approximately £300,000 to complete all works required, and that works cannot be phased so would need to be delivered in one season. The service is currently seeking additional external funding.
- 3G Pitch (Remaining Budget £3,000), all building works are now complete for both the 3G pitch and new changing pavilion. All invoices to contractors have also been paid. The remaining budget will be used to pay the retention this financial year.
- Brook Theatre Refurbishment (Remaining Budget £6.197million), Current budget is insufficient to complete planned works and still meet funding outputs, largely due to increased construction costs (material costs & inflation). A capital additions request was approved by Council in July 2023 for additional funding and will be added to the budget for Round 2. Current programme has works scheduled to complete in June 2025, with tendering July 2023, and contractor on site in November 2023.

Funding: the above schemes are funded by way of Government Grants (World Heritage Site & GLHP [part], EH LMA - Environmental Mon [part]) and Brook Theatre Refurbishment [part]; Capital Receipts (EH LMA - Environmental Mon [part], Guildhall Museum Refurbishment and Central Theatre Sound System); Reserves (World Heritage Site & GLHP [part], Lordswood Community Hub, Dickens Chalet, Mobile Library Purchase and Brook Theatre Refurbishment [part] with the remainder by way of prudential borrowing (Splashes Replacement Scheme and 3G Pitch).

Budgetary Forecast: there is a small forecast underspend of £10,000 on the Lordswood Community Hub which has been achieved by value engineering.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration - Corporate Property	20,251	10,262	9,990	6,908	3,082	0

The schemes within this service area are as follows:

- Building Maintenance (Remaining Budget £8,000), remaining budget will be spent on finalising the leaving care and adolescent hub at Elaine centre.
- Civic Centre Decant (Remaining Budget £24,000), residual budget left for decant from Civic Centre. Remaining budget will be spent on relocating items stored at the Pentagon Centre that were moved from Civic Centre and enabling works at Gun Wharf, plus additional security measures in the basement.
- Pentagon: Future Capital Works (Remaining Budget £4.481million), spend will be paused post RIBA 4 design on HLC until NHS have signed the lease and S2 agreement.
- Climate Change Emergency Refit Phase 1 (Remaining budget £298,000), phase 1 refit works to upgrade 11 buildings with energy efficiency measures, including LED lights, Solar, Heat pumps and waterless urinals. Works commenced in the summer of 2021 and are due to complete this summer. Final snagging, commissioning and handover are still outstanding. The project is expected to complete this financial year.
- Gun Wharf Building Works (Remaining Budget £1.031 million), budget approved to fund lift replacements and transformers. Currently at design stage for both projects and awaiting indicative costs. Works forecast to complete during this financial year.
- Rochester Pier Salvage (Remaining Budget £137,000), new scheme commencing in 2023/24. Scheme is for the removal of collapsed sections of Rochester Pier and two timber mooring towers (dolphins) located at Rochester Esplanade. Removal of Pier section will facilitate future overall restoration of Pier. Project tender being worked on and expected invitation to tender in the summer, with estimated completion in the winter of 2023.
- Council Meeting Facilities (Remaining Budget £320,000), this scheme is for conversion of meeting rooms into new Council Chamber, as well as the purchase of furniture and ICT equipment and adaptations to other areas of the building to create a meeting space. Current layout of the Council Chamber awaiting approval and costs being obtained.
- Changing Places Disabled Toilet (Remaining Budget £90,000), University of Greenwich works for a new changing places facility anticipated to be complete in the summer of 2023. A new changing places room is also anticipated to be completed this financial year.

Funding: the above schemes are funded from Capital Receipts (Building Maintenance and Gun Wharf Building Works); Capital Grants (Changing Places Disabled Toilet); Reserves (Civic Centre Decant and Council Meeting Facilities) and the remainder by way of Prudential Borrowing (Pentagon: Future Capital Works, Rochester Pier Salvage and Climate Change Emergency Refit Ph1).

Budgetary Forecast: it is estimated that the schemes within this service area will be completed within the allocated budgets.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration - Future High Streets Fund	9,034	3,215	5,819	5,819	0	0
<p>The purpose of the schemes within this area are to assist in the regeneration of the centre of Chatham utilising the Future High Streets Fund (FHSF) award. The schemes are as follows:</p> <ul style="list-style-type: none"> • FHSF - Brook Theatre (Remaining Budget £265,000), contractors are on site and the project is anticipated to complete this financial year. Future works are funded via a scheme in the Culture and Community programme above. • FHSF - Innovation Hub Medway (Remaining Budget £1.631million), project to deliver 760sqm of workspace within the Pentagon Centre. Project is on track and anticipated to complete by the end of this financial year. • FHSF - St Johns Church (Remaining Budget £832,000), funding agreement between the council and the Diocese is now signed, project to progress and aim to be completed by March 2024. Design team has been appointed. Diocese has been successful with its first round of Heritage Lottery Fund application to provide match funding. • FHSF - Property Acquisition & Delivery (Remaining Budget £280,000), Debenhams has been acquired, initial surveys have been undertaken. Tender exercise for multi discipline design team has been paused while options are being considered for the building. The ground floor will be prioritised for delivery as it is a funding output for the grant money. • FHSF - Paddock & Public Realm (Remaining Budget £2.180million), a contractor has now been appointed. The main works will be undertaken in 2023/24. Officers are in discussion around a suitable alternative for the previously proposed central water feature which could reduce the estimated ongoing revenue costs. • FHSF - Project Management (Remaining Budget £631,000), Subject to approvals from the funding body, funding may be moved across to the capital projects, if required. <p>Funding: the above schemes are funded by way of a government grant.</p> <p>Budgetary Forecast: it is anticipated that the above schemes will be completed within the allocated budget.</p>						

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration - Green Spaces	1,591	1,049	542	308	505	0

The purpose of the schemes within this area are to improve green spaces throughout Medway. The schemes are as follows:

- Horsted Valley - Environmental Enhancements (Remaining Budget £25,000), currently exploring options for outdoor sports improvements. Officers are expected to be able to offer updates in the autumn.
- Rainham Play (Remaining Budget £24,000), Cherry Tree play area works completed spring 2023. Currently working on options for access and further improvements at this site for FY23-24 with remaining budget. An additional £61,000 has been added to the programme by COO delegation, funded by S106 contributions, and this will be reflected in R2 monitoring.
- Hook Meadow Works (Remaining Budget £44,000), currently awaiting steer as Community Hub scheme will have an impact on this project. Budget now forecast for 2024/25.
- Princes Park Play Area (Remaining Budget £0), this project is now complete, with final invoices due to be paid in 2023/24
- Berengrave Nature Reserve Ecological Improvements (Remaining Budget £15,000), signage and new seating are now in progress.
- Jackson's Field & Victoria Gardens Green Spaces Project (Remaining Budget £49,000), works are in progress at Victoria gardens play areas. The project is expected to be completed this financial year.
- Eastgate House Gardens Improvements (Remaining Budget £10,000), final amount to be spent on refurbishment of pond in Eastgate House gardens. Awaiting additional funds to support the works but this work should take place in 2023/24.
- Copperfields Open Space (Remaining Budget £1,000), an additional £18,000 has been added to the programme by COO delegation, funded by s106 contributions, and this will be reflected in R2 monitoring. The £18,000 will be added to the remaining £1,000 to deliver a new outdoor gym, mile markers and benches which are anticipated to be delivered in 2023/24.
- Jackson's Field & Borstal Recreation Ground Green Spaces Improvements (Remaining Budget £6,000), Quotes sought for improvements to Borstal Rec, in consultation with the Friends of group. We anticipate that this will be completed this financial year.
- Play Parks Refurbishment (Remaining Budget £251,000), Works were delayed by wet weather. 4 sites have been completed, 2 in progress and due to be completed in the summer of 2023. No further funds received in the 2023/24 budget.
- Northcote Recreation Ground & Rede Common (Remaining Budget £1,000), Access improvements at Rede Common were completed October 2022 as planned. Awaiting final invoice.
- Balmoral Gardens Improvements (Remaining Budget £12,000), Play improvements were completed in April 2023. Awaiting invoice.
- Great Lines Footpath Improvements (Remaining Budget £59,000), an additional £90,000 has been added to the programme by COO delegation, funded by s106 contributions, and this will be reflected in R2 monitoring. Out to tender for footpath improvements, aiming for works to be on the ground summer 2023 and project completion this financial year.
- Capstone Park S106 Improvements (Remaining Budget £47,000), Orchard car park improvements will take place in the summer and the remaining budget will be spent on play area improvements. Project will be completed this financial year.

Funding: the above schemes are funded by way of Section 106 Developer Contributions except Rainham Play, Play Parks Refurbishment [part], which are funded from Capital Receipts and Play Parks Refurbishment [part] which is funded from Prudential Borrowing.

Budgetary Forecast: it is anticipated that the above schemes will be completed within the allocated budget.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration - Innovation Park Medway	61,307	29,176	32,131	7,365	24,767	0

The purpose of the schemes within this area are create the infrastructure at the Innovation Park Medway (IPM). The schemes are as follows:

- IPM Phase 1 & 2 Public Realm (Remaining Budget £4.603million), Public realm works due to be complete by the summer of 2023 however some landscaping including trees is being reviewed and will be complete later in the year. FM Conway will handover the site in the summer of 2023. Spend beyond 2023/24 is for project delivery including legal fees, salary costs, marketing etc.
- Phase 2 Infrastructure (Remaining Budget £172,000), Infrastructure works due to be complete by the summer of 2023. FM Conway will handover the site in the summer of 2023.
- IPM Wider Site Delivery (Remaining Budget £11.062million), £2.6million within this cost code is for Highways Mitigation to make road networks improvements in line with National Highways requirements. This is dependent on how much of the site is occupied and when. £7million for multistorey carpark which will come forward in line with the first Building construction on site in 2025. The remaining site maintenance and management as the site is built out.
- IPM Project Capitalised Interest (Remaining Budget £1.057million), IPM capitalised interest. Interest rate rises in the past 2 years have put pressure on this budget to the extent that we now expect the budget to be fully expended by the end of this financial year.
- IPM - 6 Story Building (Remaining Budget £12.954million), Levelling Up Funding was unsuccessful therefore the business case is being reviewed and further external funding being sought. Options on how to proceed will be presented to Members over the coming months.
- Innovation Park Medway (Remaining Budget £343,000), remaining budget will be spent on archeology reporting and remedial works.
- IPM Enabling Works (Remaining Budget £330,000), the project (roads, lighting, drainage, utilities) is complete apart from some additional utilities which are currently being installed. The remaining budget will be spent when the southern site overflow car park is installed which is expected this financial year.
- Innovation Park Medway Zone A (Remaining Budget £1.611million), infrastructure works are due to be complete in the summer of 2023 and the contractor, FM Conway will hand over the site.

Funding: the above schemes are funded by way of Prudential Borrowing (IPM Phase 1 & 2 Public Realm [part]) whilst the remainder will be funded by Borrowing In Lieu of Future Business Rates.

Budgetary Forecast: it is anticipated that the above schemes will be completed within the allocated budget.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration - Medway Development Company	54,478	4,315	50,163	296	49,751	(116)

The schemes within this area relate to works projects carried out by Medway Development Company (MDC) on behalf of Medway Council. The schemes are as follows:

- Medway Development Co Ltd (Remaining Budget £49.751million), this is the holding code for unallocated budgets until such time as new schemes are developed. It is also the source for budget transfers to other schemes, budget allowing.
- Mountbatten House Purchase (Remaining Budget £126,000), the purchase of Mountbatten House is now complete. The forecast for 2023/24 cover valuation fees for sale to MDC and temporary roof works to prevent water ingress. It is expected that this scheme will underspend by £96,000.
- Mountbatten House Project (Remaining Budget £266,000), this scheme is for the mechanical and electrical strip of Mountbatten House which is expected to complete this financial year.
- MDC - Queen Street (Remaining Budget £20,000), project complete, planning permission approved. No further spend expected and scheme will produce an underspend of £20,000.

Funding: the above schemes are funded by way of prudential borrowing (Medway Development Co Ltd [part] and Mountbatten House Purchase) and Borrowing in Lieu of Capital Receipts (Medway Development Co Ltd [part], Mountbatten House Project and MDC - Queen Street).

Budgetary Forecast: it is anticipated that the above schemes will deliver an underspend of £116,000 (£96,000 on Mountbatten House Purchase and £20,000 on MDC - Queen Street). It is recommended that the remaining unallocated balance of £49.751million be removed from the programme, with any future schemes considered for MDC to deliver within the Council's programme being the subject of a business case report to Cabinet and Council.

Schemes carried out by Medway Development Company directly using financial assistance in the form of capital loans from the Council no longer form part of Medway Council's Capital Programme and an update on these is provided as Appendix 1 to this report.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Regeneration – Other	79,631	25,490	54,141	15,574	38,567	0

The schemes within this area relate to regeneration not included within the specific areas above. The schemes are as follows:

- Digital Equipment Medway Adult Education (Remaining Budget £228,000), further work expected in 2023/24 includes purchasing software for the enrolment system. The scheme is progressing, and work started on renovating room 11, specifically refurbishing grade 2 listed glass partition doors and ordering new admin windows.
- Healthy Living Centre Pentagon (Remaining Budget £10.348 million), still agreeing terms with the NHS.
- Chatham Town Centre S106 Works (Remaining Budget £90,000), the COVID Pandemic affected the delivery of this project resulting in a year's delay. The planning permission has now lapsed, resulting in no further s106 funding to be received. The budget has therefore been reduced to the amount of s106 funding received to date.
- Rochester Riverside Growing Places (Remaining Budget £502,000), the site has been treated for Japanese knotweed. Countryside is reviewing the impact of inflation on the scheme, however we are currently forecasting that the scheme will spend to budget.
- Strood Riverside Phase 1&2 (Remaining Budget £2.012million), the 2023/24 forecast includes the connection for new Station Approach Road and installation of flood gate, legal fees for development agreements. Building works this financial year will include circa £300,000 maintenance for river wall for Canal Road and former Civic site. In 2024/25 there will be ongoing maintenance costs for flood defenses and site preparation.
- Housing Renovation Grants (Remaining Budget £120,000), works for the Homeowner Improvement Loan or Emergency Repairs Grant to remedy issues identified under the Housing Health and Safety Rating System (HHSRS). These works are often classed as emergencies, which could render the occupants homeless. £8,000 committed to date for private and tenanted homes to prevent poor housing conditions. Of the £50,000 forecast for 2023/24, £30,000 relates to activity around selective licensing as agreed by Cabinet in July. The remaining £20,000 will be for further responsive activity throughout the year.
- Disabled Facilities Grant Mandatory (Remaining Budget £6.120million), the service continues to work through referrals carried over from last financial year. The forecast also includes £700,000 for the provision of Occupational Therapy services at the Chatham Healthy Living Centre.
- Temporary Accommodation Pilot (Remaining Budget £4.773million), Officers are continuing to source properties in line with the scope of the pilot. Four properties have been purchased so far and there is a firm pipeline for the delivery of further units throughout 2022/23. Officers are working to progress details of the Local Authority Housing Fund that may be utilised alongside this budget to increase the amount of temporary accommodation units within Council ownership.
- Innovation Park – Southern Site (Remaining Budget £11.760million), this scheme will provide a space for businesses outgrowing their current office(s) and comprises of a new building and carpark. Design work ongoing with the remaining balance to be spent on further designs and construction, construction work expected to be completed 2023/24.
- Debenham's Redevelopment (Remaining Budget £17.879 million), no spend forecast in 2023/24. Conversations are ongoing with potential end users for the building.
- Command Of the Heights - Phase 2 (Remaining Budget £37,000), there are no anticipated works taking place this year. Remedial works are planned for 2024/25 with the remaining scheme budget.
- Heritage Action Zone (Remaining Budget £833,000), over half of the 2023/24 budget is already committed with the remainder provisionally allocated. Anticipated to complete project in time and on budget as this is the final year of the funding programme.

Funding: the above schemes are funded by way of a government grant (Disabled Facilities Grant Mandatory, Command Of The Heights - Phase 2 and Heritage Action Zone); Capital Receipts (Digital Equipment Medway Adult Education and Housing Renovation Grants); Section 106 Developer Contributions (Chatham Town Centre S106 Works); Prudential Borrowing (Temporary Accommodation

Pilot); Borrowing in Lieu of Capital Receipts (Rochester Riverside Growing Places, Strood Riverside Phase 1&2, Innovation Park – Southern Site and Debenham’s Redevelopment) and Borrowing in Lieu of Future NHS Grant (Healthy Living Centre Pentagon).

Budgetary Forecast: it is anticipated that the above schemes will be completed within the allocated budget.

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Housing Revenue Account	64,513	28,921	35,591	18,925	16,667	0

The schemes within this area comprise capital schemes relating to the Council's housing stock and are as follows:

- Improvements to Housing Stock (Budget £10.504million), planned capital works improvement programme to maintaining the 'decent homes' standards HRA properties. This is a rolling programme and the budget is approved every 3 years for 3 year programme. Current year forecast is based on the predicted completion of programmes in the current year. The Council has been successful in its bid for £1.024million of funding from the Social Housing Decarbonisation Fund Wave 2.1. This funding has been added to the capital programme under the delegation of the Chief Operating Officer and will be reflected in the Round 2 monitoring.
- Disabled Adaptations (Budget £279,000), adaptations carried out to HRA properties are funded from the HRA budget. The Service receives approximately 50 referrals for adaptations per year. Approximately 45 adaptations are approved per year for major adaptations and balance would be made up of minor adaptations or application being carried over into the next financial year. Adaptations are to provide improved access to their home, bathroom, living room or bedroom, providing appropriate bathroom facilities, making the preparation and cooking of food easier, and adapting lighting or heating controls. Adaptations being approved in the current year at an average cost of £7,500 per major adaptation and £350.00 for minor adaptations. On this basis, it is forecast the whole budget will be spent in the current year.
- HRA House Purchase or Buyback (Budget £356,000), budget is used as and when an opportunity arises to acquire buy back or open market property. This budget is being used in conjunction with the budget for HRA Purchase of Housing Units (see below).
- HRA Purchase of Housing Units (Budget £4.62million), budget is used to purchase houses/land to support Medway's housing needs for households who are homeless or on the Council's housing waiting list. It is proposed that each purchase will be recommended based on its cash flow model. A report elsewhere on this agenda seeks approval for a delegation to the Portfolio Holder for Housing and Property and the Director of Place, to purchase properties from the development budget agreed by Council in February 2023. Properties currently in the pipeline are Luton Road, Derwent Way, Wood St, Copenhagen, Saxton Street and Borough Road.
- HRA Future Projects (Remaining Budget £3.750million), this is for future HRA projects where some external funding may be announced, such as homes for Ukraine/Afghan families. This financial year, we are planning the purchase of 19 units for resettlement and temporary accommodation. The first tranche of funding of £773,000 is due this summer, with the second tranche due once 60% of tranche 1 has been committed.
- HRA New Build Phase 5 (Budget £9.896 million), 41 units (19 x 2, 3, 4, 6 bed affordable rent & 21 x 1 & 2 bed apartments) contractors have been engaged and are working up to RIBA stage 3. Lennoxwood and Aburound House have been submitted to planning. Contractors are expected on site in spring 2024.
- HRA Britton Farm (Budget £6.187million), Britton Farm is a Medway Development Company build of 44 units (mix of 1 & 2 bedroom apartments). The development is being purchased by the HRA as a fully affordable rent scheme. This will be the HRA's largest purchase of affordable housing units to date. The scheme is progressing well with the second stage payment due to MDC in the autumn. Completion is currently expected in 2025.

Funding: the above schemes are funded by Capital Receipts (HRA House Purchase Or Buyback [part] and HRA Future Projects [part]); Reserves (Improve To Housing Stock [part], Disabled Adaptations [part] and HRA House Purchase Or Buyback [part]) and Prudential Borrowing (Improve To Housing Stock [part], Disabled Adaptations [part], HRA House Purchase Or Buyback [part], HRA New Build-Phase 4-Garage Site, HRA New Build Phase 5, HRA Future Projects [part] and Britton Farm).

Budgetary Forecast: it is anticipated that the above schemes will be completed within the allocated budget.

7. Members Priorities – Regeneration, Culture & Environment

7.1. It is expected that all allocated Members Priorities Schemes will be completed within the approved budget. It is recommended that the remaining unallocated balance of £262,000 be removed from the Council's capital programme.

Service	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 2023/24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Member Priorities RCE	98	12	86	46	40	0
Members Priorities RCE Total	98	12	86	46	40	0

	Total Approved Cost £000s	Total Exp to 31/03/23 £000s	Remaining Budget £000s	Forecast Spend 23-24 £000s	Forecast Spend in Future Years £000s	Total Scheme Variance £000s
Member Priorities RCE	98	12	86	46	40	0

The schemes within this area have been approved through the Member Priorities programme and are as follows:

- MP St Marys Amateur Boxing Club (Remaining Budget £40,000), the club is currently working on a detailed design. As the Member Priority funding cannot be claimed until the club demonstrates all other funding is in place it has been forecast for the next financial year.
- MP Platters Farm Panels (Remaining Budget £0), this scheme has now completed, a small budget remains which Cabinet is asked to recommend to Council to be returned to the Members Priority Fund.
- MP Rainham Signage (Remaining Budget £0), this scheme has now completed, a small budget remains which Cabinet is asked to recommend to Council to be returned to the Members Priority Fund.
- MP Beechings Play Area (Remaining Budget £40,000), this is a new scheme for 2023/24. Currently out to tender for play area refurbishment. Works are due to commence in autumn 2023.
- MP Halling Bishops Palace (Remaining Budget £6,000), this is a new scheme for 2023/24 to enable railings to be installed at Bishops Palace Halling, to protect a scheduled ancient monument. Works will be complete once scheduled ancient monument consent is granted.

Funding: the above schemes are funded by Capital Receipts.

Budgetary Forecast: it is anticipated that the above schemes will be completed within the budget.

8. Section 106 Developer Contributions

8.1. The table below details the projected call on section 106 contributions to fund the forecast expenditure.

	Current Budget £000s	Forecast Spend 2023/24 £000s	Forecast Spend in Future Years £000s	Forecast Under/(over) spend £000s
Capital Reserve Developer Contributions				
S106 Highways & Transport Cap	93	93	0	0
S106 Leisure/Heritage Cap	223	179	44	0
Developer Contributions from Capital Reserves	3,840	3,796	44	0
Revenue Reserve Developer Contributions				
S106 Leisure/Heritage Rev	15	15	0	0
S106 Public Realm Rev	90	90	0	0
Developer Contributions from Revenue Reserves	105	105	0	0

9. Changes Since Council Budget Setting February 2023

9.1. The following additions included in Round 1 have been made since the 2023/24 capital budget was approved at Council on 23 February 2023:

Directorate	Scheme	Approved Budget Addition £000s	Funding	Approval
Regeneration, Culture & Environment	Enforcement Cameras	2,019	Prudential Borrowing	Council 20/04/23
Members Priorities (RCE)	Members Priority - Beechings Way Play Area	40	Capital Receipts	Leader 21/04/23
Members Priorities (RCE)	Members Priority - Bishop's Palace, Halling	6	Capital Receipts	Leader 21/04/23

9.2. The following additions, recently agreed, have not been included in Round 1, but will form part of future monitoring reports:

Directorate	Scheme	Approved Budget Additions £000s	Funding	Approval
Regeneration, Culture & Environment	Chatham Placemaking Network Rail	20	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	Copperfields	18	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	Cozenton Park	182	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	The Strand	54	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	Great Lines Heritage Park	90	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	Cherry Trees	61	S.106 Developer Contributions	Chief Operating Officer/Finance Portfolio Holder 26/05/23
Regeneration, Culture & Environment	The Brook Theatre Refurbishment and Structural Works	14,700	Prudential Borrowing/ Possible Grant Funding	Council 20/07/23
Regeneration, Culture & Environment	Waste Fleet Replacement	17,000	Prudential Borrowing	Council 20/07/23
Regeneration, Culture & Environment	HRA Improvements to Housing Stock	1,024	Capital Grant	Chief Operating Officer/Finance Portfolio Holder 16/07/23

10. Conclusion

10.1. The first round of Capital Budget Monitoring for 2023/24 forecasts a projected underspend of £149.617million within Regeneration, Culture and Environment.

11. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
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.	BII
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.	BIII
Deliverability of the Capital Programme	Macro-economic conditions, largely but not wholly resulting from the external factors, have affected the cost and availability of both materials and labour.	Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	BIII
Requirement to repay capital funding	As a result of the cessation of the HIF scheme, the risk exists that SELEP may seek to reclaim the £1.8m of their funds spent on designing improvements to Four Elms Roundabout	Officers will negotiate positively with SELEP setting out the reasons for the HIF closing.	CIII
Operational Depot site	The Operational Depot Site is in operation with Medway Norse however there are outstanding issues around disputed claims from the contractor for inflation and contract variations. Final agreement has not yet	Discussions are ongoing between the service, legal services and the contractor to ensure only reasonable costs are paid by the Council.	BIII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	been reached, and costs could reach up to £500,000.		
Likelihood		Impact:	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

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.

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Appendices

Appendix 1 – Progress of Medway Development Company schemes funded by way of capital loans from Medway Council.

Background papers

None