

## **Business Support and Digital Overview and Scrutiny Committee**

**30 November 2023**

### **Capital Budget Monitoring – Round 2 2023/24**

Report from: Katey Durkin, Chief Finance Officer

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#### Summary

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

#### 1. Recommendations

- 1.1. Business Support and Digital Overview & Scrutiny Committee notes the results of the second round of capital budget monitoring for 2023/24.
- 1.2. Business Support and Digital Overview & Scrutiny Committee notes the changes made to the capital programme as set out in 7.1 to this report.

#### 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.

Any additions made under delegated authority are reported through the next budget monitoring report.

### 3. Background

- 3.1. The approved capital programme for 2023/24 and beyond is £267.677million. Together with spend incurred on this programme in prior years, the total approved cost of these schemes in the approved programme is £547.785million. This report consolidates the second round of capital budget forecasts for 2023/24, based on returns submitted by individual budget managers during August 2023. An analysis is provided below for each service area within the remit of this committee 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. As such, though this report includes a summary of the overall Council position at Section 5 for information and context, this remainder of this report provides detailed information about the services within the remit of this Committee only.

### 5. Summary Capital Budget Position 2023/24

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

**Table 1: Round 2 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
Children and Adults (including Public Health)	77,506	34,200	42,984	16,217	26,762	(5)
Regeneration, Culture and Environment	401,529	214,004	187,520	65,935	121,846	261
Housing Revenue Account	65,537	28,921	36,615	20,257	16,358	0
Business Support Department	3,116	2,645	471	421	50	0
Members Priorities	98	12	86	46	0	(40)
<b>Total</b>	<b>547,785</b>	<b>279,781</b>	<b>267,677</b>	<b>102,876</b>	<b>165,017</b>	<b>216</b>

**Table 2: Funding the Capital Budget**

<b>Funding Source</b>	<b>Total £000s</b>	<b>C&amp;A £000s</b>	<b>RCE £000s</b>	<b>HRA £000s</b>	<b>BSD £000s</b>	<b>Members Priorities £000s</b>
Capital Grants	79,404	35,597	40,407	3,999	1	0
Developer Contributions	4,928	3,967	961	0	0	0
Capital Receipts	1,649	0	1,267	0	296	86
RTB Receipts	6,972	0	0	6,972	0	0
Revenue / Reserves	11,187	0	156	11,031	0	0
Prudential Borrowing	100,620	3,420	81,811	15,213	175	0
Borrowing in lieu of Capital Receipts	20,679	0	20,679	0	0	0
Borrowing in lieu of Future Business Rates	19,993	0	19,993	0	0	0
Borrowing in lieu of Future Rent	11,760	0	11,760	0	0	0
Borrowing in lieu of Future Section 106 Contributions	137	0	137	0	0	0
Borrowing in lieu of Future NHS Grant	10,348	0	10,348	0	0	0
<b>Total</b>	<b>267,677</b>	<b>42,984</b>	<b>187,520</b>	<b>36,615</b>	<b>471</b>	<b>86</b>

## 6. Business Support

6.1. The projected outturn for Business Support is expected to be contained within the existing budget.

<b>Service</b>	<b>Total Approved Cost £000s</b>	<b>Total Exp to 31/03/23 £000s</b>	<b>Remaining Budget £000s</b>	<b>Forecast Spend 2023/24 £000s</b>	<b>Forecast Spend in Future Years £000s</b>	<b>Total Scheme Variance £000s</b>
ICT Investment	3,098	2,628	470	420	50	0
Democracy & Governance	18	17	1	1	0	0
<b>Business Support Department Total</b>	<b>3,116</b>	<b>2,645</b>	<b>472</b>	<b>421</b>	<b>51</b>	<b>0</b>

	<b>Total Approved Cost £000s</b>	<b>Total Exp to 31/03/23 £000s</b>	<b>Remaining Budget £000s</b>	<b>Forecast Spend 2023/24 £000s</b>	<b>Forecast Spend in Future Years £000s</b>	<b>Total Scheme Variance £000s</b>
ICT Investment	3,098	2,628	470	420	50	0

The purpose of these schemes is to invest in the Council's ICT infrastructure to assist in its digital transformation and includes the following schemes:

- Digital Transformation Programme (Remaining Budget £3,000), the capital spend from this transformation programme budget is to establish and support the Business Change team. The team is now established so the rest of this budget will be spent this year to implement a system being rolled out as part of the Medway 2.0 project.
- ICT Infrastructure Works (Remaining Budget £330,000), the remaining budget will be used to procure a new backup solution for the Council's data/servers. We have now completed the review of backup solutions that are available that will meet our needs. Indicative costs are significantly higher than expected, so further reviews will now be required which may cause delays to the scheme.
- Data Centre Refurbishment (Remaining Budget £137,000), works have begun to refurbish the flooring in the data centre. Due to the complexity of working around live equipment this work has been divided into 6 stages. Contractors are expected on site later this year, with completion expected in 2024/25. There are price fluctuations, and the budget manager is keeping under review whether additional

funding may be required. There have been issues raised regarding whether there is insurance cover in place for the work required to lift the server cabinets which may incur an additional cost.

**Funding:** the above schemes are funded by a mixture of prudential borrowing and capital receipts. It is anticipated that all schemes will be completed on budget.

**Budgetary Forecast:** it is anticipated that all schemes will be completed within the approved budget.

	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
Democracy & Governance	18	17	1	1	0	0

The purpose of these schemes is to provide improvements to the Democracy & Governance services within Medway.

- Individual Electoral Registration (Remaining Budget £1,000), the small remaining budget will be used on election equipment.

**Funding:** the above scheme is funded by government grant.

**Budgetary Forecast:** this scheme is anticipated to be completed within the approved budget.

## 7. Changes Since Cabinet Round 1 Monitoring 8 August 2023

- 7.1. The following schemes have been removed from the 2023/24 capital programme since the first round of monitoring was presented to Cabinet on 08 August 2023:

Directorate	Scheme	Approved Budget Removed £000s	Funding	Approval
Members Priorities	Unallocated Balance	262	Capital Receipts	Council 19/10/23

## 8. Conclusion

- 8.1. The second round of Capital Budget Monitoring for 2023/24 relating to Business Support and Digital are forecast to complete their capital schemes within the approved budget.

## 9. 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	Overspends would need to be funded from other sources; the Council's limited reserves or	The capital monitoring process is designed to	BIII

Risk	Description	Action to avoid or mitigate risk	Risk rating
against the agreed budget.	further borrowing, at further revenue cost.	identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	
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
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

## 10. Financial Implications

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

## 11. Legal Implications

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

### Lead officer contact

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### Appendices

None

### Background papers

None