Medway Council
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Business Support & Digital Overview and Scrutiny Committee

4 April 2024

Capital Budget Monitoring – Round 3 2023/24

Report from: Katey Durkin, Chief Finance Officer

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Summary

This report presents the results of the third 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 third round of capital budget monitoring for 2023/24.

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 £273.676million. Together with spend incurred on this programme in prior years, the total approved cost of these schemes in the approved programme is £555.361million. This report consolidates the third round of capital budget forecasts for 2023/24, based on returns submitted by individual budget managers during November 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 3 forecast position. Table 2 details how the approved programme will be funded.

Table 1: Round 3 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)	78,472	36,927	41,545	13,030	28,464	**(51)**
Regeneration, Culture and Environment	406,461	213,181	193,280	58,302	102,438	**(32,540)**
Housing Revenue Account	67,220	28,921	38,298	14,765	23,533	**0**
Business Support Department	3,116	2,645	471	119	352	**0**
Members Priorities	93	12	81	75	0	**(6)**
Total	**555,361**	**281,685**	**273,676**	**86,293**	**154,786**	**(32,597)**

Table 2: Funding the Capital Budget

Funding Source	Total £000s	C&A £000s	RCE £000s	HRA £000s	BSD £000s	Members Priorities £000s
Capital Grants	83,994	33,638	45,273	5,082	1	0
Developer Contributions	6,061	3,952	2,074	0	0	35
Capital Receipts	1,229	0	887	0	296	46
RTB Receipts	6,972	0	0	6,972	0	0
Revenue / Reserves	11,160	0	129	11,031	0	0
Prudential Borrowing	101,363	3,954	82,020	15,213	175	0
Borrowing in lieu of Capital Receipts	20,659	0	20,659	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
Total	**273,676**	**41,545**	**193,280**	**38,298**	**471**	**81**

6. Business Support

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

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
ICT Investment	3,098	2,628	471	119	352	0
Democracy & Governance	18	17	1	1	0	0
Business Support Department Total	**3,116**	**2,645**	**472**	**120**	**352**	**0**

	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
ICT Investment	3,098	2,628	471	119	352	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 BAU Business Change team. This scheme is now complete.
- 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 funding will now be required, and the service will make plans to request this once the future of Gun Wharf has been confirmed. The scheme will therefore be delayed into 2024/25.
- 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. Due to the discovery of RAAC at Gun Wharf, we have paused the flooring works which means more of the work is now envisaged to take place 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, although there is an indication that the ICT Infrastructure Works scheme may require further financing for which officers will seek additional funding, once the projected costs have been finalised.

	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 2 Monitoring 2023/24

7.1. There have been no changes relating to schemes within the remit of this committee since the first second round of monitoring was presented to Cabinet on 21 November 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 third 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

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.	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

Likelihood	**Impact:**
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