

BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
1 DECEMBER 2011
CAPITAL BUDGET MONITORING 2011-2012

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Summary

This report presents the capital monitoring for the period to September 2011, with an outturn forecast for 2011/12.

1. Budget and policy framework

1.1 It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme. It is for Overview and Scrutiny Committee to hold Cabinet accountable for those actions taken.

2. Background

2.1 The approved capital programme for 2011/12 and future years is £109.1m, being £53.4m in respect of brought forward schemes and £55.7m in respect of new approvals.

2.2 This report consolidates the capital monitoring undertaken by each directorate, which is summarised in the appendices. The notes in the main body of the report, below, represent a commentary on areas of concern or items of particular interest.

3. Progress

3.1 Table 1 below summarises the current overall expenditure and forecasts against each directorate's 2011/12 capital programme and represents a summary of the detailed information at Appendix 1. Appendices 2 to 6 show the position by directorate.

Table 1: Summary – capital spend and forecasts

Directorate	Approved Programme	Spend to March 2011	Forecast spend 2011-12	Forecast spend in later years	Forecast Variance
	£'000	£'000	£'000	£'000	£'000
Business Support Dept	54,263	37,658	10,579	5,997	(28)
Children & Adult Services	129,458	64,591	47,420	17,393	(54)
Regeneration, Community & Culture	142,641	116,553	22,705	6,270	2,888
Member Priorities	2,931	1,392	1,495	46	1
TOTAL	329,293	220,194	82,199	29,706	2,807

3.2 The progress reports utilise a 'smiley face' project monitoring system that indicates progress at a glance. With only a few exceptions, the relevant budget manager has provided the information in the progress fields of the report. The criteria for the 'smiley' rating is as follows:







-  Scheme progressing on time and within budget
-  Scheme progressing on time but not within budget or scheme progressing on budget but not within expected timescales
-  Scheme neither progressing within expected timescales nor within budget.

Table 2 summarises the projects progress. Full detail is shown in the appendices:

Table 2: Project Progress Summary

Progress Monitoring				Total Schemes
BSD	18	2	0	20
Children & Adults	72	11	0	83
RCC	59	6	3	68
Member Priorities	23	2	0	25
Total	172	21	3	196

4. Specific Scheme Monitoring Issues and Completions

88% of schemes are progressing well, forecast to complete on time and to budget.

4.1 Business Support

4.1.1 The current (2011/12 and beyond) BSD capital programme of £16.6m is made up of brought forward approvals for existing schemes, £8.2m, plus the following new approvals totalling £8.4m

- £900,000 building repair & maintenance fund (net of transfers)
- £300,000 housing renovation loans
- £90,000 housing crisis grants
- £1,236,100 disabled facilities grant
- £45,000 Beechings Way flat conversion
- £2.4m Better for Less
- HRA £3,296,479 housing repairs
- HRA £150,000 disabled adaptations

4.1.2 There are no areas of concern to report this cycle

4.2 Children and Adults

4.2.1 The current 2011/12 capital programme for Children and Adult Services is £64,867,000, which reflects an £80,000 reduction in the overall budget since quarter 1 arising from the deployment of Primary Strategy funding, in place of a Napier Primary contribution towards kitchen works. Some further virements were agreed under the Director's delegation:

- £24,208 was vired from the Schools' Devolved Formula Capital budget (9X500) to Academies – Predecessor School Allocations (9X122). This was to move remaining DFC funds for Rainham Mark Secondary and Cliffe Woods Primary who became academies;
- £70,000 was vired from Oaklands Primary Amalgamation Works (9X823) to the Primary Strategy Programme (9X448) budget as there was an addition error on the Strategic Procurement Board paper of 8 June 2011;
- £90,041 was then vired to Oaklands from Primary Strategy in respect of works for to the swimming pool. This budget was taken from savings previously identified on the Oaklands project.

4.2.2 It should also be noted that at its meeting on 20 October, Council were requested to approve two further additions to the capital programme, which are not reflected in the quarter 2 monitoring, but will figure in quarter 3:

- £ 24,167,064 for the Bishop of Rochester Academy, to be funded from specific grant;
- £ 20,756,447 for the Brompton Academy, to be funded from specific grant.

4.2.3 Against the current programme the directorate has forecast a roll forward of £17,393,000 into future years, reflecting the planned phasing of schemes, together with a net underspend against the overall programme of £54,000.

4.2.4 The capital monitoring includes a standing item to update Members on the progress of the Council's Academies programme:

Strood Academy

Works are progressing well on site, both on time and on budget. The main building shell is completed and work on the mechanical and electrical installation is underway. BAM Construction continue to provide good opportunities for local employment with between 50% and 60% local labour being used to date. They are also delivering curriculum projects both for Strood Academy students and students from other schools across Medway.

Bishop of Rochester Academy

The project has progressed to contract award stage and initial enabling work took place over the summer holidays to provide accommodation for Years 7 and 8 to be based at the East Campus site at Magpie Hall Road. This included provision of an up to date dining space for the students until their new building is ready. The ground breaking ceremony took place on 27 September 2011 attended by the Bishop of Rochester and Tracey Crouch MP. Students enjoyed taking part the ceremony that formally marks the start of the works on site.

Brompton Academy

Contract award stage has been reached and initial site preparations have been made to enclose the site safely away from the students prior to commencing works. The third parties from Youth House have all moved to their new accommodation, enabling BAM Construction to prepare to demolish the old Youth House building and start building the new academy.

4.3 Regeneration, Community and Culture

4.3.1 The current (2011/12 and beyond) RCC capital programme of £20.819m is made up of brought forward approvals for existing schemes of £12.948m, plus 2011/12 approvals of £7.871m namely:-

- Council investment in highway maintenance £2.250m
- LTP funded highway maintenance programme £2.353m
- LTP funded integrated transport measures £1.477m
- Section 106 contributions £736,012 (inc £150,000 Stoke Crossing)
- Brook Car Park repairs £100,000 (from corporate repair fund)
- Artlands initiative £117,500 (external funding)
- Walls & Gardens £235,000 (EU funded)
- Pentagon lease settlement £381,100
- Gillingham Park n£13,000 (s106)
- Greenspace initiatives £25,330 (s106 funded)
- Playbuilder scheme £28,055 (s106 funded)
- Brook Pumping Station £43,000 (virement)
- Reduced 'EU funded' approvals Guildhall Museum £50,000, Upnor Castle £8,511

4.3.2 There is a potential major cost variance (£1.2m) reported in respect of Stoke Crossing which was two thirds funded by HCA and one third as part of a section 106 agreement with National Grid. The Q1 report, previously considered, detailed problems that had arisen due to service companies changing their requirements at a late stage of the project and that these were potentially going to have a significant impact both in the project programme and cost. Discussions are on-going with HCA and the service companies responsible for moving pipelines under the road. At the current time the budget is not overspent

4.4 HCA funded regeneration schemes

4.4.1 The quarter 1 report detailed the factors that had led to anticipated cost variances on these schemes totaling £1.634m. Council has approved this addition to the capital programme although a funding source has yet to be agreed.

4.4.2 There is no additional requirement confirmed at this stage. Work is progressing on the development and negotiation of outstanding final accounts on the main construction contracts associated with the HCA funded programme. This includes an independent assessment of contract liabilities and claims which will inform pending negotiations on current projected spend variations against HCA funded projects.

4.5 Members Priorities

4.5.1 Allocations to the programme for quarter 2 are

- Stoke Village Hall improvements £14,000
- Rosebery Road play area £65,000

5. New Schemes and Virements

5.1 Cabinet is requested to note the following additions, reduction and virements made to the capital programme under delegated authority:

- £80,000 reduction in the overall programme, arising from the deployment of Primary Strategy funding in place of Napier Primary School's contribution towards kitchen works;
- £24,208 was vired from the Schools' Devolved Formula Capital budget (9X500) to Academies – Predecessor School Allocations (9X122). This was to move remaining DFC funds for Rainham Mark Secondary and Cliffe Woods Primary who became academies;
- £70,000 was vired from Oaklands Primary Amalgamation Works (9X823) to the Primary Strategy Programme (9X448) budget as there was an addition error on the Strategic Procurement Board paper of 8 June 2011;
- £90,041 was then vired to Oaklands from Primary Strategy in respect of works for to the swimming pool. This budget was taken from savings previously identified on the Oaklands project;
- £35,000 to the Brook Pumping Station from the underspend on the scheme for repairs to the castle walls.

6. Funding Arrangements

- 6.1 Expenditure on capital projects is backed by cash or borrowing. The following Table 3 shows the resource allocation to support the remaining expenditure of £111.905m for 2011/12 and future years.

Table 3: Resources Available

Funding Source	Forecast Spend 2011/2012 & future years £000's
Supported Borrowing	4,638
Prudential Borrowing	4,489
Government Grant	70,406
Major Repairs Allowance/Reserve	3,312
Capital Receipts	11,865
Developer and other contributions	10,063
Reserves/ Revenue	4,325
Unfunded spending requirement	2,807
Total	111,905

7. Conclusions

- 7.1 This report provides an update on expenditure, to the end of Quarter 2, against the approved capital programme.

8. Risk Management

- 8.1 The two more significant risks facing the Council's capital investment programme are:
- Future funding, particularly for regeneration where initial investment in infrastructure can be high; and
 - Ensuring that capital projects are delivered to schedule and on budget. This report highlights a number of schemes where the difficulties associated with project management and circumstance have meant that this has not happened and funding solutions are now sought against a difficult financial background.

9. Financial and Legal Implications

- 9.1 The financial implications are fully analysed in the report.

10. Recommendations

- 10.1 That Members note the spending and funding forecasts summarised at Tables 1 and 3.

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Capital Monitoring Programme Qtr 2 2011-2012

Name of Directorate	Approved gross cost of scheme	Total Expenditure from adoption to 31 March 2011	2011-2012 Approved Programme					Approved Spend forecast for later years			Variance
			Rolled forward from earlier years	New Approvals for 2011-2012	Remaining scheme budget	Spend and commitments to date	Forecast spend in 2011-2012	2012-2013	2013-2014	2014-2015	
	£	£	£	£	£	£	£	£	£	£	£
	(b)	(c)	(d)	(e)	(d)+(e)	(g)	(h)	(l)	(j)	(k)	(c)+(h)+(l)+(j)+(k)-(b)
Business Support	54,262,868	37,658,351	8,186,938	8,417,579	16,604,517	3,863,818	10,579,312	5,573,493	423,755	0	(27,957)
Children & Adults	129,457,528	64,590,593	25,845,137	39,021,798	64,866,935	11,340,543	47,420,158	17,372,984	20,000	0	(53,793)
Regeneration Community & Culture	142,640,963	116,553,484	18,210,567	7,876,912	26,087,479	16,026,162	22,705,568	3,659,861	2,415,233	195,000	2,888,183
Member's Priorities	2,931,343	1,391,711	1,104,274	435,358	1,539,632	344,336	1,494,786	46,325	0	0	1,479
Grand Total	329,292,702	220,194,139	53,346,916	55,751,647	109,098,563	31,574,859	82,199,824	26,652,663	2,858,988	195,000	2,807,912