REPORT TO:	**SCRUTINY COMMITTEE RESOURCES, EXECUTIVE, COUNCIL**
Date of Meeting:	**Scrutiny Committee Resources - 2 July 2014**
Report to:	**Executive - 15 July 2014** **Council - 29 July 2014**
Report of:	**Assistant Director Finance**
Title:	**Capital Monitoring 2013/14 and Revised Capital Programme for 2014/15 and Future Years**

Is this a Key Decision?
No

Is this an Executive or Council Function?
Council

1. What is the report about?

To advise members of the overall financial performance of the Council for the 2013/14 financial year, in respect of the annual capital programme.

To seek approval of the 2014/15 revised capital programme, including commitments carried forward from 2013/14.

2. Recommendations:

It is recommended that Scrutiny Committee – Resources notes and Council approves:

(i) The overall financial position for the 2013/14 annual capital programme.

(ii) The amendments and further funding request to the Council's annual capital programme for 2014/15.

3. Reasons for the recommendation:

Local authorities are required to estimate the total of capital expenditure that it plans to incur during the financial year when it sets the prudential indicators for capital expenditure. This shows that its asset management and capital investment strategies are affordable, prudent and sustainable.

Capital expenditure is a significant source of risk and uncertainty since cost variations, delays and changing specifications are often features of large and complex capital projects.

In order to manage the risks associated with capital programming the annual capital programme is updated every three months to reflect any cost variations, slippage or acceleration of projects.

4. What are the resource implications including non financial resources

The financial resources required are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the financial position of the Capital Programme as at 31 March 2014 ahead of inclusion in the Council's annual Statement of Accounts.

6. What are the legal aspects?

The capital expenditure system is set out in the Local Government and Housing Act 1989.

7. Monitoring Officer's comments:
The Monitoring Officer has no issues to raise on the content of this report.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 31 MARCH 2014

8.1 Revisions to the Capital Programme

The 2013/14 Capital Programme, including commitments brought forward from 2012/13, was last reported to Scrutiny Committee - Resources on 19 March 2014. From that report schemes totalling £1.610 million within the 2013/14 capital programme have now been deferred and are included within the 2014/15 budgets.

Description	**£**	**Approval/Funding**
Capital Programme, as reported to Scrutiny Committee – Resources, 19 March 2014	**16,264,960**	
Budget Deferred to 2014/15 & Beyond at Quarter 3	(1,610,440)	Approved by Executive 1 April 2014
Overspends/(Underspends) reported at Quarter 3	(141,190)	
Storage of Archives	65,000	S106 funding
Paris Street Roundabout	25,760	S106 funding
Wessex Home Improvement Loans	28,500	Repayment of loans
National Cycle Network	25,350	Contribution from Devon County Council
Sports Facilities Refurbishments	9,950	Contribution from Parkwood towards the underlay at Isca bowls
Northbrook Watercourse	11,000	Contribution from Devon County Council
Disabled Facilities Grants	12,730	Contributions from Housing Associations
HRA Acquisition of Social Housing	136,150	Delegated powers 9 December 2013
Other	650	
Revised Capital Programme	**14,828,420**	

8.2 Performance

Capital expenditure in the year amounted to £11,829,575, a reduction of £2,998,845 on the planned figure of £14,828,420.

The actual expenditure during 2013/14 represents 79.8% of the total approved for the revised Capital Programme, which means £2.5 million will need to be carried forward to be spent in future years, as indicated in Appendix 1.

Appendix 2 shows the overall position for those schemes which span more than one financial year.

8.3 Capitalisation of Staff Costs

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, any costs attributable to bringing a fixed asset into working condition for its intended use qualify as capital expenditure. Directly attributable costs include the labour costs of certain Council employees, which have been directly involved in the construction or acquisition of a specific asset.

During the financial year, the cost of the Council's IT developers, engineers and surveyors have been treated as capital expenditure, based upon timesheet information.

Several large capital schemes have required a high commitment in staff time, including the:

- Installation of Photo Voltaic panels and other energy saving projects
- Continuation of the replacement of J Based legacy systems
- Delivery of the kitchen and bathroom replacement programmes and re-roofing of Council dwellings

The total value of staff time charged to capital schemes for 2013/14 amounted to £194,100.

8.4 Capital Financing

The capital expenditure in 2013/14 of £11,829,575 was financed as follows:

	General Fund £	HRA £	Total £
Housing Revenue Account (Revenue)		5,607,605	5,607,605
HRA Major Repairs Reserve		809,353	809,353
Capital Grants & Contributions	807,037	213,971	1,021,008
Capital Receipts	1,304,182	821,651	2,125,833
Revenue (New Homes Bonus etc)	366,344		366,344
Borrowing	1,899,432		1,899,432

4,376,995	**7,452,580**	**11,829,575**

The available capital resources for the General Fund for 2013/14 are £2.478 million. Total General Fund capital expenditure is £4.377 million of which £1.899 million will be funded from borrowing. The available capital resources for the HRA for 2013/14 are £13.294 million. Total HRA capital expenditure is £7.453 million leaving £5.841 million to be carried forward into 2014/15. Appendix 3 sets out the forecast use of the resources available for the General Fund and the HRA and the likely amounts of borrowing that will be necessary to fund the capital programme over the next three years.

The value of actual capital receipts received in the last quarter in respect of the General Fund and the HRA are:

	General Fund £	**HRA £**
Balance as at 31 December 2013	**1,370,231**	**2,494,460**
New Receipts	39,998	473,561
Less HRA Pooling		(88,499)
Balance as at 31 March 2014	**1,410,229**	**2,879,522**

8.5 Expenditure Variances

The main variances and issues concerning expenditure that have arisen since 31 December are as follows:

Scheme	**Estimated Overspend / (Underspend) £**	**Reason**
Re-pointing	(17,599)	From 2014-15 these works have been re-classified as revenue expenditure in

		accordance with proper accounting practice. The unspent balance will therefore not be carried forward in the capital programme.
Communal Areas	(36,705)	Further significant spend of this budget is pending the outcomes of a prioritisation process for the next phase of improvements to communal areas including the provision of new flooring, doors and glazing. The budget for 2014-15 is considered sufficient for the next phase of works.
Electrical Re-wiring	(113,002)	A worst case scenario was adopted for the cost of electrical re-wires, whereby it was considered that a high proportion of electrical tests would identify a full property re-wire in accordance with health and safety regulations. However, a saving has occurred due to a lower number of necessary re-wires.
Central Heating Programme	(61,074)	A saving has occurred following a lower than anticipated number of system replacements as recommended through the routine inspection regime.
Boiler Replacement Programme	(60,729)	A saving has occurred following a lower than anticipated number of boiler breakdowns during the Winter months.

8.6 Schemes to be Deferred to 2014/15 and Beyond

Schemes which have been identified since 31 December as being wholly or partly deferred to 2014/15 and beyond are:

Scheme	**Revised 13/14 Budget £**	**Budget to be Deferred £**	**Reason**
Play Area Refurbishments	353,410	131,210	Schemes at Bull Meadow, Crossmead and Cowick Barton will now be undertaken in 2014/15
Refurbishment and Upgrade of Paddling Pools	149,720	27,460	Most of the work was completed in 2013/14 with the remainder being carried out in early 2014/15
Warm Up Exeter	168,530	163,650	This will provide grants to householders for solid wall insulation. The tendering process has now been completed and the new scheme will be launched in June.
Private Sector Renewal Scheme	224,480	159,080	Fewer properties have been taken on to the scheme is 13/14 than in previous years. The scheme is to be reviewed to

			consider options that increase supply, reduce scheme management costs and to offer smaller amounts of repayable grants so it could cover more properties
Temporary Accommodation Purchase	300,000	300,000	The need for temporary accommodation is being reviewed as part of the work around the "community hub" and following the outcome of care contracts awarded by DCC. Until this has been completed it is unlikely that this budget will be used.
Grant to the Red House Hotel	165,000	85,000	The final instalment of this grant is scheduled to be paid in July.
Canal Basin and Quayside	158,650	79,840	A new boat trailer has been ordered to improve the operation of winter boat storage
Exhibition Way Bridge Maintenance	45,000	39,980	Progress has been delayed while access agreements are negotiated with Network Rail
Replacement of Car Park Pay & Display Machines	230,000	47,770	This project was delayed by the bad weather in January and March
Replace Running Track at Exeter Arena	375,000	368,000	Work was started in late March and is expected to complete in late July
RAMM Development	125,570	105,400	Some payments will not be required until 2014/15
Storage of Archives	65,000	64,230	It is expected that this work will be completed by the Autumn
Paris Street Roundabout Landscaping & Sculptural Swift Tower	69,500	62,430	ECC have been advised that the foundations would have to be much more substantial than envisaged and that additional ground investigations were needed to determine this: this work was recently completed. We are currently awaiting the agreement of the designer and manufacturer.
Heavitree Environmental Improvements	22,880	22,880	No land owners have agreed to have trees planted on their land
Energy Saving Projects	285,380	180,170	The installation of two Photo-Voltaic projects has been delayed: • RAMM – proceeding well but taking time as Planning/Listed Building Consent has had to be sought

			• Phoenix – delayed due to discussions regarding leasehold and PV ownership
COB Wave 2 – Newport Road	185,350	95,990	It was previously reported that works on site were hoped to commence in January 2014. However, following the tendering process it was necessary to undertake a value engineering exercise to realign costs with approved budgets and this has resulted in a minor delay.
COB Wave 2 – Whipton Methodist Church	222,670	64,800	
COB Wave 2 – Bennett Square	163,280	73,030	
St Loyes Design Fees	10,340	45,000	Design works to progress the Extra care scheme are pending the appointment of a project manager and other key consultants.

8.7 Achievements

The following schemes have been completed during the final quarter of 2013/14:

- **Play Area Refurbishments**
  The project at Beacon Avenue (Chaucer Grove) has been completed. Children can enjoy a new basket swing; an exciting climbing and multi-play structure and a unique 'climbing tarantula' which consists of a trampoline within a series of climbing ropes. Cradle seat swings, a play house and some springy animals have also been provided for younger children.

  Work has also been completed at Sylvan Heights. Two separate mini play spaces have been provided and each aims to target children of slightly different ages. A new basket swing, an exciting rope climbing structure and a naturalistic balancing trail through the trees have been provided for children aged six to 12 years, whilst a set of cradle swings, a spinning disc roundabout, a spring see-saw, a mini climbing net and a play train have been provided for the under 5s.

- **Canal Basin & Quayside**
  A new boardwalk has been constructed around 60 Haven Road, improving accessibility around the basin.

- **Canal Bank Repairs and Strengthening**
  This work averted the real potential of serious and widespread flooding and property damage. That the council released the money prematurely saved a large area of Exminster Marshes.

- **Topsham Rugby Club Improvements**

New changing facilities make the premises suitable for female players and children. The Council is helping the club to access further external funding to take full advantage of the legacy from the Rugby World Cup.

- **Bury Meadow Landscaping**
  The new park gates were installed in 2013. The park was entered in the RHS "It's Your Neighbourhood" scheme, and helped the combined St Davids entry to secure a Silver Pennant award. The interpretation panel has since been installed to complete the project.

- **Exeter Community Garden**
  Now known as the Mulberry Garden, it was entered in the RHS "It's Your Neighbourhood" scheme, and helped the combined St Davids entry to secure a Silver Pennant award.

- **Verney House Window Replacement**
  The window replacement project has been completed which will improve the energy performance of the building.

- **Communal Door Entry System**
  Seven new systems have been installs to replace defective systems

- **Energy Conservation**
  39 Photo Voltaic panel systems have been fitted to new roofs

8.8 **Capital Programme 2014/15 (Appendix 4)**
The revised Capital Programme for 2014/15, after taking into account the carried forward requirements from 2013/14 as well as additional approvals and other changes, now totals £24,180,130.

In addition to adding the carry forwards from 2013/14, the 2014/15 approved budget has also been increased for the following changes:

Description	**£**	**Approval/Funding**
Approved Budget	**21,515,800**	
2013/14 Budget Deferred to 2014/15 & Beyond at Quarter 4	2,505,850	
Disabled Facility Grants	15,180	Additional grant funding
New grants funded from the New Homes Bonus	135,800	Approved by Executive 18 March 2014
Upgrade to Capita system	7,500	Revenue contribution to capital outlay
Revised Programme 2014/15	**24,180,130**	

9.0 **Further Funding Request**

9.1 New Fire Walls (£19,000)

The councils current firewalls have reached end of life and are no longer eligible for software upgrades, revisions and patches. As part of the councils ongoing commitment to data security these now need to replaced, we also have to strengthen our security to adhere to the new PSN guidelines. Part of this will require the council to implement a dual firewall walled garden architecture, something we cannot achieve with our current equipment.

10. How does the decision contribute to the Council's Corporate Plan?

The Capital Programme contributes to all of the key purposes, as set out in the Corporate Plan.

11. What risks are there and how can they be reduced?

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

No impact

13. Are there any other options?

No

David Hodgson
Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:
None

Contact for enquiries:Democratic Services (Committees), Room 2.3, (01392) 265115