

Report To SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL
Date of Meeting: Scrutiny Committee Resources – 1 July 2015
Executive – 14 July 2015
Council – 28 July 2015
Report of: Assistant Director Finance
Title: Capital Monitoring 2014/15 and Revised Capital Programme for 2015/16 and Future Years

Is this a Key Decision?

Yes

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 2014/15 financial year, in respect of the annual capital programme.

To seek approval of the 2015/16 revised capital programme, including commitments carried forward from 2014/15.

2. Recommendations:

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

(i) The overall financial position for the 2014/15 annual capital programme.

(ii) The amendments and further funding requests to the Council's annual capital programme for 2015/16.

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 2015 ahead of inclusion in the Council's annual Statement of Accounts.

6. What are the legal aspects?

The capital expenditure system is framed by the Local Government and Housing Act 1989.

7. Monitoring Officer's comments:

This report raises no concerns for the Monitoring Officer.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 31 MARCH 2015

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2014/15 Capital Programme, including commitments brought forward from 2013/14, was last reported to Scrutiny Committee - Resources on 18 March 2015. From that report schemes totalling £3.957 million within the 2014/15 capital programme have now been deferred and are included within the 2015/16 budgets.

Description	£	Approval/Funding
Capital Programme, as reported to Scrutiny Committee – Resources, 18 March 2015	23,168,340	
Budget Deferred to 2015/16 & Beyond at Quarter 3	(3,957,130)	Approved by Executive 14 April 2015
Overspends/(Underspends) reported at Quarter 3	(255,060)	
Wessex Home Improvement Loans	125,220	Repayment of Loans
Museum Shop	68,000	Approved by Executive 14 April 2015
Energy Saving Projects	50,960	Contribution from the Department of Transport
National Cycle Network	24,500	Contribution from Devon County Council
UK Space Agency Scheme	26,320	Contribution from the UK Space Agency
Newcourt Community Hall	18,590	S106 funding
Devonshire Place	4,500	Contribution from Residents Association
Other	610	
Revised Capital Programme	19,274,850	

8.2 PERFORMANCE

Capital expenditure in the year amounted to £16,502,192, a reduction of £2,772,658 on the planned figure of £19,274,850.

The actual expenditure during 2014/15 represents 85.62% of the revised Capital Programme, which means £2.283 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 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 to car parks and LED lighting to the Civic Centre and car parks
- Rendering of Council dwellings

The total value of staff time charged to capital schemes for 2014/15 amounted to £111,009.

8.4 CAPITAL FINANCING

The capital expenditure in 2014/15 of £16,502,192 was financed as follows:

	General Fund £	HRA £	Total £
Housing Revenue Account (Revenue)		5,339,345	5,339,345
HRA Major Repairs Reserve		1,066,498	1,066,498
Capital Grants & Contributions	800,624	77,890	878,514
Capital Receipts	677,624	2,690,034	3,367,658
Revenue (New Homes Bonus etc)	997,817		997,817
Borrowing	4,852,360		4,852,360
	7,328,425	9,173,767	16,502,192

The available capital resources for the General Fund for 2014/15 are £2.476 million. Total General Fund capital expenditure is £7.328 million of which £4.852 million will be funded from borrowing. The available capital resources for the HRA for 2014/15 are £15.312 million. Total HRA capital expenditure is £9.174 million leaving £6.138 million to be carried forward into 2015/16. 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 2014	484,595	1,431,486
New Receipts	433,207	259,692
Less HRA Pooling		(113,532)
Balance as at 31 March 2015	917,802	1,577,646

8.5 EXPENDITURE VARIANCES

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

Scheme	Overspend / (Underspend) £	Reason
Private Sector Renewal Scheme	(147,102)	The existing scheme has ended for new properties and a new scheme has been launched with PATH which does not require grants as the owners will be undertaking and paying to bring their property up to the required standard.
Replacement of Car Park Pay & Display Machines	(26,341)	The under-spend is a result of being able to purchase good quality refurbished machines rather than brand new ones.
MRA Fees	(9,054)	A lower than budgeted recharge has been made in respect of the Quantity Surveyors for capital contracts as more time has been spent on revenue contracts this year including the new damp ingress contract.
Programmed Re-roofing	7,259	This budget provides for the ad hoc re-roofing of council dwellings. During the year a higher than budgeted number of roofs were replaced in order to resolve problems with multiple leaks.
Fire Alarms at Sheltered Accommodation	(14,592)	The programme of replacing fire alarms at Sheltered sites was completed in 2014/15 with a saving.

8.6 SCHEMES TO BE DEFERRED TO 2015/16 AND BEYOND

Schemes which have been identified since 31 December as being wholly or partly deferred to 2015/16 and beyond are:

Scheme	Revised 14/15 Budget £	Budget to be Deferred £	Reason
Wessex Loan Scheme	140,830	140,830	Take up of loans has been less than predicted. Increased levels of marketing and changes to the means by which enquiries are processed have been introduced to improve loan take-up.
WHIL Empty Properties	194,000	194,000	We are continuing to promote the empty homes loan and we have several applicants that are currently being reviewed by Wessex for suitability for the loan so it is possible that some of this money will be spent during 2015/16. The progress will be monitored and the budget reduced if appropriate.
Exhibition Way Bridge Maintenance	39,980	39,980	Progress has been delayed while access agreements are negotiated with Network Rail
Repairs to Turf Lock Gates	60,000	55,316	There is a very small window of opportunity when these works can be carried out due to needing low tides. Unfortunately there has been a delay with the supply of materials necessary to dam the canal so consequently there is significant budget carry forward to 2015/16.
Replace Running Track at Exeter Arena	783,000	205,723	Snagging works mainly concerning the pooling of water at each end of the track are still to be completed.
Energy Saving Projects	1,023,350	777,922	This budget combined several different schemes: <ul style="list-style-type: none"> • Civic Centre LED Lights – works delayed by office moves • Car Park Canopy Photo Voltaic Panels – works has been delayed due to structural issues but is due to commence in May. • Civic Centre Boiler Replacement – due to a lack in internal expertise North Somerset Council have been approached to specify the boilers required.

COB Wave 2 – Whipton Methodist Church	1,294,140	130,397	Completion of the 8 x 3 bedroom houses is almost complete with some slippage into 2015/16 to allow finishing off of external finishes.
COB Wave 2 – Bennett Square	1,146,450	158,279	Completion of the 6 x 3 bedroom houses is almost complete with some slippage into 2015/16 to allow finishing off of external finishes.
St Lloyes Extra Care	42,350	42,350	Spend of this budget will now commence in 2015/16 following the recent appointment of a Project Manager.
Acquisition of Social Housing	170,030	166,818	Practical completion of the four units to be acquired at Dean Clarke House was expected in February 2015 but this has slipped to July 2015 due to delays on site.

8.7 ACHIEVEMENTS

The following schemes have been completed during the final quarter of 2014/15:

- Heavitree Pleasure Ground Tennis Courts**
All six tennis courts have been resurfaced and the site drainage improved. The permanent markings were completed at the end of March allowing the courts to open in time for Easter.
- The Haven**
The Haven had been an empty property for a number of years and was purchased by the Council in 2013 to provide temporary accommodation as part of the No Second Night Out Initiative. The property has been extensively renovated and has been occupied since September 2014. The Haven can accommodate up to a maximum of nine residents in three double rooms and three single rooms. Occupiers are aged between 18–65 male/female. The occupants are those who have been or are at risk of rough sleeping and will have been referred by either the Council, the SHOT team or St Petrock’s outreach team. Accommodation at the property is offered on a short term basis for up to three months for those with a local connection to Exeter until more settled accommodation can be found. This may be extended should an offer of accommodation be imminent. The property is managed by Exeter City Council and support for residents is provided through the Council’s partners Sanctuary Supported Living.
- Replacement of Car Park Pay & Display Machines**
All 57 pay & display machines have been either replaced or upgraded to enable remote interrogation of the machine’s status (tickets remaining, cash within box, faults etc). This has enabled more focused visits to car park sites (particularly quieter peripheral ones) to undertake routine maintenance such as restocking tickets. The under-spend is a result of being able to purchase good quality refurbished machines rather than brand new ones.
- Energy Saving Projects**
All projects progressed, notably work completed or near completion includes the LED light replacement work, at three car parks, and the Civic Centre. The Car Park Canopy PV array tender was awarded to Sungift Solar and work is

already underway at Mary Arches and John Lewis Car Park. A solution was found which enables the PV panels to be fixed to the lantern structures at the RAMM, and work will commence this Spring. The Boiler Replacement Project is in progress and it is hoped gas boilers will be installed in time for the new heating season in October.

8.8 CAPITAL PROGRAMME 2015/16 (Appendix 4)

The revised Capital Programme for 2015/16, after taking into account the carried forward requirements from 2014/15 now totals £21,642,834.

9.0 FURTHER FUNDING REQUESTS

9.1 Access Doors (£20,000)

There has been a saving in the 2014/15 asset improvement revenue budgets. It is requested that £20,000 of this saving be used in 2015/16 as a revenue contribution to capital outlay to enable installation of the necessary internal access doors within Phase 1 of the Civic Centre to ensure staff accommodation is kept separate from that of our tenants.

9.2 Reed Bed & Storage Ponds (£25,000)

It is proposed that a budget of £40,000 be approved to provide for improvements to the reed beds and storage pond at Mincinglake.

9.3 Coin Counting Equipment (£26,340)

The installation of the new car park pay and display machines enables staff to know when coin boxes are becoming full and react to this rather than relying on 'best estimate' schedules. Therefore, ECC is now in a position to explore the option to collect and count our own cash.

By undertaking this task ourselves (as opposed to the current partnership with Teignbridge) staff resources can be used to enhance our parking enforcement capacity. This will help ensure customers pay the correct parking fees and protect our income.

If this option proves feasible we would need to convert an existing basement room at the Civic Centre (already allocated) and purchase coin counting equipment. It is proposed that the cost of this could be met through the savings made from the 2014/15 machine replacement scheme.

9.4 City Centre Enhancements (£40,000)

It is proposed that a budget of £40,000 be approved to progress long standing aspirations for large TV screens in the city centre to promote activities taking place across the city and to promote visits to the quayside and connecting venues such as the Northcott Theatre and the Corn Exchange. This budget will be funded from the proposed Capital Fund.

9.5 Vehicle Replacement Programme (additional £206,000)

The Vehicle Assessment Group has recommended that the budget be increased for 2015/16 to allow the purchase of three new domestic refuse collection vehicles.

9.6 Replacement Roof – Livestock Centre (£1,250,000)

As part of the energy saving project, a scheme to place Photovoltaic (PV) Panels on the roof of the Livestock Centre has been assessed. The scheme itself is viable, however the roof is not sufficiently strong to hold the panels. A recent condition survey on the roof suggested its useful life would end in 2016-2020. Therefore in order to progress the PV scheme and to protect the significant sources of income generated by the Livestock Centre itself, it is requested that the roof be replaced now. This would enable the PV

scheme to be completed within the current FIT tariff timetable and enable potential discussions to begin about extending the leases associated with the Livestock Centre. As the funding requested is significant an additional paper setting out further detail will be circulated prior to the meeting.

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

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

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