

REPORT TO SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL
Date of Meeting: Scrutiny Committee Resources – 18 November 2015
Executive – 1 December 2015
Council - 15 December 2015
Report of: Assistant Director Finance
Title: Capital Monitoring Statement to 30 September 2015

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

To report the current position in respect of the Council's revised annual capital programme and to advise Members of the anticipated level of deferred expenditure into future years.

The report seeks Member approval to amend the annual capital programme in order to reflect the reported variations.

2. Recommendations:

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

- (i) **The revision of the annual capital programme to reflect the reported variations detailed in paragraphs 8.4 and 8.5 of this report;**
- (ii) **The proposed additions to the Capital Programme detailed in paragraph 8.7 of this report.**

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 30 September 2015.

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 issues to concern the Monitoring Officer.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 30 SEPTEMBER 2015

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2015/16 Capital Programme, including commitments brought forward from 2014/15, was last reported to Scrutiny Committee – Resources on 16 September 2015. Since that meeting the following changes have been made that have decreased spend anticipated in the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Scrutiny Committee – Resources, 16 September 2015	23,213,380	
Budget Deferred to 2016/17 & Beyond at Quarter 1	(2,662,850)	Approved by Executive on 6 October 2015
Overspends/(Underspends) reported at Quarter 1	(73,460)	
Revised Capital Programme	20,477,070	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £20.477 million. During the first six months of the year the Council spent £4.683 million on the programme, which equates to 22.9% of the revised programme. This compares with £4.176 million (16.3%) being spent in the first six months of 2014/15.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2015/16 of £18.956 million with a further £1.442 million of the programme potentially being deferred to 2016/17 in addition to the £2.663 million that was deferred at the first quarter.

Appendix 2 shows the approved budgets for 2016/17 with the 2015/16 budget carried forward to 2016/17 and beyond at the first quarter and the proposed amount to be carried forward this quarter for Executive and Council to consider for approval.

Appendix 3 shows the overall position for those schemes which span more than one financial year.

8.3 AVAILABLE CAPITAL RESOURCES

The available capital resources for the General Fund for 2015/16 are £3.343 million. An estimated spend of £9.715 million is required of which £6.372 million will have to be funded from borrowing. The available capital resources for the HRA for 2015/16 are £16.374 million. An estimated spend of £9.242 million is required leaving £7.132 million to be

carried forward into 2016/17. Appendix 4 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 two years.

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

	General Fund £	HRA £
Balance as at 30 June 2015	192,883	278,569
New Receipts	80,425	662,706
Less HRA Pooling		(114,483)
Balance as at 30 June 2015	273,308	826,792

8.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2015/16 are:

Scheme	Estimated Overspend / (Underspend) £	Reason
Coin Counting Equipment	(26,340)	This budget was approved to enable ECC to collect and count our own cash but the preferred option is now to re-visit the partnership agreement with TDC to improve the financial fairness of the arrangement.
Storage of Archives	(10,000)	This budget is funded by S106 monies of which £10,000 is required for revenue purposes rather than capital.
Rendering of Council Dwellings	(45,000)	The sites identified for rendering will be completed this financial year with an overall saving.
Smoke Detector Replacements	(40,000)	The programme of replacing smoke detectors completed in August with an overall saving.
Other Works	(51,000)	Uncommitted balance declared a saving in order to help compensate for essential footpath and wall works.
Structural Repairs	(50,000)	Less extensive structural repairs are required to certain properties following structural monitoring.

Common Area Footpath/Wall Improvements	151,000	Priority health and safety works will be accelerated in 2015/16 following the appointment of a Compliance Officer to progress the improvements to footpaths and walls.
Central Heating Programme	33,400	Higher than budgeted system failures have resulted in additional central heating replacements, however compensating saving in boiler replacement costs.
Boiler Replacement Programme	(33,400)	Lower than budgeted boiler failures have resulted in fewer boiler replacements. Works undertaken to maximise the life expectancy of boilers as part of the routine service and maintenance regime.

8.5 SCHEMES TO BE DEFERRED TO 2016/17 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2016/17 and beyond are:

Scheme	Revised 15/16 Budget £	Budget to be Deferred £	Reason
Heavitree Environmental Improvements	22,880	22,880	Agreement on a proposed scheme has not been reached with local groups.
Energy Conservation	115,510	65,510	Further spend of this budget is pending the identification of suitable energy efficiency measures in respect of housing assets.
Rennes House Structural Works	485,840	450,000	A condition survey and review of mechanical and electrical services will be undertaken this financial year in order to inform the schedule of refurbishment works in 2016/17 and beyond.
COB Wave 2 – Rennes House car park	906,050	416,550	Delays associated with moving telecoms equipment and an electrical substation at this site have impacted on the profiling of this budget with slippage into 2016/17.
Phase 2 St Andrews Road	10,230	10,230	Further spend in respect of developing this site are pending the outcomes of a Village Green application by local residents.
COB Land Purchase	300,000	300,000	Spend of this budget is pending the identification of suitable/available land for the development of new social housing.

Acquisition of Social Housing	714,580	173,000	The acquisition of 12 new affordable housing units are expected to complete this financial year, the remaining budget will be deferred into 2016/17.
-------------------------------	---------	---------	--

8.6 ACHIEVEMENTS

The following schemes have been completed during the second quarter of 2015/16:

- **Energy Saving Projects**

All key projects in the Renewables and Energy Efficiency Programme for 2015/16 have been successfully completed or are in delivery. Projects completed include the pioneering Solar Canopy Car Park project, with the installation of a 150kw array to the top deck at John Lewis and Mary Arches Car park. A 26kw PV array on the Royal Albert Memorial Museum and a 30kw array at the City Climb Centre have also been installed. Additionally renewable energy generated by the Climb Centre array will be sold to the leaseholder using a Power Purchase Agreement (PPA). At the Civic Centre the new gas boilers have been installed and the old oil boilers and oil storage tanks removed.

Projects to be completed by the end of the year include the remainder of the LED light replacement for non-office areas in the Civic Centre, and the 1.5MW PV array to the Council's Livestock Centre. This is an enormous achievement, a result of the Energy Team's commitment and support given by others in Corporate Property.

- **Civic Centre Access Doors**

Card readers have been installed on lift lobby doors for security reasons. With external bodies now occupying most of the ground floor (Strata) and first floor Phase 1 (NFM, Exeter Pound, Exeter Active and Ubuntu Counselling Services), security for Council staff as well as external occupiers needed to be tightened up.

Council staff are able to access all Council offices in Phase 1 but need their card to open the doors. External Occupiers are only able to access their respective offices on their respective floors. They cannot access any Council offices with their card.

- **Voice Activated Directory**

The voice activated directory system is now live to customers who call Exeter City Council on the main number (277888).

Callers now hear a greeting saying either Good Morning or Good Afternoon welcome to Exeter City Council and will be asked to name the person or department that they require. They'll be transferred directly through but if for any reason the system can't understand what they are asking for they'll be automatically transferred to Customer Services after two attempts.

- **COB Wave 2 – Newport Road**

New eco-friendly homes at Reed Walk, Newport Road will house six local families who have been waiting for a suitable place to live on Exeter's Housing Register. The new three-bedroom homes, including one fully wheelchair accessible property, were completed in September.

The houses are noticeable due to their bright colouring, which were carefully developed to reflect typical natural building materials of the Exeter area like Devon sandstone, blue lias, green marble, clay brick and heavitree stone. These rented houses will provide comfortable living space for families to enjoy, and while packed with high-tech features, these homes are easy to use and live in.

The buildings are designed to be ecological, healthy, low energy and affordable for tenants. Built to the Passive House standard - a benchmark for low energy homes - each property contains a host of clever methods of saving energy, including triple glazing and a mechanical ventilation and heat recovery system.

Rainwater collection and low water use fittings on all bathrooms and kitchens will reduce water usage in the homes by up to 60% and the Passive House standard can result in heating bills 90% less than those of a standard house.

8.7 PROPOSED ADDITIONS TO THE CAPITAL PROGRAMME

- **Strata (£60,000)**

Strata have been tasked with providing a common solution for planning services across the three Councils and have an in-principle agreement to adopt the Idox system. An initial outlay of £60,000 is required from the Council to purchase the system, however, the on-going savings for the company will outweigh this initial investment.

- **Econospeed Engine Management (£19,300)**

In order to meet the budgetary target to reduce fleet fuel use by 23%, and the Portfolio Holder target to reduce fleet carbon footprint by 3%, we need to roll out the fitting of Econospeed engine management devices to the remainder of our refuse collection fleet.

The devices were fitted to four vehicles on a trial basis earlier this year and show savings of over 20%. The manufacturer of the devices claims typical savings of 10%-20%.

We now need to decide whether to return the trial devices, or purchase them and roll them out to all our Refuse Collection Vehicles. The one-off cost of doing so is £19,300, with no ongoing service costs. A 10% fuel saving is equivalent to £21,300, and 20% saving would be £42,700.

It is proposed that the existing Invest to Save budget is used to fund this expenditure.

9. 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.

10. 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.

11. 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

12. Are there any other options?

No

Dave 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) 265275