

**Report To** CORPORATE SERVICES SCRUTINY COMMITTEE,  
EXECUTIVE AND COUNCIL

**Date of Meeting:** Corporate Services Scrutiny Committee – 29 June 2016  
Executive – 12 July 2016  
Council – 26 July 2016

**Report of:** Assistant Director Finance

**Title:** Capital Monitoring 2015/16 and Revised Capital Programme for 2016/17 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 2015/16 financial year, in respect of the annual capital programme.

To seek approval of the 2016/17 revised capital programme, including commitments carried forward from 2015/16.

**2. Recommendations:**

**It is recommended that Corporate Services Scrutiny Committee notes and Council approves:**

- (i) The overall financial position for the 2015/16 annual capital programme.**
- (ii) The amendments and further funding request to the Council's annual capital programme for 2016/17.**

**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 2016 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:**

The report raises no issues of concern for the Monitoring Officer.

**8. Report Details:**

**CAPITAL MONITORING STATEMENT TO 31 MARCH 2016**

**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 March 2016. From that report schemes totalling £2.186 million within the 2015/16 capital programme have now been deferred and are included within the 2016/17 budgets.

Description	£	Approval/Funding
<b>Capital Programme, as reported to Scrutiny Committee – Resources, 18 March 2015</b>	<b>19,174,870</b>	
Budget Deferred to 2016/17 & Beyond at Quarter 3	(2,186,430)	Approved by Council 19 April 2016
Overspends/(Underspends) reported at Quarter 3	181,280	
Exeter CVS Loan	250,000	Approved by Council 23 February 2016
Bus Station Construction	6,250,000	Approved by Council 23 February 2016
Wessex Home Improvement Loans	61,750	Repayment of Loans
Vehicle Replacement Programme	22,630	Revenue contribution to capital outlay to purchase a ride on mower
<b>Revised Capital Programme</b>	<b>23,754,100</b>	

**8.2 PERFORMANCE**

Capital expenditure in the year amounted to £15,085,951. The actual expenditure during 2015/16 represents 63.51% of the revised Capital Programme, which means £8.923 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, costs of the Council's Property Management Team and Energy Management Team 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 the replacement of the Livestock Centre Roof.

The total value of staff time charged to capital schemes for 2015/16 amounted to £114,053.

#### 8.4 CAPITAL FINANCING

The capital expenditure in 2015/16 of £15,085,951 was financed as follows:

	<b>General Fund £</b>	<b>HRA £</b>	<b>Total £</b>
Housing Revenue Account (Revenue)		5,771,930	5,771,930
HRA Major Repairs Reserve		1,433,126	1,433,126
Capital Grants & Contributions	1,844,085	595,223	2,439,308
Capital Receipts	598,268	85,000	683,268
Revenue (New Homes Bonus etc.)	1,578,642		1,578,642
Borrowing	3,179,677		3,179,677
	<b>7,200,672</b>	<b>7,885,279</b>	<b>15,085,951</b>

The available capital resources for the General Fund for 2015/16 are £4.469 million. Total General Fund capital expenditure is £7.201 million of which £3.180 million will be funded from borrowing, allowing £0.448 million of capital receipts to be carried forward. The available capital resources for the HRA for 2015/16 are £17.097 million. Total HRA capital expenditure is £7.885 million leaving £9.212 million to be carried forward into 2016/17. 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:

	<b>General Fund £</b>	<b>HRA £</b>
<b>Balance as at 31 December 2015</b>	<b>827,526</b>	<b>1,335,053</b>
New Receipts	218,376	833,208
Less HRA Pooling		(130,568)
<b>Balance as at 31 March 2016</b>	<b>1,045,902</b>	<b>2,037,693</b>

## 8.5 EXPENDITURE VARIANCES

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

Scheme	Overspend / (Underspend) £	Reason
Energy Conservation	(19,000)	It was hoped that solar panels would be installed on Faraday House, however structural surveys reveal that the roof does not have sufficient load bearing capacity. The budget is therefore shown as a saving.
Structural Repairs	10,926	A minor overspend in respect of the underpinning and refurbishment of 30 and 32 Wilford Road following completion of the works in February 2016.
COB Wave 2 – Rennes House Car Park	411,391	The additional forecast cost relates to two key factors; inflationary rises in contract costs due to delays in the scheme and the inclusion of 5 additional units. In 2015/16 further design work was undertaken in order to re-submit the scheme for planning approval and delays associated with moving telecoms equipment and an electrical substation have resulted in tender price increases. The additional costs can be met from commuted sums, which are sums received towards the provision of new affordable housing.
COB Wave 2 – Newport Road	(6,270)	A combined minor underspend has occurred in respect of the three council own build sites completed during the financial year. In total, 20 new properties were built to passiv haus standards comprising; 6 at Reed Walk, 8 at Silverberry Close and 6 at Barberry Close.
COB Wave 2 – Whipton Methodist Church		
COB Wave 2 – Bennett Square		
St Loyes Extra Care Scheme	27,758	The overall project cost is now £10.85 million and the budget is profiled in accordance with the latest cash flow projections from the external project managers. This minor budget adjustment will be met from commuted sums, which are sums received towards the provision of new affordable housing.

## 8.6 SCHEMES TO BE DEFERRED TO 2016/17 AND BEYOND

Schemes which have been identified since 31 December as being wholly or partly deferred to 2016/17 and beyond are:

Scheme	Revised 15/16 Budget £	Budget to be Deferred £	Reason
Wessex Loan Scheme	202,580	112,261	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	189,000	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.
Play Area Refurbishments	105,380	105,380	Staff resources an issue and some projects weather dependent.
Rougemont Gardens – Path & Railings	50,000	37,000	Lack of staff resources an issue.
Exhibition Way Bridge Maintenance	39,980	39,580	Original specification cannot be achieved at the current budget. Discussions underway with DCC to determine lesser requirements.
Repairs to Turf Lock Gates	145,320	35,322	Scheme now underway and will complete in 2016/17.
Repair Canal Bank at M5	60,000	44,549	Lack of staff resources an issue.
Replace Car Park Ticket Machines	200,000	200,000	The tender process has been completed and the machines have now been ordered.
RAMM Development	382,380	382,380	Payments not due until 2016/17.
Passenger Lift at RAMM	45,000	45,000	Progress stalled due to lack of staff. Full design, specification and tender documents in production.
Bus Station Construction	6,250,000	6,126,244	The full budget has been added to the programme as approved in February, but now needs to be profiled in-line with anticipated expenditure.
Energy Saving Projects	2,010,148	180,552	Plans for a further PV project delayed to 2016/17.

Common Area Footpath/Wall Improvements	262,430	106,050	Planned improvements at Higher Barley Mount, Thorn Close and Vaughan Road have been delayed until early 2016/17. Some slippage has occurred due to the time required to consult with leaseholders.
Electrical Re-wiring	997,970	145,330	Responsibility for the procurement of electrical repairs to communal areas transferred directly to the HRA following the restructure of Property Services. This has resulted in works being deferred whilst the necessary contract arrangements are put in place.
COB Wave 2 – Rennes House Car Park	43,420	412,476	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections and reflects delays to the scheme as explained above.
St Loyes Extra Care Scheme	617,240	75,890	The budget for this new build scheme has been re-profiled in accordance with the latest cash-flow projections although the overall completion date remains no later than 31 March 2018 in accordance with the Department of Health grant conditions.
Acquisition of Social Housing	575,980	111,210	The Council has committed to the purchase of two new build properties, which were expected to complete before 31 March. Unfortunately, boundary issues have caused a slight delay and completions are now expected early in 2016/17.

## 8.7 ACHIEVEMENTS

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

- **Exton Road Lighting**  
Lighting levels have been increased to required standards.
- **Phoenix – Replace Air Conditioning Units**  
Installation of compliant chiller equipment has resulted in improved operation and cooling and reduced breakdowns as well as the removal of a significant health and safety hazard.
- **Livestock Market Electrical Distribution Boards**  
Compliant electrical installation and improved ability to provide service.
- **Livestock Centre Roof Replacement**  
The failing roof covering has been replaced enabling the installation of photo voltaic panels.

- **Energy Saving Projects**

All projects listed in the Renewables and Energy Efficiency Programme for 2015/16 have been successfully delivered. The Livestock Centre PV being the last project to complete. On-going electrical works involve the new high voltage supply to the building and sale of electricity to all leaseholders, to be completed in May. A new programme is being prepared for 2016/17 and an Energy Strategy which builds on everything accomplished this far. The programme has already received much accolade, winning the LGC Environment Award, Public Sector Sustainability Innovation Award and highly commended Regen South West Green Energy Award.

## **8.8 CAPITAL PROGRAMME 2016/17 (Appendix 4)**

The revised Capital Programme for 2016/17, after taking into account the carried forward requirements from 2015/16 along with the £115,000 for St Nicholas Priory and £18,000 for Queens Crescent CPO, both approved by Council on 19 April 2016 now totals £30,966,005.

## **9.0 FURTHER FUNDING REQUEST**

### **9.1 eFinancials – Version 5**

£50,000 was approved in respect of this project as part of the 2016/17 capital programme. Since this approval we have found that a new server and associated oracle licences also need to be purchased in order to avoid paying substantial fines. Quotes are still being sought, however, it is estimated that the maximum additional cost will be £50,000.

### **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

**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