

REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**
Date of Meeting: **Corporate Services Scrutiny – 24 November 2016
Executive - 6 December 2016
Council - 13 December 2016**
Report of: **Assistant Director Finance**
Title: **Capital Monitoring Statement to 30 September 2016**

Is this a Key Decision?

No

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 Corporate Services Scrutiny Committee notes and Council approves:

- (i) The revision of the annual capital programme to reflect the reported variations detailed in 8.4 and 8.5**
- (ii) The additions to the capital programme detailed in 8.6**

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 2016.

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 for the Monitoring Officer.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 30 SEPTEMBER 2016

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2016/17 Capital Programme, including commitments brought forward from 2015/16, was last reported to Corporate Services Scrutiny Committee on 29 September 2016. Since that meeting the following changes have been made to the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Corporate Services Scrutiny Committee, 29 September 2016	31,835,740	
Budget Deferred to 2017/18 & Beyond at Quarter 1	(7,765,240)	Approved by Council 18 October 2016
Overspends/(Underspends) reported at Quarter 1	(930,730)	
Railway Arches at Riverside, Cowick Street	60,000	
Farmers Market Electricity	10,000	
Revised Capital Programme	23,209,770	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £23.210 million. During the first six months of the year the Council spent £4.063 million on the programme, which equates to 17.51% of the revised programme. This compares with £4.683 million (22.9% being spent in the first six months of 2015/16.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2016/17 of £19.140 million with £4.161 million of the programme potentially being deferred to 2017/18 and beyond.

Appendix 2 shows the approved budgets for 2017/18 with the 2016/17 budget to be carried forward to 2017/18 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 2016/17 are £4.063 million. An estimated spend of £7.101 million is required of which £3.038 million will have to be funded from borrowing. The available capital resources for the HRA for 2016/17 are £21.986 million. An estimated spend of £12.039 million is required leaving £9.947 million to be carried forward into 2017/18. 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 2016	0	794,474
New Receipts	0	656,950
Less HRA Pooling		(91,318)
Balance as at 30 September 2016	0	1,360,106

8.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2016/17 are:

Scheme	Estimated Overspend / (Underspend) £	Reason
Rendering of Council Dwellings	(19,390)	This budget reflects the balance carried forward from 2015/16 for further rendering works. No sites have been identified for 2016/17.
Kitchen Replacement Programme	120,000	The kitchen replacement programme was significantly curtailed for 2016/17 until the results of a comprehensive stock survey are known. Unfortunately, a higher number of kitchens in void properties have required replacing prior to re-let and based on current void patterns the budget will overspend.
Bathroom Replacement Programme	90,000	The bathroom replacement programme was significantly curtailed for 2016/17 until the results of a comprehensive stock survey are known. Unfortunately, a higher number of bathrooms in void properties have required replacing prior to re-let and based on current void patterns the budget will overspend.
Common Area Footpath/Wall Improvements	(100,000)	A saving can be reported in respect of repairs to a 2.3m high wall at Meadow Way in accordance with the latest pre-tender estimates.

8.5 SCHEMES TO BE DEFERRED TO 2017/18 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2017/18 and beyond are:

Scheme	16/17 Budget £	Budget to be Deferred £	Reason
Energy Saving Projects	1,644,550	1,614,550	A programme is currently being developed for 2017/18.
Programmed Re-roofing	136,500	(100,000)	On a spend to save basis, the replacement of roofs at Taunton Close and Wellington Road have been accelerated in order to minimise repair costs due to their present poor condition.
LAINGS Refurbishments	1,219,300	1,000,000	The extensive refurbishment of 17 LAINGS properties has been delayed as a result of higher than budgeted tender prices. An options appraisal is currently being undertaken.
Common Area Footpath/Wall Improvements	944,050	350,000	Major works planned at Meadow Way will extend into 2017/18 and the budget has been profiled accordingly.
Electrical Re-wiring	1,178,100	400,000	Slippage is expected in respect of electrical repairs to communal areas whilst capacity of the in-house electricians is reviewed.
Re-roofing Works Shilhay	660,000	495,000	The design of the replacement roof is currently being finalised. The tender process is expected to commence in the next 4 weeks with the successful contractor starting on site in January and completing by September 2017. The budget has been re-profiled to reflect this estimated timetable.
COB Wave 2 – Rennes House car park	2,432,650	261,620	The budget for the development of this site has been re-profiled in accordance with the latest cash-flow projections. Slippage of the main scheme occurred as asbestos removal was required prior to the car park demolition in August. Completion of this development is currently scheduled for September 2017.

Acquisition of Social Housing	316,810	150,000	The acquisition of 3 new affordable housing units are expected to complete this financial year. Further spend of this budget is pending Section 106 negotiations and slippage into 2017/18 is expected.
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8.6 ADDITIONS TO THE CAPITAL PROGRAMME

Flood Prevention Works

Exeter City Council have been awarded full funding for the following two schemes, however, both require the Council to spend money first and then make regular applications to claim the funding.

- City Wide Property Level Protection (£100,000)**
 £100,000 funding is being provided by Devon County Council for 2016/17 to provide flood resilience to individual properties. The scheme should deliver protection to 15-20 properties and priority will be given on flood risk. The current list includes properties in Old Tiverton Road, Longbrook Street (flooded by flash floods in October 2014) and a few peripheral individual properties.
- Topsham – Bowling Green Marshes Coastal Defence Scheme (£40,000 2016/17 and £260,000 2017/18)**
 The Environment Agency (EA) are responsible for these coastal defences which have been allowed to deteriorate over the years and are now in need of fairly urgent repair to retain the level of protection to the freshwater marshes. The habitat in this vicinity has European & International Status and is part of the Site of Special Scientific Interest (SSSI) and is also a wildlife sanctuary managed by the RSPB.

There is a legal requirement for the amount of freshwater habitat to be retained until 2080 under the Exe Estuary Plan, hence the EA are fully funding the £300,000 cost of restoration of these defences without other contributions being sought. The scheme will reinstate the level of protection that can be achieved by the height of the existing defences.

This scheme mainly offers ecological benefits on an international basis but will also provide a small amount of defence in terms of protecting five properties at Riversmeet.

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

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:

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