REPORT TO	**CORPORATE SERVICES SCRUTINY COMMITTEE, EXECUTIVE AND COUNCIL**
Date of Meeting:	**Corporate Services Scrutiny - 28 September 2017** **Executive - 10 October 2017** **Council - 17 October 2017**
Report of:	**Chief Finance Officer**
Title:	**Capital Monitoring Statement to 30 June 2017**

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 supports and the Executive recommends to Council to approve:

(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 8.7

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 June 2017.

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 JUNE 2017

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2017/18 Capital Programme, including commitments brought forward from 2016/17, was last reported to Corporate Services Scrutiny Committee on 22 June 2017. Since that meeting the following changes have been made that have increased the programme:

Description	**£**	**Approval/Funding**
Capital Programme, as reported to Corporate Services Scrutiny Committee, 22 June 2017	**27,276,390**	
Leisure Complex – Build Project	4,286,620	£7,050,000 additional budget was approved at the Extraordinary Meeting of the Council (19 July 2017), the remaining £2,763,380 will be added to the 2018/19 and 2019/20 budgets.
Bus Station Construction	0	£620,000 additional budget was approved at the Extraordinary Meeting of the Council (19 July 2017), all will be added to the 2019/20 budget.
Disabled Facilities Grants	288,160	Additional funding awarded from the Better Care Fund
Kings Arms Bridge	160,000	Approved by Council 25 July 2017
Exwick Cemetery Ashes Section	60,000	
Newtown Community Centre	38,960	Additional S106 Funding
HRA Estate Regeneration	1,295,000	Grant income
Revised Capital Programme	**33,405,130**	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £33.405 million. During the first three months of the year the Council spent £1.478 million on the programme, which equates to 4.4% of the revised programme. This compares with £2.167 million (6.8%) being spent in the first three months of 2016/17.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2017/18 of £23.730 million with £8.697 million of the programme potentially being deferred to 2018/19 and beyond.

Appendix 2 shows the approved budgets for 2018/19 with the proposed 2017/18 budget to be carried forward to 2018/19 and beyond 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 2017/18 are £11.901 million. An estimated spend of £12.122 million is required of which £5.271 million will be funded from borrowing with £5.050 million capital receipts carried forward to 2018/19. The available capital resources for the HRA for 2017/18 are £21.667 million. An estimated spend of £11.608 million is required leaving £10.059 million to be carried forward into 2018/19. 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 three years.

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

	General Fund £	**HRA £**
New Receipts	147,530	680,540
Less HRA Pooling		(106,721)
Balance as at 30 June 2017	**147,530**	**573,819**

8.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2017/18 are:

Scheme	**Estimated Overspend / (Underspend) £**	**Reason**
Exhibition Way Bridge Maintenance	(39,580)	Tenders were obtained to undertake the necessary repairs but were found to be in excess of the available budget. A new capital funding bid will be prepared.
Smoke/Fire Alarms – Older Persons	(15,750)	Successfully negotiated a lower cost per dispersed alarm unit. The budget also allowed for ongoing connectivity charges, which have been moved to revenue in accordance with proper accounting practice.

Electrical re-wiring	(922,430)	Significant savings are projected in respect of planned electrical re-wires. The budgets were prepared on early survey results, but subsequent surveys have identified significantly fewer properties as requiring full electrical rewires in accordance with health and safety regulations.

8.5 SCHEMES TO BE DEFERRED TO 2018/19 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2018/19 and beyond are:

Scheme	**17/18 Budget £**	**Budget to be Deferred £**	**Reason**
Outdoor Leisure Facilities	336,690	263,241	The scheme at Omaha Drive is delayed awaiting a decision on the location of the facilities. The Arena Skate Park has been delayed due to lack of staff resources.
Vehicle Replacement Programme	1,027,000	(38,000)	A van which was due to be replaced in the 2018/19 programme is likely to be written off and require a replacement this year.
Bowling Green Marshes Coastal Defence Scheme	278,900	278,900	There is a legal dispute between the Environment Agency and Natural England over strategy.
Topsham Flood Gates (Ferry Road/The Strand)	100,000	100,000	ECC still has not received formal notification of funding from the Environment Agency and DCC.
Exeter Flood Alleviation Scheme	200,000	200,000	The Environment Agency are still focused on the main flood defence scheme and have not started to promote the provision of property level protection to individual properties not protected by the main scheme.
Bus Station Construction	439,160	439,160	This is a minor re-profiling of the budget.
Programmed Re-roofing	1,190,300	790,000	A significant amount (£580k) relates to the planned re-roofing of flats, which has been delayed due to consultation with leaseholders before the tender process commences. The remaining £210k relates to re-roofing houses. Vacant Surveyor posts have placed a constraint on delivery of the programme and it is currently projected that works amounting to £193k will be deliverable.

Garage Upgrades	100,000	89,000	A lower than anticipated level of works to garages are planned to be undertaken, whilst the future of certain garage sites are reviewed. In the interim a smaller scale programme of garage door upgrades will be completed.
LAINGS Refurbishments	887,770	247,770	The extensive refurbishment of 17 LAINGS properties has been delayed whilst a thorough review of the tender returns was undertaken. It is hoped that works will start on site in January 2018.
Common Area Footpath/Wall Improvements	864,370	350,000	All surveys of HRA footpaths and walls have been completed, which has informed the planned programme of works. The survey identified works in the area of Higher Barley Mount bus stop, but procurement of the works is pending confirmation of ownership.
Boiler Replacement Programme	357,000	233,800	The commencement of planned boiler replacements has been delayed due to contract procurement. In the interim boiler failures are being dealt with under the gas servicing contract.
Communal Door and Screens	301,870	231,870	Both leaseholder consultation and procurement delays are projected to result in slippage in this programme. It is hoped that a 2 year contract will be procured later this year. Urgent health and safety works will be undertaken in the interim.
Window Replacements	746,000	500,000	Both leaseholder consultation and staff resources are placing a constraint on the delivery of this programme. Initial works will target houses with lower forecast spend of £246k.
St Loyes Extra Care Scheme	3,846,370	3,694,651	Higher tender returns have necessitated a value engineering exercise to be completed coupled with negotiations with the preferred contractor. A detailed report is planned to be presented to committee later this year with the results of this work. In the meantime the budget has been profiled in accordance with the latest cash flow forecast.

Acquisition of Social Housing – Section 106	298,540	240,000	This element of the budget is set aside for the purchase of six two bedroom flats at The Chasse development, which are not due to start until May 2018.
Acquisition of Social Housing – Open Market	1,000,000	1,000,000	Plans to acquire properties on the open market have been put on hold until the detailed Higher Value Assets Levy regulations are known.

8.6 ACHIEVEMENTS

The following schemes have been completed during the first quarter of 2017/18:

- **Riverside Arches Fencing**
  Following significant input from Corporate Property officers in resolving the complexities of installing the fencing in conjunction with two tenants all whilst negotiating consent from Network Rail, the Council has completed a robust and smart installation that negates rough sleeping in the affected area whilst improving the overall street scene. The scheme has been completed under budget.

- **St Nicolas Priory Structural Improvement Works**
  Significant structural works required to preserve this historic asset have been successfully completed under budget. Corporate Property ensured a sensitive design was employed that preserves the fabric of the building whilst ensuring the longevity of this important asset for generations to come. Further works were completed as part of the scheme to address areas of concern identified in condition surveys of the overall asset. The Priory is now ready for its future as a cherished asset in the heart of the city.

8.7 ADDITIONS TO THE CAPITAL PROGRAMME

- **World Culture Galleries Improvement Works (£368,740)**
  In late January 2017 RAMM was awarded a grant of £190,000 from the DCMS/Wolfson Museums & Galleries Improvement Fund to improve RAMM's World Cultures Galleries and bring them up to a standard to match all the other RAMM galleries:

  - £22,000 of this grant will be used towards providing new lighting within the gallery
  - £38,000 will be used to provide new display cases within the gallery
  - £125,000 was provided to improve the ventilation of the Gallery, however the results of the tendering exercise have indicated that the full cost of the required ventilation and roof access scheme is likely to be in the region of £280,000, therefore it is proposed that ECC fund the additional £155,000 required.
  - The remaining £5,000 of the grant has been allocated to revenue and will be used for the creation of a new themed children's activity area in the heart of the gallery.

  A further grant of £28,740 has been awarded from the Arts Council's Designated Collections Development Fund. This will also be used to provide new lighting within the gallery and display case LED fibre optics.

  Both grants require the Council to spend the money first and then make regular applications to claim the funding.

- **Beacon Heath Martial Arts & Boxing Club – New Roof (£123,700)**
  The original budget for this scheme in the current capital programme was approved on the basis of only needing to undertake minor structural repair. There are significant structural issues with the roof of this asset which requires both work to the timber structure and complete covering replacement, it is estimated the total future costs for the project will be £140,000.

- **Replace Lifts at Mary Arches Multi-Storey Car Park (£100,000)**
  £100,000 is already included within the 2017/18 capital programme for the replacement of one lift, however, both lifts are presently out of service due to numerous elements of deterioration. The cost of resolving these issues is half the cost of replacing the lifts which are past their end of life. It is therefore determined that replacement of both lifts at a total cost of £200,000 is the most effective use of resource at this prime car park.

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

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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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