

**Report To** CORPORATE SERVICES SCRUTINY COMMITTEE,  
EXECUTIVE AND COUNCIL  
**Date of Meeting:** Corporate Services Scrutiny Committee – 28 June 2018  
Executive – 10 July 2018  
Council – 24 July 2018  
**Report of:** Chief Finance Officer  
**Title:** Capital Monitoring 2017/18 and Revised Capital  
Programme for 2018/19 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 2017/18 financial year in respect of the annual capital programme.

To seek approval of the 2018/19 revised capital programme, including commitments carried forward from 2017/18.

**2. Recommendations:**

**It is recommended that Corporate Services Scrutiny Committee supports and the Executive recommends to Council to approve:**

**(i) The overall financial position for the 2017/18 annual capital programme.**

**(ii) The amendments and further funding request to the Council's annual capital programme for 2018/19.**

**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:**

The borrowing requirement on the General Fund is again lower than the amount that has been set aside to repay debt. Therefore the statutory debt repayment for 2018/19 will be lower than estimated. This controlled financing of the capital programme is enabling the Council to slowly reduce its debt in advance of the new build of the leisure complex. The HRA capital plans remain affordable over the medium term, although the project at St Loyes will commit much of the HRA's available resources.

**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 of concern for the Monitoring Officer.

**8. Report Details:**

**CAPITAL MONITORING 2017/18 AND REVISED CAPITAL PROGRAMME FOR 2018/19 AND FUTURE YEARS**

**8.1 REVISIONS TO THE CAPITAL PROGRAMME**

The 2017/18 Capital Programme was last reported to Corporate Services Scrutiny Committee on 22 March 2018. Since that meeting the following changes have been made to the programme:

Description	£	Approval/Funding
<b>Capital Programme, as reported to Corporate Services Scrutiny Committee, 22 March 2018</b>	<b>17,191,800</b>	
Budget Deferred to 2018/19 & Beyond at Quarter 3	(4,152,460)	Approved by Council 24 April 2018
Overspends/(Underspends) reported at Quarter 3	(353,210)	
Science Park	200,000	Approved by Council 20 February 2018
Pinhoe Community Hub	100,000	Approved by Council 18 October 2016
<b>Revised Capital Programme</b>	<b>12,986,130</b>	

**8.2 PERFORMANCE**

Capital expenditure in the year amounted to £10,331,102. The actual expenditure during 2017/18 represents 79.6% of the revised Capital Programme, which means £2.323 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 CAPITAL FINANCING**

The capital expenditure in 2017/18 of £10,331,102 was financed as follows:

	General Fund	HRA	Total
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Housing Revenue Account (Revenue)		3,796,640	3,796,640
HRA Major Repairs Reserve		550,806	550,806
Capital Grants & Contributions	1,459,741	799,867	2,259,608
Capital Receipts	907,967	1,117,566	2,025,533
Community Infrastructure Levy	284,793		284,793
Revenue (New Homes Bonus etc.)	916,994		916,994
Borrowing	496,728		496,728
<b>TOTAL</b>	<b>4,066,223</b>	<b>6,264,879</b>	<b>10,331,102</b>

The available capital resources for the General Fund for 2017/18 are £9.876 million. Total General Fund capital expenditure is £4.066 million of which £0.497 million will be funded from borrowing, allowing £6.307 million of capital receipts to be carried forward. The available capital resources for the HRA for 2017/18 are £20.409 million. Total HRA capital expenditure is £6.265 million leaving £14.144 million to be carried forward into 2018/19.

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 four years.

The value of actual capital receipts received in 2017/18 in respect of the General Fund and the HRA are:

	<b>General Fund £</b>	<b>HRA £</b>
<b>Balance as at 1 April 2017</b>	<b>4,820,370</b>	<b>5,607,226</b>
New Receipts	2,394,431	3,215,089
Amount used to finance capital expenditure in 2017/18	(907,967)	(1,117,566)
<b>Balance as at 31 March 2018</b>	<b>6,306,833</b>	<b>7,704,749</b>

#### 8.4 EXPENDITURE VARIANCES

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

Scheme	Overspend / (Underspend) £	Reason
Condition Surveys – Priority 1	(20,000)	Works completed but the costs were less than £10k and therefore funded from revenue.
Capitalised Staff Costs	(100,000)	No directly attributable staff costs were incurred this year.
Kitchen Replacement Programme	(68,409)	A saving is reported in respect of both programmes which reflects a lower level of kitchen and bathroom replacements in void properties and the scaling down of the programmes to one contractor, ahead of a procurement exercise in 2018/19.
Bathroom Replacement Programme	(51,462)	
Electrical Re-wiring	(113,007)	A saving is reported in respect of electrical re-wires, whilst officers review demand arising from electrical testing and planned capital works (e.g. kitchen replacements). The outcomes will be factored into future budget setting cycles.
Central Heating Programme	(25,464)	Higher than budgeted boiler failures and parts for certain boilers now obsolete resulted in additional boiler replacements. However, the overspend is partially offset by savings in respect of the central heating programme, due to a lower level of systems required in void properties.
Boiler Replacement Programme	57,919	

#### 8.5 SCHEMES TO BE DEFERRED TO 2018/19 AND BEYOND

Schemes which have been identified since 31 December as being wholly or partly deferred to 2018/19 and beyond are:

Scheme	Revised 17/18 Budget £	Budget to be Deferred £	Reason
Disabled Facility Grants	685,820	356,071	The level of grants awarded was less than the Better Care Fund income received from Devon County Council, however, this money can be carried forward to 2018/19 to fund further expenditure.
Wessex Loan Scheme	107,820	79,033	Take up of loans has been less than predicted.

Temporary Accommodation Purchase	450,000	(26,281)	The purchase of the property was completed in February this year. There is £109k budget remaining in 2018/19 to carry out the property refurbishment.
Outdoor Leisure Facilities	73,450	30,942	Works at Salmon Pool Lane play area and Arena Skate Park will be carried out in 2018/19.
Replace Lifts at Mary Arches Car Park	50,000	50,000	Consultant appointment is complete and scheme is being designed and procured for completion of works early 2018/19.
RAMM Air Monitoring Equipment	90,000	89,564	Tender process completed and preferred contractor identified.
Sports Facilities Refurbishment	100,000	45,137	Ongoing budget to fund leisure contract obligations.
St Nicholas Priory	107,760	67,835	Main works complete, final works being completed early 2018/19
Cowick Barton Tennis Courts	35,000	35,000	Works will carried out in early 2018/19.
Leisure Complex	544,020	(138,127)	Budgets re-profiled in-line with anticipated expenditure.
Bus Station Construction	219,950	(64,843)	
Guildhall Fire Alarms	50,000	50,000	Scheme procured and contract awarded. Works scheduled around events at the facility for early 2018/19
LAINGS Refurbishments	250,000	245,580	Following Executive approval on 9 January for the demolish and re-build option, the budget has been re-profiled in accordance with the latest project cash-flow forecasts.
Balcony Walkway Improvements	60,000	60,000	It has not been possible to advance these works during 2017/18 as it is pending contract procurement. This programme will form part of procurement priorities for the new financial year.
Re-roofing Works Shilhay	839,840	164,800	The re-roofing of 70 properties together with vertical tile hanging is expected to complete by mid-June resulting in slippage of the budget into 2018/19. This represents a minor delay, in part due to the time required to deal with asbestos and adverse weather conditions.
Replacement Housing Management System	175,100	175,100	Implementation of the new IT system will commence in 2018/19 following Executive approval in October '17 for temporary staff resources to manage the project in conjunction with Strata.

COB Wave 2 – Rennes House Car Park	2,319,070	271,500	The new social housing development, Chester Long Court, was officially opened on 16 March. However, final snagging issues, commissioning of equipment and external works were undertaken in April and May, resulting in minor slippage of the budget into 2018/19.
Acquisition of Social Housing - Market	196,890	(145,000)	A property formerly used for temporary accommodation has been appropriated into the HRA for use as social housing during 2017/18 at a market value of £220k, but the planned acquisition of a shared ownership property is not expected to complete until 2018/19 (£75k). The net effect is £145k has been accelerated from next year's approved budget for property acquisitions.
Estate Regeneration	626,910	88,162 (across all sites)	In March 2017 the Council received £1.295m Estate Regeneration funding. The grant is to be used across four HRA sites to progress them to the pre-construction stage. The overall forecast costs remain at £1.295m, but spend of the grant has now been profiled in accordance with the project timetables, which run into 2018/19.

#### 8.6 CAPITAL PROGRAMME 2017/18 (Appendix 4)

The revised Capital Programme for 2018/19, after taking into account the carried forward requirements from 2017/18 now totals £35,929,900.

#### 8.7 FURTHER FUNIDNG REQUEST

##### **Replace Lifts at Mary Arches Street Car Park (request for additional £40,000)**

A budget of £200,000 for this scheme is already included within the 2018/19 capital programme but total costs are now likely to be £240,000. A specialist lift consultant, Dunbar Boardman, have advised that the specification we were working to for estimates (provided by the original attending lift installer) is not a robust enough solution to ensure a sufficient life expectancy whilst continuing to provide a fit for purpose solution for end users. The additional funding will provide a greater level of resilience to vandalism which should maintain the aesthetic appeal of the lift and reduce maintenance downtime.

#### 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?**  
The impact of each scheme is considered prior to approval. Any significant deviation from this will be noted within the body of this report.

**12. Are there any other options?**  
No

**DAVE HODGSON**  
**Chief Finance Officer**

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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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