

REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**
Date of Meeting: **Corporate Services Scrutiny - 27 September 2018
Executive - 9 October 2018
Council - 16 October 2018**
Report of: **Chief Finance Officer**
Title: **2018/19 Capital Monitoring Statement – Quarter 1**

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:

- The revision of the annual capital programme to reflect the reported variations detailed in 8.4 and 8.5

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:

There are no additional requests for funding for Council to consider. In terms of deferrals, a number of scheme have been re-profiled and close to £8 million of projects are being proposed for deferral to future years. Members should ensure that they are satisfied with the reasons for deferral.

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:

2018/19 CAPITAL MONITORING STATEMENT – QUARTER 1

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2018/19 Capital Programme, including commitments brought forward from 2017/18, was last reported to Corporate Services Scrutiny Committee on 28 June 2018. 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 2018	35,929,900	
Leisure Centre Essential Enhancements	2,000,000	Approved by Council on 13 June 2018
Leisure Centre Additional Enhancements	880,000	
Belmont Park Community Building	150,000	
Belmont Park Enhanced Facilities	50,000	
Kings Arms Bridge	250,000	Approved by Council on 24 July 2018
Livestock Market Drainage & Toilets	200,000	
Mary Arches Lifts	40,000	
Miscellaneous Adjustments	(1,480)	
Revised Capital Programme	39,498,420	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £39.498 million. During the first three months of the year the Council spent £1.743 million on the programme, which equates to 4.4% of the revised programme. This compares with £1.478 million (4.4%) being spent in the first three months of 2017/18.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2018/19 of £31.674 million with £7.949 million of the programme potentially being

deferred to 2019/20 and beyond and £0.777 million being brought forward from future years.

Appendix 2 shows the approved budgets for 2019/20 with the proposed 2018/19 budget to be carried forward to 2019/20 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 2018/19 are £9.860 million. An estimated spend of £14.346 million is required of which £10.740 million will be funded from borrowing with £6.254 million capital receipts carried forward to 2019/20. The available capital resources for the HRA for 2018/19 are £32.491 million. An estimated spend of £17.328 million is required leaving £15.163 million to be carried forward into 2019/20. 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 £
Balance as at 1 April 2018	6,306,833	7,704,749
New Receipts	70,000	704,950
Less HRA Pooling		(106,534)
Balance as at 30 June 2018	6,376,833	8,303,165

8.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2018/19 are:

Scheme	Estimated Overspend / (Underspend) £	Reason
Bowling Green Marshes Coastal Defence Scheme	(250,000)	This scheme was to be entirely funded by the Environment Agency (EA), but due to disputes between the EA and Natural England on how to proceed it is now anticipated that the scheme will not go ahead.
Topsham Flood Gates (Ferry Road/The Strand)	(100,000)	This scheme was also to be funded by the Environment Agency (EA). Following a trial, the EA are reviewing demountable defence

		flood barrier types for region-wide deployment. It is anticipated that the EA will manage the scheme themselves.
LAINGS Refurbishments	(11,000)	The contingency provision for this project has been reduced to offset additional employee costs being incurred in the revenue accounts. The Housing Community Partnership Officer is working additional contracted hours to assist with resident liaison and tenant decants.
Smoke/Fire Alarms – Older Persons	(15,724)	This budget was carried forward from 2017/18 as a contingency sum for acquiring further dispersed alarm units. However, the project completed successfully without incurring any additional costs.
Electrical re-wiring	(276,000)	<p>The forecast saving comprises (£90k) in respect of re-wiring domestic properties and (£186k) re-wiring communal areas.</p> <p>The move from 10 yearly electrical tests to 5 yearly has resulted in less extensive remedial works being identified in domestic properties, due to the shorter repairs period.</p> <p>The saving in respect of communal areas relates to labour costs. The in-house electricians undertake these works, rather than sub-contractors, and therefore the budget only needs to provide for materials. The cost of the in-house team are held in the revenue accounts.</p>

8.5 SCHEMES TO BE DEFERRED TO 2019/20 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2019/20 and beyond are:

Scheme	18/19 Budget £	Budget to be Deferred £	Reason
Leisure Complex	4,046,530	2,647,330	Budgets re-profiled in-line with anticipated expenditure.
Bus Station Construction	3,251,750	2,986,550	
Adaptations	495,970	75,000	Based on current levels of referrals it is anticipated that an under-spend may occur. However, any under-

			spend will be sought to be carried forward to provide resilience against a surge in referrals due to pressures of an aging population.
Rennes House Structural Works	2,200,000	1,850,000	Lift improvements have been prioritised for the first stage of the refurbishment programme. The lifts will be upgraded, one at a time, in order to maintain service provision. Each lift is scheduled to take 16 weeks, all other works will follow and the budget has been profiled accordingly.
St Loyes Extra Care Scheme	4,323,080	(776,924)	Council approved a revised scheme cost of £14m on 24 July, which has enabled the project team to progress the appointment of a main contractor. It is hoped that the contractor can start on site in Quarter 2 of 2018/19 and the budget has been profiled accordingly.
Acquisition of Social Housing – Section 106	490,000	390,000	Due to the time-lag between Section 106 negotiations and new homes completing on site (often 2-3 years) it is forecast that slippage of the budget will occur, including £240k specifically for acquiring flats at The Chasse development.

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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