

REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**
Date of Meeting: **Corporate Services Scrutiny - 28 March 2019
Executive - 9 April 2019
Council - 16 April 2019**
Report of: **Chief Finance Officer**
Title: **2018/19 Capital Monitoring Statement - Quarter 3**

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 8.1, 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:

There is one additional request for funding, backed by funds from Devon County Council, to deliver the agile and flexible working project. In terms of deferrals, a number of scheme have been re-profiled and around £10.7 million of projects are being proposed for deferral to future years. In addition £1.074 million is being brought forward into 2018-19. 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:

The Monitoring Officers comments will be reported to the meeting.

8. Report Details:

2018/19 CAPITAL MONITORING STATEMENT – QUARTER 3

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 22 November 2018. Since that meeting the following changes have been made to the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Corporate Services Scrutiny Committee, 22 November 2018	31,802,440	
Budget Deferred to 2019/20 & Beyond at Quarter 2	(2,941,100)	Approved by Council 18 December 2018
Overspends/(Underspends) reported at Quarter 2	34,940	
Loan to Exeter City Living	2,200,000	Approved by Council 24 July 2018
Outdoor Leisure Facilities	100,900	Additional S106 funding
New Community Centre in Belmont Park	100,000	New Homes Bonus Grant, approved by Council 21 February 2017
Disabled Facility Grants/Warm Up Schemes	92,380	Additional funding allocation from MHCLG
Land at Ludwell Valley Park	66,640	Funded by S106 income
Replacement Audio & Visual Equipment at the Civic Centre and Guildhall	65,000	Approved by Council 16 October 2018
Revised Capital Programme	31,521,200	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £31.521 million. During the first nine months of the year the Council spent £10.218 million on the programme, which equates to 32.42% of the revised programme. This compares with £6.597 million (38.37%) being spent in the first nine months of 2017/18.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2018/19 of £21.113 million with £11.511 million of the programme potentially being deferred to 2019/20 and beyond and £1.104 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 £11.679 million. An estimated spend of £13.682 million is required of which £6.645 million will be funded from borrowing with £4.643 million capital receipts carried forward to 2019/20. The available capital resources for the HRA for 2018/19 are £31.429 million. An estimated spend of £7.431 million is required leaving £23.988 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 2018/19 to date 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 to 31 December	87,500	2,098,279
Balance as at 31 December 2018	6,394,333	9,803,028

8.4 EXPENDITURE VARIANCES

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

Scheme	Estimated Overspend / (Underspend) £	Reason
Car Park Resurfacing, Lining & Boundary Improvements	(50,000)	St James Weir partially collapsed and was likely to deteriorate further, therefore a Delegated Decision was made by the Director and the Leader to transfer £75,000 budget from the Turf Lock Pier Head to St James Weir to enable works to prevent further and more substantial loss. Since the Decision was made the anticipated cost has risen by a further £20,000, in order to
St James Weir	95,000	

Repairs to Turf Lock Pier Head	(45,000)	carry out all necessary works with no further pressure on ECC resources a saving will also be made within the Car Park Resurfacing budget.
Matford Centre Fire Alarm Replacement	(50,000)	Works are still in progress but due to changing the specification it is anticipated that a saving will be made.
Belle Isle Temporary Facilities	65,000	In addition to the planned works it was necessary to replace the meeting and training room as water damage had been caused by rain penetrating the roof. The current roadway has become dangerous for staff to negotiate with large potholes appearing, it is proposed that a total overspend of £65,000 be approved to allow the roadway to be resurfaced and relined.
Garage Upgrades	(74,000)	A programme of garage upgrades is currently being formulated, in order commence a procurement exercise early in 2019/20. The proposed capital programme for the next four years already provides for annual investment of £68,400 per annum, the budget for this year is therefore not required to be carried forward.
LAINGS Refurbishment	150,000	Following drainage surveys it has been identified that many of the 17 LAINGS properties require drainage redirections, which has resulted in both additional costs and time delays to the project. A value engineering exercise has identified savings, which have helped reduce the budget shortfall from £280k to the reported £150k.
Whipton Barton House Water Mains	(50,000)	It was originally planned that a separate water mains would be provided to Council owned bungalows, however the site is subject to a wider site housing development appraisal. A saving is reported whilst the future of the site is determined. Committee approval will be sought to reintroduce to the capital programme, if necessary.

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
Disabled Facility Grants	801,180	400,000	A variety of awareness activities have taken place, including articles in the Citizen to increase accessibility to these grants. Work has also been undertaken to reduce end to end time with respect to stair lift applications and to remove barriers to people having such adaptations made. A communications plan has been drafted to increase awareness further and it is anticipated that grant take up will be higher in 2019/20.
WHIL Empty Properties	194,000	194,000	An Empty Homes Strategy is currently being developed which will seek to maximise opportunities to bring empty homes back into use, it is expected that loans will be made in 2019/20.
Kings Arms Bridge	384,630	300,000	The tendering exercise has taken longer than anticipated due to the specialist nature of the works.
Replacement of Mallison Bridge	50,000	30,000	Partnership funding needs to be secured before the project can commence.
Parks Infrastructure	150,000	85,810	Further works on these projects will be delayed until the new financial year due to lack of staff resources.
Cemeteries & Churchyards Infrastructure Improvements	60,000	60,000	
Improved Car Park Security Measures at King William Street and Arena Park	45,000	45,000	Work on this project has been delayed to the new financial year as staff resources have been diverted to St James Weir.
Repair to Walls at Farm Hill	30,000	30,000	The procurement process has commenced via Bloom with works anticipated to complete by mid-summer.

Replace Lifts at Mary Arches MSCP	240,000	240,000	The tender process did not result in suitable responses within budget. The consultant has recommended a second tender process be undertaken, this is currently underway.
Outdoor Leisure Facilities	446,430	60,720	Long term sickness absence of the officer best placed to deliver these schemes.
Passenger Lift at RAMM	73,880	73,880	If a viable tender is received the lead time for lift production will result in installation taking place in the next financial year.
Newtown Community Association – Belmont Park Community Building	250,000	50,000	The final payment will be made in May.
RAMM Roof Access Improvements	58,520	56,160	This scheme will be completed in the new financial year.
Leisure Complex	1,540,810	(975,950)	Budgets re-profiled in-line with anticipated expenditure.
Bus Station Construction	362,380	(98,330)	
Pinhoe Community Hub	90,000	90,000	Pinhoe Community Club have plans to spend this in 2019/20.
Energy Saving Projects	2,011,870	2,002,380	The energy team are revising the existing ERDF bid to include future Council operational requirements following receipt of a new funding agreement that does not restrict income generation. The changes will support Council services and utilise renewable energy for increased carbon and cost savings. In addition to small scale battery storage at existing PV sites, a large solar PV array is planned providing a direct supply and battery storage to support electrification of all fleet at Exton Road.
Building Management System	80,000	80,000	Strata do not have the capacity to deliver this project. Discussions are on-going with Exeter University to potentially utilise their in house engineers in the design phase.

Civic Centre Air Conditioning Replacement	150,000	150,000	Due to potential accommodation changes, SMB have approved that complete replacement is not undertaken, but that these budgets are set aside for partial replacements as and when required.
Civic Centre Kitchen Replacement	90,000	90,000	
LAINGS Refurbishment	1,936,000	1,630,070	As explained above, the project to demolish and re-build 17 LAINGS properties has experienced significant delays due to surveying and designing major drainage diversions. The budget has been re-profiled in accordance with the latest cash-flow projections, with work expected to start on site in the next few weeks.
Kitchen Replacement Programme	1,059,950	400,000	Issues with the current contractor have resulted in a hold on planned kitchen replacements. The contract is due for renewal and the procurement process for a replacement contractor is underway for an intended April start. In the interim, the opportunity to replace kitchens in void properties will continue to be undertaken by the contractor for response repairs.
Bathroom Replacement Programme	693,760	230,000	Issues with the current contractor have resulted in a hold on planned kitchen replacements. The contract is due for renewal and the procurement process for a replacement contractor is underway for an intended April start. In the interim, the opportunity to replace bathrooms in void properties will continue to be undertaken by the contractor for response repairs.
Structural Repairs	294,280	250,000	Forecast spend for 2018/19 relates to drainage repairs, whilst monitoring for structural movements continue. Major works are anticipated in the new financial year to repair structural damage to three fire affected properties, along with structural works planned at 19/21 Wilford Road and 1-6 Redlands Close. The budget has been re-profiled accordingly.
Communal Doors & Screens	231,000	131,000	A combined contract was awarded in October and the new contractor started on site from November. However, it is currently mobilising their local multi-disciplined teams to increase to full scale operations in the spring. Window replacements at
Window Replacements	954,300	793,000	

			Flowerpot Lane and Hayes Barton Court are also subject to discussions with Planning. The budget has been re-profiled to reflect the period of contractor mobilisation along with time required to consult with planning.
Porch Canopies	102,000	102,000	
Fire Risk Assessment Works	326,810	256,810	A new Fire Risk Assessment (FRA) Contractor started late 2018 and following a period of mobilisation, new FRAs have commenced. The works that will be identified through the assessments will follow and are likely to result in significant spend in the new financial year.
Zebcat Project	450,000	445,000	The Council is undertaking a net zero energy whole building retrofit to six homes, as part of a project with five other delivery partners. Delays in appointing the main contractor due to higher tender return prices, has necessitated a review of the contract specification. As a consequence, the original deadline for the European grant funding has lapsed and an extension is currently being sought. Spend of this budget is not therefore possible until confirmation that the European grant funding is secured.
Extra Care Scheme	3,600,000	2,100,000	The budget has been re-profiled in line with the latest cash-flow projections. The value engineering work has completed and the contract sum is now close to agreement. Limited work started on site very late in 2018 including site set-up and further ground investigations. Major works are expected to start in late February/March.
Acquisition of Social Housing – Open Market	855,000	330,400	Further spend against this budget is pending the outcomes of an options appraisal in respect of acquiring property at the Vaughan Road site, in order to facilitate a potential wider site housing development.

8.6 ACHIEVEMENTS

The following schemes have been completed during the third quarter of 2018/19:

- **Skatepark at Arena Park**

The new facility at Arena Park was opened in December. It contains ramps, quarterpipes, flatbanks, ledges and rails. The plaza style design also features a

viewing/seating area overlooking all the action. The design of the skatepark was chosen by a group of local skatepark users working to a design brief heavily influenced by the local skatepark community.

- **Topsham Lock**

It was discovered that the canal was leaking under the lock structure, creating considerable underground voids and adversely affecting both the lock pit and walls. The urgent work required to make the lock safe has now been completed with 45 metres of 15 metre deep interlocking piles being installed to give strength and stability. The lock is now structurally stand alone and is now secure for 80 years.

8.7 ADDITIONS TO THE CAPITAL PROGRAMME

- **Mobile and Agile Working for Environmental Health (£74,900)**

The Agile and Flexible Working Project in Environmental Health and Licensing forms part of the Council's overall EX1 Internal Transformational Change Programme. This approach looks to review service delivery by starting with the customer and then redesigning systems around their needs.

The overarching principles of the programme are:

1. Making it as easy as possible for more people to help themselves by providing high-quality information and advice through really great, accessible, digital and self-help services
2. Providing accessible, high quality, customer focused, efficient and effective one-stop shop services for people who need our help and advice
3. Introducing agile and flexible working across the workforce bringing generic roles into play where it makes sense for our customers and the business.

It is proposed that this scheme is funded via a contribution received from DCC in lieu of Disabled Facility Grant funding.

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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