

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 15 SEPTEMBER 2010

EXECUTIVE 29 SEPTEMBER 2010

CAPITAL MONITORING STATEMENT TO JUNE 2010

1.0 PURPOSE OF THE REPORT

- 1.1 To report the current position in respect of the Council's revised annual capital programme.
- 1.2 This report is prepared on a quarterly basis in order to update Members with any known cost variations, slippage and acceleration of projects.
- 1.3 Alongside the first normal first quarter's monitoring exercise, Officers have also instigated a review of the capital programme, to identify the extent to which schemes were not yet committed, to consider whether some of the uncommitted schemes could be either deferred, reduced or removed from the programme and to identify any potential savings.
- 1.4 The report will explain the rationale for undertaking this review and report on the current status of the exercise and how this may affect the programme.

2.0 BACKGROUND

- 2.1 Local authorities are required to estimate the total of capital expenditure that they plan 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.
- 2.2 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.
- 2.3 Since the 2010/11 capital programme was approved, Central Government has announced a tightening of public sector spending over the next few years. Whilst the implications of this for the Council will not be known for some months, this will inevitably put significant pressure on budgets. The Council has become more dependant on borrowing to finance its capital programme and this will result in increasing revenue costs in terms of servicing the resulting debt. The level of capital programme which is affordable and sustainable over the next few years will therefore become increasingly important.
- 2.4 In the light of this situation, Officers considered it prudent to review the current capital programme, to identify where savings and reductions might be made, and to consider whether some schemes could be deferred, reduced or removed from the programme.
- 2.5 At this stage, schemes which have not yet been committed, have been largely put on hold until the review is complete and can be considered fully. Schemes which are largely funded from external sources, schemes which are expected to generate revenue savings and works which are considered to be urgent, will be largely

unaffected. In due course, a further report will be presented to Members for consideration.

3.0 REVISIONS TO THE CAPITAL PROGRAMME

3.1 The 2010/11 Capital Programme, including commitments brought forward from 2009/10, was last reported to Scrutiny Committee - Resources on 16 June 2010. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval / funding
Capital Programme, as at 16 June 2010	29,954,060	
Walking Project	10,180	Contributions from DCC
Energy Conservation	23,520	External funding contributions
National Cycle Network	60,700	Contributions from DCC
Social Housing Grants	8,460	Interest on S106 monies
Social Housing Grants	8,410	Refund on RSL downsizing
Social Housing Grants	1,490	REIP VAT Adjustment
Social Housing Grants	(45,000)	S106 transferred to Revenue approved projects
Children's Play Areas	64,850	S106 monies and interest
Revised Capital Programme	30,086,670	

4.0 PERFORMANCE

4.1 Progress

The revised capital programme for the current financial year is £30.087 million. During the first three months of the year the Council spent £3.305 million on the programme, which equates to 10.99% of the revised programme. This compares with £3.190 million (12.7%) being spent in the first three months of 2009/10.

4.2 The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2010/11 of £28.388 million with £4.148 million of the programme potentially deferred to 2011/12. The forecast 2010/11 spend is based mostly on schemes which are either started, committed, externally funded or considered urgent / essential, whilst the budgets of schemes which have been identified from the capital programme review as not yet committed are mostly recorded in the Appendix as potentially deferred to 2011/12, pending the outcome of the review.

4.3 The Appendix shows that there is currently an overall projected adverse variance in the programme of £2.449 million. This will however, be offset to the extent that items within the potentially deferred to 2011/12 column can be deferred, reduced or removed once the capital programme review is completed.

5.0 VARIANCES and OTHER ISSUES

5.1 The main variances and issues concerning expenditure which may be deferred to 2011/12 or subject to further review are as follows:

5.1.1 Community & Environment

Cultural City

- **Play Area Refurbishments (Budget £319,200)**

The original budget has been increased, by £64,850, which is mostly from the use of a S106 contribution of £59,000 to implement play schemes at Harrington Lane and Pinhoe Station Road.

- **RAMM Re-development (Budget £8,887,040)**

Members are receiving periodic reports on the progress of this scheme and a further update is presented separately on the Agenda. Costs of the re-development have continued to rise, mostly as a consequence of delays resulting from issues which occurred early on with this scheme.

The report indicates a further £2.188m will be required to be added to the budget for his scheme. At this stage, the increase is wholly reflected in Appendix 1 within the 2010/11 forecast spend although in practice some of this may be spent in 2011/12. The projected costs are being reviewed to determine the revised profile over the two years.

- **Contribution to RAMM re HLF Parks Bid (Budget £176,800)**

This budget is for the landscaping at the rear of the museum building and cannot be undertaken until the contractor's compound has been removed. The spend profile between 2010/11 and 2011/12 is not yet available as the work programme has yet to be determined, although most of the work is expected to be carried out in 2011/12. At this stage, the budget is included as deferred to 2011/12 although some costs will be incurred this year.

Cared for Environment

- **New Trade Waste Recycling Service Vehicle (Budget £33,360)**

Having purchased one vehicle in 2008/09 for use on the new recycling rounds, collecting cardboard and plastics, this budget was carried forward to consider acquiring a second vehicle when the success of the current round could be determined. There remains some capacity to take up a modest increase in customer base in the short to medium term and an additional vehicle cannot be justified. It is therefore proposed to remove this budget, saving £33,360.

Excellence in Public Services

- **Vehicle Replacement Programme (Budget £517,000)**

Most vehicles have either been purchased or ordered. The replacement of two vehicles has been deferred to 2011/12 (£44,000 budget) pending the outcome of the BEST review.

- **Soil Erosion at Clifton Hill**

Tenders have been received and budget savings of £21,000 are anticipated.

Healthy & Active People

- **Disabled Facility Grants (Budget £388,510)**
The original budget for grants of £270,000 was increased for a budget underspend carried forward from 2009/10 of £118,510 (revised budget £388,510). The Council receives a subsidy allocation from Central Government each year for Disabled Facility grants based on 60% of the cost of grants paid. Any unused subsidy may usually be carried forward on the understanding that the Council will use this in the following year. The original budget of £270,000 was set at the estimated subsidy allocation level (now increased to £281,000) and not the higher amount (£468,330) which will need to be paid in grants to claim the subsidy received.

For the Council to receive its full 2010/11 subsidy allocation of £281,000 the budget will need to increase by £198,330 to £586,840. Appendix 1 shows the uplifted budget in the forecast spend on the assumption that the increase is agreed.

Everyone has a Home

- **Social Housing Grants (Budget £3,604,510)**
This budget provides financial support mostly to Registered Social Landlords for new house-building and conversion schemes. Budget allocations have been made and promises given for numerous projects although these often take some time to come to fruition. In addition, a significant part of the budget tends to remain uncommitted, providing flexibility as and when suitable new projects come forward requiring support. As a result, a large part of this budget frequently underspends in year and is carried forward to the following year.

This budget also supports other housing initiatives and £234,000 of the budget (which represents commuted sums), is planned to support additional costs of the Council's Own Build schemes.

Whilst it is difficult to predict what will be spent this year, the current forecast spend is up to £1.420 million, producing a projected under spend of £1.951 million, which is shown as deferred to 2011/12 at this stage.

5.1.2 Economy & Development

Cared for Environment

- **City Centre Enhancements (Budget £426,160)**
This is an ongoing project being phased over a number of years. Forecast spend in 2010/11 on current commitments and plans totals £270,000, whilst the balance of £156,160 is shown at this stage as deferred to 2011/12 pending the outcome of the capital review.

Prosperous City

- **Central Station Gateway Enhancement (Budget £100,000)**
This is a joint City Council and Devon County Council concept design which has been agreed in principle with Network Rail. Devon has deferred its contribution towards the scheme of £75,000 to 2011/12 whilst discussions continue with Network Rail and train operators about potential funding contributions from the National Stations Improvement Programme which is

backed by the Department for Transport.

This year's budget of £100,000 has therefore been deferred to 2011/12.

- **Canal Basin and Quayside (Budget £849,850)**

The cost of this development is largely financed from capital receipts and S106 agreements in relation to the Basin, with elements of the scheme being delivered as and when receipts are generated.

Expenditure and commitments total £220,000 for works completed at Haven Road car park and to complete a fibre optic link to Exton Road.

The balance of budget of £629,850 is shown as deferred to 2011/12 at this stage. At the beginning of the year, receipts in respect of the Basin of £612,000 were forecast although no receipts have been generated so far this year and there remains some uncertainty at this time of what may be forthcoming.

- **King William Street Car Park Refurbishment (Budget £423,000)**

The car park refurbishment is being undertaken this year at an estimated cost of £223,000, with the balance of £200,000 to be carried forward for works to Sidwell Street next year.

5.1.3 **Housing Revenue Account**

Everyone Has a Home

With the exception of some budget virements between schemes, and slippage of £230,000 into 2011/12, the programme is currently forecast to be on budget. A number of schemes were the subject of a new contractor starting on 1st July

5.1.4 **Council House-building Programme**

Phase 1

Work on the construction of 21 new dwellings has now commenced. A separate report was presented to Scrutiny - Community on 31st August in respect of the scheme which reports that the projected cost has increased from the original budget of £2.730 million by £334,097, which is reflected in the forecast spend in Appendix 1. The original budget was set prior to the receipt of tender prices which increased mainly as a result of higher preliminary costs per unit together with the requirement for a new sewer requisition and manhole.

It is anticipated that the increased cost will be met from commuted sums (Central Station and expected future St Loyes receipt) and, or capital receipts.

Phase 2

Costs have been incurred on scheme design etc to secure planning approval for the various sites involved. A bid for HCA funding for this scheme was unsuccessful and options will need to be considered for the future development of these sites. Costs to planning stage are forecast of £30,000 which will be met from the Social Housing Grants budget.

6.0 RECOMMENDED

6.1 That the current position in respect of the annual capital programme be noted.

- 6.2 That an increase in the disabled facilities grants budget be approved of £198,330 (para 5.1.1 refers), of which, £119,000 will be financed by government subsidy.
- 6.3 That Officers present a report to a future meeting on the consideration of the capital programme review.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

1. None