

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE – RESOURCES
24 NOVEMBER 2010**

**EXECUTIVE
7 DECEMBER 2010**

**COUNCIL
14 DECEMBER 2010**

CAPITAL MONITORING STATEMENT TO SEPTEMBER 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 As part of the first quarter's monitoring exercise, Officers 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 deferred, reduced or removed from the programme and to identify any potential savings.
- 1.4 The review of the capital programme has been progressed further as part of the second quarter's monitoring exercise.

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 The Council has become more dependant on borrowing to finance its capital programme and the cost of servicing the borrowing has to be met from revenue. Bearing in mind the future budget reductions faced by the City Council, it is important to ensure that the Council's future capital spending is affordable and sustainable.
- 2.4 The June monitoring report identified schemes within the 2010/11 capital programme totaling £4.1 million which could potentially be deferred. This was based around those schemes which were not yet committed, which were largely put on hold until the review was complete and could be considered fully. Schemes which are mostly funded from external sources, schemes which were expected to generate revenue savings and works which are considered to be urgent, were largely unaffected.

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 15 September 2010. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval / funding
Capital Programme, as at 15 September 2010	30,086,670	
Disabled Facilities Grants	198,330	Executive 29 th September
Energy Conservation	32,420	External funding contributions
Children's Play Area	60,190	Additional S106 contributions
Social Housing Grants	(30,700)	Transferred to Revenue projects
Riverside Valley Park Improvements	17,250	S106 Contributions
Mincinglake / Northbrook Watercourse Study	120,000	Environment Agency Grant scheme
Revised Capital Programme	30,484,160	

4.0 PERFORMANCE

4.1 Progress

The revised capital programme for the current financial year is £30.484 million. During the first six months of the year the Council spent £6.964 million on the programme, which equates to 22.8% of the revised programme. This compares with £6.013 million (23.8%) being spent in the first six 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 £27.974 million, with schemes totaling £4.189 million deferred to 2011/12, and other variances totaling £1.678 million (adverse). The major variances are explained further in Section 5 of the report.

- 4.3 The other variances of £1.678 million include a number of scheme savings and also some reductions for schemes which are proposed to be removed from the 2010/11 programme. Expenditure on these schemes, which are uncommitted, will not occur in 2010/11. Where members consider any of these schemes to be a high enough priority then those schemes can be reconsidered as part of the 2011/12 capital programme deliberations.

5.0 VARIANCES and OTHER ISSUES

5.1 The main items are as follows:

Community & Environment

5.1.1

Cultural City

- **Play Area Refurbishments (Budget £379,390)**

Expenditure in 2010/11 is forecast at £144,890 whilst a further £154,220 is required to be carried forward to 2011/12 for other committed projects. There is an uncommitted balance remaining of £80,280 (including savings on completed schemes of £3,030) which it is proposed to remove from the programme.

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

Members are receiving periodic reports on the progress of this scheme. 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 this scheme. At this stage, the increase is wholly reflected in Appendix 1 within the 2010/11 revised forecast although in practice some of this may be spent in 2011/12. The projected costs will be 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.

Everyone has a Home

- **Social Housing Grants (Budget £3,573,810)**

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 £234,460 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 £1.425 million, producing a projected under spend of £1.915 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 with £40,000 required in 2011/12. It is proposed to remove the uncommitted balance of £116,160 from the programme which could be reconsidered as part of the 2011/12 budget if this is viewed as a high priority.

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.

It is proposed to remove this year's budget of £100,000 and reconsider as part of the 2011/12 budget if a high enough priority. This will be conditional on Devon County Council and Network Rail also agreeing to fund the scheme.

- **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 £200,000 for works completed at Haven Road car park and to complete a fibre optic link to Exton Road. 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. The balance of budget of £649,850 has at this stage been deferred to 2011/12, with the development progressing as further receipts are generated.

- **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

Kitchen and Bathroom Replacement Programme (Budget £976,180 and £265,180 respectively)

The main contractor for the kitchen and bathroom replacement programme has been placed into administration and the business bought by another contractor. As the contract had not been formally executed it could not be novated without the risk of challenge. Officers have taken the view that the programme should therefore be retendered in accordance with the EU regulations. This will result in at least a three month delay in the programme it is therefore projected that £400,000 of the budget for

kitchen replacements and £100,000 of the budget for bathroom replacements will need to be deferred until next year. A short term contractual arrangement is being put in place to deal with those kitchens and bathrooms that cannot be left until the new contract is in place.

5.1.4 Council House-building Programme

Sivell Place

Works are progressing well and nearing completion. Air tests to confirm Passiv Haus Accreditation have been favourable and final tests will be undertaken at Practical Completion. Building costs remain contained within the contract sum and completion is anticipated early December 2010 within the original programme timescales. This development will be the first Passiv Haus accredited Council house scheme in the UK.

The contractor, ISG Pearce was recently awarded 37 out of 40 for its Considerate Constructors Score assessment – this is classified as an exceptionally good site and within the top 10% of construction sites in the UK.

Merlin Crescent

Works are progressing well and remain on programme for completion in late March 2011. Contract costs remain contained within the contract sum. The development is on target to be delivered to Passiv Haus Accreditation standards and air tests will be undertaken in the new year to ascertain if this accreditation is on target.

The contractor, ISG Pearce was recently awarded 36.5 out of 40 for its Considerate Constructors Score assessment – this is classified as an exceptionally good site and within the top 10% of construction sites in the UK.

6.0 RECOMMENDED

- 6.1 That the current position in respect of the annual capital programme be noted and Council note and approve.

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