

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 23 MARCH 2011

**EXECUTIVE
5 APRIL 2011**

**COUNCIL
12 APRIL 2011**

CAPITAL MONITORING STATEMENT TO DECEMBER 2010

1.0 PURPOSE OF THE REPORT

- 1.1 In accordance with the Prudential Code for Capital Finance in Local Authorities, it is necessary to monitor performance against the prudential indicator for capital expenditure and highlight significant deviations from expectations. This report therefore sets out the current position in respect of the Council's 2010/11 capital programme and advises Members of the anticipated variations.

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 This report is prepared on a quarterly basis in order to update Members with any known cost variations, slippage or acceleration of projects.

3.0 REVISIONS TO THE CAPITAL PROGRAMME

- 3.1 The 2010/11 Capital Programme was last reported to Scrutiny Committee - Resources on 24 November 2010. From that report, schemes totaling £4.2 million within the 2010/11 capital programme have now been deferred and are included within the 2011/12 budget. A number of specific savings and reductions of £0.343 million were also reported for which the 2010/11 budget has now been adjusted.

Since that meeting, these and other revisions have been made to the programme as shown in the following table:

Description	£	Approval / funding
Capital Programme, as at 24 November 2010	30,484,160	
Budget Deferred to 2011/12	(4,188,550)	Approved by Executive 7 December 2010
Overspends / Underspends (net)	(342,690)	
RAMM Redevelopment	2,187,580	Additional budget approved by Executive 7 December 2010
Energy Conservation	116,520	External funding contributions
National Cycle Network	176,670	Contributions from DCC
HRA Increase in Budget Deferred	(400,000)	Deferral built into 2011/12 Budget
Revised Capital Programme	28,033,690	

4.0 PERFORMANCE

4.1 Projected Outturn

The revised capital programme for the current financial year is £28.034 million. From the current monitoring review it is projected that a further £4.908 million of the programme will need to be carried forward into future years. For details, please refer to Appendix 1 and to the explanations below.

4.2 Progress

During the nine months of the year to 31 December, the Council spent £12.264 million on the capital programme, which equates to 43.7% of the revised 2010/11 programme. This compares with £10.561m million (41.6%) being spent in the first nine months of 2009/10.

4.3 Other variances shown in Appendix 1 of £0.233 million include a number of further scheme savings which can be achieved from the 2010/11 programme, which are explained below.

5.0 VARIANCES and OTHER ISSUES

5.1 The main items are as follows:

5.1.1 Community & Environment

Cultural City

- **RAMM Re-development (Budget £11,074,620)**

Following approval of a revised budget for this scheme by the Executive on 7 December, the projected costs have been reviewed to determine the revised spending profile over the two years 2010/11 – 2011/12. As a result, it is now estimated that £1.783 million of the 2010/11 revised budget will need to be carried forward into the next financial year.

Following some last minute delays to ensure that the air conditioning was operating to its proper specification, the interior of the building was due to be handed over by the contractor in mid-March. Exhibition fit out is due to commence on 28 March. The scheme is expected to be complete and the museum reopened mid December.

- **Home Recycling Scheme (Budget £64,790)**
There is a further saving in the bin replacement programme of £10,000 as a result of bins having been purchased through the new recycling scheme roll out, which has a separate budget.

Healthy & Active People

- **Disabled Facility Grants (Budget £586,840)**
Each authority receives an annual subsidy allocation from Central Government for Disabled Facility grants which historically was based on 60% of the cost of grants paid, with Authorities having to contribute the 40% difference. The Council's budget was increased earlier in the year by £198,330 on the basis that the Council's 40% top up had not been included in the original budget.

It has since been clarified however that authorities are no longer required to contribute to disabled facility grants. The previous budget level of £388,510 will be more than sufficient to meet the current year's needs, and there is likely to be a significant balance available to carry forward to 2011/12. It is therefore proposed to reduce this budget by £198,330.

Everyone has a Home

- **Wessex Loan Scheme (Budget £974,370)**
The Wessex Loan Scheme provides low interest loans for improvements and adaptations to properties in Exeter, through a South West consortium arrangement with the Wessex Reinvestment Trust. Whilst a total of £930,000 has been advanced to date to the Trust to provide for such loans, there is a time lag between grants being approved and paid, and expenditure is chargeable to the Council's capital budget only when grants are paid. It is anticipated that around £0.5 million of the budget will need to be carried forward for advances made to the Trust where grants will not be physically paid until 2011/12.
- **Social Housing Grants (Budget £1,588,110)**
This budget provides financial support mostly to Registered Social Landlords for new house-building and conversion. Commitments have been agreed and budgets allocated 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.

As part of the 2nd Quarter's monitoring, a review of the projected timing of commitments and other allocations from this budget resulted in £1.915 million of the budget being deferred to 2011/12. Following a further review, it is now projected that an additional £0.648 million of this budget will need to be carried forward, which will provide a total budget in 2011/12 for social housing grants of £4.6m.

Use of this budget in the current year in partnership with housing associations has enabled the provision of 21 homes for social rent and extensions creating two 4-bedroomed homes. Other commitments have contributed to a start on a further 41 affordable homes and should also enable Sovereign Housing Association to start building 34 social rented homes on 2 Council Infill sites. The Council is also due to complete the purchase of a former church site that will support the future provision of a further 11 affordable homes.

5.1.2 Economy & Development

Accessible City

- **National Cycle Network (NCN – Budget £237,370)**

NCN schemes are mostly funded with contributions received from Devon County Council. Recent developments include links to the Canal-side NCN2: Swans Nest Track and Sannerville Way to Limekilns, and the installation of solar powered road studs from Bridge Road to Double Locks.

Expenditure currently exceeds the budget, however DCC will be invoiced in due course for further contributions and the final spend for the year is expected to be within budget.

Cared for Environment

- **City Centre Enhancements (Budget £270,000)**

It is projected that budget of £170,000 will need to be carried forward for improvement works to Gandy Street, Northernhay Gate and Rougemont Gardens access for which orders are expected to be raised shortly.

Prosperous City

- **Science Park**

A sum of £818,700 is included in the budget for the Council's support towards phase 1 of the Science Park, which is being developed in partnership with the University of Exeter, East Devon District Council, Devon County Council, Met Office and the Regional Development Agency. The Science Park Company has not been in a position to receive the City Council's contribution because of complications around State Aid rules. Contributions of up to £80,000 are likely to be paid before the end of the year to support the continuation of preparatory work, with the balance of £738,700 required to be carried forward to 2011/12.

5.1.3 Corporate Services

Electronic City

The majority of the 2010/11 capital programme is anticipated to be complete by 31 March with the exception of carry over projected for two projects:

- **Geographical Information (GIS) Systems (Budget £67,950)**

The procurement of a GIS management system will span this financial year to allow time for the appropriate project and financial controls to be put in place. The current budget of £67,950 will be carried forward for this against an anticipated cost of £54,380, which represents a projected saving of £13,570 in 2011/12 (subject to final negotiation and budget profiling).

- **Authentication Module (budget £31,000)**
This budget will need to be carried forward as the Council is still awaiting advice on appropriate technologies to enable authentication/security systems for the Council's online systems.

5.1.4 Housing Revenue Account

Everyone Has a Home

- **Sheltered Accommodation (Budget £434,500)**
A new lift has recently been fitted at Amersham Court to allow improved access for the elderly and disabled
- **Re - Roofing (Budget £265,180)**
Schemes completed include new lightweight metal roofing at 34 properties in Walpole Close and artificial slate roofs at Burnthouse Lane (10 properties). Work is currently ongoing to flat roof bungalows at Pinhoe Road and Hill Rise.
- **Replacement Windows and Doors (Budget £100,000)**
Works to replace windows at Bartholomew Street West, John Levers Way and Okehampton Street have now been completed.
- **Kitchens and Bathrooms (Budgets £576,180 & £165,180)**
Members will be aware that the previous contractor went into administration and the Council was required to re-tender the contracts. This resulted in a significant delay to the programme, although short term arrangements were put in place to enable the most urgent cases to be progressed until a new contractor is appointed.

59 out of 121 planned kitchen replacements and 8 of 42 planned bathroom replacements have been completed.
- **Central Heating Programme (Budget £786,510)**
Officers are in talks with the contractor to resolve a lack of progress as only 159 of 288 planned installations have been completed due to the contractor's resource issues.

5.1.5 Council House-building Programme – Phase 1 (Budget £2,730,280)

- **Sivell Place (Rowan House)**
Rowan House was completed on 16 December 2010; all three new homes were let on 20 December 2010. The final air-tests met the standards required for Passiv-Haus certification and the accreditation is expected to follow in due course.

The final account is currently being calculated and is expected to remain within the contract sum.
- **Merlin Crescent (Knights Place)**
The main contractor has experienced delays due to bad weather; the freezing temperatures and snow during December 2010 and the driving rain in the New Year. This has led to a re-programming of the remainder of the build and the revised completion date is now the end of May 2011. The Homes & Communities Agency have been made aware of the revised date.

Contract costs remain contained within the contract sum. The development is on target to be delivered to Passiv-Haus accreditation standards, air tests undertaken so far this year demonstrate that the required standards are being met.

When completed, Knights Place will provide 18 new 1 & 2 bedroom homes for social rent.

6.0 RECOMMENDED

It is recommended that the Scrutiny Committee – Resources notes and Council approves:

- 6.1 The current position in respect of the annual capital programme.
- 6.2 A reduction in the disabled facilities grants budget of £198,330.

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