

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE – RESOURCES
19 JUNE 2013**

**EXECUTIVE
1 JULY 2013**

**COUNCIL
16 JULY 2013**

**CAPITAL MONITORING 2012/13 AND REVISED CAPITAL PROGRAMME
FOR 2013/14 AND FUTURE YEARS**

1. PURPOSE OF THE REPORT

- 1.1 To advise members of the overall financial performance of the Council for the 2012/13 financial year, in respect of the annual capital programme.
- 1.2 To seek approval of the 2013/14 revised capital programme, including commitments carried forward from 2012/13.

2. REVISIONS TO THE CAPITAL PROGRAMME

- 2.1 The progress of the annual capital programme was last reported to Scrutiny Committee – Resources on 20 March 2013. Since that meeting the following changes have been made that have reduced the programme:

Description	£	Approval/Funding (%) *
Capital Programme, as at 20 March 2013	20,101,360	
GENERAL FUND		
Amendments to programme approved at the Executive 9 April 2013	(2,656,940)	Deferred to Future Years
Disabled Facilities Grants	8,760	Capital Contribution from Housing Associations
Council Buildings – Solar Panels	230,000	Approved Funding from New Homes Bonus
Capital Grants to Community Centre Projects	309,750	Approved Funding from New Homes Bonus
National Cycle Network	98,270	Devon CC Contributions
Mincinglake / Northbrook Study	43,670	Devon CC Contributions
Wonford Sports Centre Refurbishment	12,000	Contribution from Parkwood Leisure
Revised Capital Programme	18,146,870	

* There is no additional borrowing required to fund the additional works above.

3. PERFORMANCE (Appendix 1)

- 3.1 Capital expenditure in the year amounted to £15,859,107, a reduction of £2,287,763 on the planned figure of £18,146,870.
- 3.2 The actual expenditure during 2012/13 represents 87.4% of the total approved for the revised Capital Programme, which means £2.4 million will need to be carried forward to be spent in future years, as indicated in Appendix 1.
- 3.3 In comparison with the previous financial year, spending performance has increased slightly. During 2011/12 capital expenditure was £13,123,271, equivalent to 80.5% of the planned figure of £16,305,080.

3.4 Capitalisation of Staff Costs

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, any costs attributable to bringing a fixed asset into working condition for its intended use qualify as capital expenditure. Directly attributable costs include the labour costs of certain Council employees, which have been directly involved in the construction or acquisition of a specific asset.

- 3.5 During the financial year, the cost of the Council's IT developers, engineers, architects and surveyors have been treated as capital expenditure, based upon timesheet information.

- 3.6 Several large capital schemes have required a high commitment in staff time, including the:

- Refurbishment of the John Lewis Car Park
- Continuation of the replacement of J Based legacy systems. These are the old 'green screen' systems such as FIMS and the payments system which were replaced in 2008
- Delivery of the kitchen and bathroom replacement programmes and re-roofing of Council dwellings

- 3.7 The total value of staff time charged to capital schemes for 2012/13 amounted to £585,030.

4.0 CAPITAL FINANCING

- 4.1 The capital expenditure in 2012/13 of £15,859,107 was financed as follows:

	£
Housing Revenue Account (Revenue)	4,253,550
HRA Major Repairs Reserve	4,092,152
Capital Grants & Contributions	1,176,198
Capital Receipts	997,882
Revenue (New Homes bonus etc)	282,194
Borrowing	5,057,131
	15,859,107

5.0 VARIANCES AND ACHIEVEMENTS

5.1 The main variances and achievements are as follows:

5.1.1 Community & Environment

Cultural City

- **Play Area Refurbishments (Budget £103,800, Spend £93,493)**
During the year the play areas at Great Hill View, Quarry Park and Woodwater Lane have undergone general improvement together with the installation of new items of play equipment. Additional schemes funded from Section 106 contributions include floodlighting at Pinhoe Station Road multi use games area, play area infrastructure, including fencing and gates at Beacon Avenue (Chaucer Grove), and significant projects at Looe Road and Ivy Johns Playing Fields (formerly Wonford Playing Fields).

The projects at Ivy Johns Playing Fields and Looe Road will be completed during 2013/14 and a number of further refurbishments and improvements of play areas are planned, together with the creation of other new play spaces.

- **Sports Facilities Refurbishments (Budget £81,780, Spend £56,498)**
The budget was used to refurbish Wonford Sports Centre, towards which we received contributions from Parkwood Leisure (£12,000) and Devon CC (£15,000), and replacement air conditioning units for the dance studio at Clifton Hill Sports Centre.
- **RAMM Redevelopment (Budget £2,209,770, Spend £1,805,595)**
An additional budget of £2.2M was approved by Council in October 2012 to cover any outstanding liabilities in respect of the redevelopment. Whilst the final payment to the main contractor was agreed and paid during the year, there remain a number of other possible payments and it is proposed to carry over the remaining budget of £404,170.
- **Grants to Community Associations (Various budgets totalling £309,750, Spend £58,080)**
Capital budgets were approved for a number of grants to improve facilities to community centres and sports club premises, to be funded from New Homes Bonus. Grant payments of £58,080 were required in the year and £251,670 will need to be carried forward to complete these projects. A further £228,990 was approved for additional projects in 2013/14.

Cared for Environment

- **Local Authority Carbon Management Programme (Budget £120,530, Spend £54,510)**
Projects undertaken during the year include the completion of energy efficiency measures at King William Street Car Park (as part of the upgrade of the lighting), and the input of water saving measures to toilets at various Council premises.

Excellence in Public Services

- **Vehicle Replacement Programme (Budget £400,000, Spend £384,305)**
The 2012/13 programme has been mostly spent and has produced a saving of £6,345 for the financial year.

Healthy & Active People

- **Disabled Facilities Grants (Budget £395,330, Spend £436,335)**
This original budget of £290,000 was enhanced during the year from an additional Government subsidy allocation of £83,745 and contributions from Housing Associations. Demand for these grants has continued to be high and expenditure in the year exceeded the budget by £41,005, which will be covered from a saving in the renovation grants budget of £49,820.

Everyone Has a Home

- **Sovereign Infill – Shakespeare Road & Leypark Road (Budgets and Spend £510,000)**

Grants to Sovereign Housing Association of £375,000 and £135,000 respectively were made which support the following developments:

- Shakespeare Road: The development of 24 over 55's, 1 and 2 bedroom apartments and 1 fully wheelchair accessible 2 bedroom house
- Leypark Road: 9 over 55's, 1 and 2 apartments

The Council's grants have ensured that 100% of the developments will be let as affordable housing at Social Rent levels and that the new homes are all built to very high sustainable standards.

- **Private Sector Renewal Scheme (Budget £150,640, Spend £278,743)**
At the time of the capital monitoring exercise to 30th September, this budget was reduced by £199,180 to reflect the forecast at that time. The final outturn was £278,743, which is an overspend of £128,103 compared with the revised budget.

However, officers were not aware of the extent of works required for properties joining the scheme during the rest of the financial year. A disproportionate number of properties were taken on during the latter half of 2012/13 which required a greater level of work in order for the properties to meet the required standard for the Council's rental schemes than in previous years. The impact of this has been twofold:

- a greater amount has been paid out in non-recoverable grant
- a greater amount is recoverable but these loans are tied into reduced rental payments to the landlord over the period of the lease, generally between 2-5 years and will take a period of time to be fully recovered

- **The Haven (Budget £250,000, Spend £0)**

The purchase of The Haven was delayed as the vendor had to undertake repairs to the property (to address water ingress). The purchase was completed recently and the budget will need to be carried forward.

- **Steps Acquisitions (Budget £50,000, Spend £0)**
As reported to the Committee's meeting in March, this budget is no longer required and is therefore declared as a saving.

Maintain Assets of Our City

- **Council Buildings – Solar Panels (Budget £247,470, Spend £148,162)**
A programme to install solar panels to a number of Council buildings was approved by the New Homes Bonus Committee. Installations to date include the Civic Centre and the Materials Recycling Facility. The remaining budget will need to be carried forward to 2013/14 to complete the programme.

5.1.2 Economy & Development

Accessible City

- **National Cycle Network (Budget £128,300, Spend £128,297)**
The programme to improve the City's cycleway infrastructure continues and projects were completed during 2012/13 at Station Road Pinhoe, King George V, Heavitree Park, the Hazel Road link to Ludwell Valley, and Princesshay cycle stands. The cost of the programme is funded wholly by Devon County Council.
- **John Lewis Car Park Refurbishment - Stage 2 (Budget £922,880, Spend £944,159)**
A full refurbishment was undertaken of this car park, which supported the redevelopment by John Lewis of the old Debenhams building. Improvements included re-decking, repainting, installation of CCTV and pay on foot systems, as well as a new pedestrian exit.
- **Well Oak Footpath / Cycleway (Budget £40,000, Spend £25,860)**
Provision of a new foot/cycle path linking Well Oak Park with Shakespeare Road. Works to ECC land commenced in 2012/13 and were completed in May 2013, due to be opened when the adjacent construction site (Sovereign Housing) is complete, which is anticipated in July.

Cultural City

- **St Katherine's Priory Re-Roofing (Budget £75,090, Spend £77,871)**
The re-roofing of the Priory has been completed with a small resulting overspend.

Cared For Environment

- **City Centre Enhancements (Budget £690,980, Spend £672,210)**
Public realm enhancements at London Inn Square were completed in the autumn in time for the opening of the new John Lewis Store. The scheme included widening pavements, removing private traffic from Sidwell Street, repaving the north side of Sidwell Street (to St Sidwell's) with granite paving and new tree planting, seats, bins and cycle racks. These works exceeded the scheme budget by £400,000; primarily as a result of shallow services, difficulties caused by working within a constrained area with requirements for continual pedestrian and vehicular access, and delays by other contractors. The overspend was shared 50:50 between ECC and Devon County Council (DCC), and an increase in the Council's budget to cover its share of the cost was approved in 2012. DCC are currently carrying out final minor works and

ECC will shortly be installing fixing points for the market stall holders on the south side of Sidwell Street.

- **Cowick Street Environmental Works (Budget £61,360, Spend £53,877)**
Works in 2012/13 included cleaning and lighting the Railway Bridge and restoration of the Pigeon Mosaic by original artist Elaine Goodwin, and tree planting outside the Methodist Church and St Thomas Medical Centre. Orders have been placed for the remainder of the works which include tree planting, a co-ordinated range of street furniture (designed with local artist Naomi Hart), repaving beneath existing trees outside the Sawyer's Arms and raised tables at St Thomas Station and the St Thomas Shopping centre vehicle exit (funded by DCC, subject to Traffic Regulation Orders).
- **Central Station Environmental Works**
The original budget for this scheme of £185,000 was deferred to 2013/14 from the December 2012 monitoring. Network Rail had to give six months' notice to their previous tenant before the lease of the forecourt could be granted to Devon County Council. Terms of the new lease are well advanced and work on site is expected to start in the Autumn.

Prosperous City

- **Science Park (Budget £60,000, Spend £53,625)**
The Science Park Centre will provide over 30,000sq ft of space for businesses and programmes of support to help new businesses to start and grow and create new jobs. It was anticipated that the balance of funding from the Council towards the new building costs would not be required until 2013/14 and therefore, £675,990 of the original 2012/13 budget of £735,990 has already been deferred to 2013/14.

There was a small underspend against the 2012/13 revised budget of £60,000, and the Council's final contribution of £559,568 was paid in April 2013, which will produce a saving of £116,422 against the 2013/14 budget.

5.1.3 Resources

Electronic City

- **Server and Storage Strategy (Budget £39,930, Spend £44,118) and Corporate Network Infrastructure (Budget £25,000, Spend £26,532)**
There were small overspends in the cost of upgrading the equipment in line with the previous forecast.

PC and Mobile Devices Replacement Programme (Budget £178,010, Spend £59,005)

An underspend of £119,005 was due to the impact of the DELT process delaying the signing of a new Enterprise Agreement for desktop licensing and progressing the rollout of the Virtual Desktop Infrastructure. The unspent budget will need to be carried forward to give the Council the flexibility to renew its Microsoft Desktop licences at the optimum time to maximize software updates over the 3 year licence term. It also provides flexibility pending the outcome of the DELT proposal.

5.1.4 Housing Revenue Account

Everyone Has a Home

Below are explanations for the main variations from the approved programme:

- **MRA Fees (Budget £342,850, Spend £360,969)**
This budget provides for the cost of the Contracts Unit support to help deliver the HRA Capital Programme, including quantity surveying, procurement and tendering services. As mentioned earlier in this report, the Contracts Unit deployed more staff towards key HRA capital schemes including the kitchen and bathroom replacement programmes and this has resulted in a higher than budgeted recharge.
- **Programmed Re-roofing (Budget £300,000, Spend £320,654)**
In order to save reactive repair costs the roofs of four properties have been replaced in order to resolve problems with multiple leaks. This has resulted in an overspend of £20,654, but will result in future savings in the cost of programmed works.
- **Kitchen Replacement Programme (Budget £2,663,260, Spend £2,765,429)**
Kitchens were replaced in 598 properties during 2012/13 compared to a target of 589. This was predominantly due to a higher than anticipated number of empty properties requiring new kitchens prior to re-letting. The average cost per kitchen has also increased due to additional plastering and electrical repairs. Both these factors have resulted in additional expenditure of £102,000 during the financial year which will be deducted from next year's budget. The impact on the number of kitchens that can be replaced within existing approved budgets will be assessed and reported back to this committee during 2013/14.
- **Bathroom Replacement Programme (Budget £887,350, Spend £1,049,357)**
Bathrooms were replaced in 390 properties during 2012/13 compared to a target of 360. This was predominantly due to a higher than anticipated number of empty properties requiring new bathrooms prior to re-letting. The average cost per bathroom has also increased due to additional plastering works and a change to the specification of bathroom hardware. Both these factors have resulted in additional expenditure of £162,000 during 2012/13 which will be deducted from next year's budget. The impact on the number of bathrooms that can be replaced within existing approved budgets will be assessed in conjunction with the kitchens and reported back to this committee.
- **Electrical Re-wiring (Budget £510,000, Spend £565,994)**
As a consequence of the kitchen and bathroom replacement programme a higher than budgeted number of properties requiring electrical re-wires have been identified by the contractors. An additional 100 properties had electrical re-wiring compared to the planned 300 properties, which has resulted in a £56,000 overspend. As these works are necessary in accordance with Health and Safety regulations, it is considered prudent to report an overspend rather than deduct from the 2013/14 budget, so that works are not curtailed next financial year.
- **Boiler Replacement Programme (Budget £260,000, Spend £371,960)**
An extra 40 boilers were replaced during 2012/13 in addition to the 196 planned replacements. This was largely due to a higher number of boiler breakdowns during the prolonged cold weather, which were replaced rather than repaired as it was deemed more cost effective, even though a £112,000 overspend has occurred.

Compensating savings are achieved in annual service and maintenance costs, especially in the early years as the new boilers come with a 5 year warranty. The Council will continue to undertake annual servicing of the boilers, but most remedial repairs will be covered by the warranty.

5.1.5 Council Own Build Capital Programme (Budget £155,350, Spend £142,164)

Following the completion of the Council Own Build (COB) sites at Rowan House and Knights Place, the Council is now commencing COB – Wave 2 and COB – Wave 3. Their associated capital budgets form part of the overall HRA Capital Programme.

Variance from Budget

Expenditure incurred during 2012/13 relates to architects fees and ground investigation work in order to take identified housing development sites to the planning stage.

6.0 CAPITAL AND PROJECT PROGRAMME 2013/14 (Appendix 2)

6.1 The revised Capital Programme for 2013/14, after taking into account the carried forward requirements from 2012/13 as well as additional approvals and other changes, now totals £21,511,060.

6.2 In addition to adding the carry forwards from 2012/13, the 2013/14 approved budget has also been increased for the following changes:

Description	£	Approval/Funding (%) *
Approved Budget	12,283,860	
Carry Forwards from 2012/13	2,358,930	
Amendments to programme approved at the Executive 4 Dec 2012	869,180	Deferred from 2012/13
Amendments to programme approved at the Executive 9 April 2013	2,656,940	Deferred from 2012/13
PARIS Income Management System Upgrade	25,000	Additional funding approved by Executive on 9 April 2013
Capital Grants to Community Centre Projects	228,990	Approved Funding from New Homes Bonus
Energy Conservation	19,020	External funding
Disabled Facilities Grants	4,720	Increased Government funding
Paris St Roundabout Landscaping / Sculptural Swift Tower	43,540	S106 funding
Heavitree Environmental Improvements	22,770	S106 funding
HRA - Council Own Build	2,998,110	Additional funding from HRA Reserves - approved by Executive 5 Feb 2013
Revised Programme 2013/14	21,511,060	

7.0 FURTHER FUNDING REQUESTS

7.1 Temporary Accommodation

The Council faces continuing pressures to meet its statutory obligations under the Homelessness Act 2002 and an opportunity has arisen to bid for the purchase of a property next door to Glencoe in Alphington Street, which the Council already owns and runs as temporary accommodation.

A budget of £300,000 is estimated to be required for the cost to purchase and carry out the cost of turning the property into temporary accommodation, and the current budget for temporary accommodation of £170,000 is insufficient for this purpose. In order to enable a bid to go forward, a delegated decision was therefore made by the Assistant Director Housing and Contracts in consultation with the Leader whereby the total budget of £300,000 would be made up from the existing budget allocations to Temporary Accommodation (£170,000), 22 St Davids Hill (£50,000) and Stepcote Hill (£60,000), the latter budgets are no longer required for their original purpose, with a further £20,000 to be funded from the eventual sale of 22 St Davids Hill.

A further £50,000 capital budget has been identified for 22 St Davids Hill, meaning that the £300,000 required in total can be made available from existing budgets. The eventual sale of 22 St Davids Hill can still be used towards financing the costs.

Should the bid not be successful then the existing budgets would be ring fenced for the purchase of alternative temporary accommodation.

7.2 Housing Revenue Account

Approval is sought for an additional budget of £120,000 in the 2013/14 HRA capital programme to meet the costs of essential structural repairs to four council dwellings. Inspections undertaken by Structural Engineers have identified that the properties require underpinning following damage from subsidence. Works will also include necessary drainage repairs and external and internal refurbishments. The cost of the works will be met from monies set aside in the Major Repairs Reserve.

8.0 RECOMMENDED

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

- (i) The overall financial position for the 2012/13 annual capital programme.
- (ii) The amendments to the Council's annual capital programme for 2013/14.
- (iii) The further funding requests set out in Section 7 above.

ACTING ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

1. None