

REPORT TO SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL
Date of Meeting: Scrutiny Committee Resources – 19 November 2014
Executive – 9 December 2014
Council – 16 December 2014
Report of: Assistant Director Finance
Title: Capital Monitoring Statement to 30 September 2014

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 Scrutiny Committee – Resources and the Executive notes and Council approves:

- (i) **The current position in respect of the annual capital programme;**
- (ii) **The additional funding request set out in section 8.8.**

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:

This report has been prepared on behalf of the Section 151 Officer to set out the financial position of the Capital Programme as at 30 September 2014.

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 Officer has no issues to raise on the content of this report.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 30 SEPTEMBER 2014

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2014/15 Capital Programme, including commitments brought forward from 2013/14, was last reported to Scrutiny Committee – Resources on 17 September 2014. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Scrutiny Committee – Resources, 2 July 2014	24,747,270	
Budget Deferred to 2015/16 & Beyond at Quarter 1	204,340	Net acceleration of budget approved by Executive 7 October 2014
Overspends/(Underspends) reported at Quarter 1	(114,360)	
STRATA Implementation	615,480	Approved by Executive 15 July 2014
Local Energy Network	149,000	S106 Contributions
New grants funded from the New Homes Bonus	40,000	Approved by Executive 16 September 2014
Topsham Recreation Ground	26,240	External contributions
Heavitree Pleasure Ground Tennis Courts	5,000	External contributions
Revised Capital Programme	25,672,970	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £25.673 million. During the first six months of the year the Council spent £4.176 million on the programme, which equates to 16.27% of the revised programme. This compares with £6.044 million (28.6%) being spent in the first six months of 2013/14.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2014/15 of £23.043 million with £1.983 million of the programme potentially being deferred to 2015/16.

Appendix 2 shows the approved budgets for 2015/16 with the 2014/15 budget carried forward to 2015/16 and beyond at the first quarter and the proposed amount to be carried forward this quarter for Executive 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 2014/15 are £1.722 million. An estimated spend of £10.320 million is required of which £8.598 million will have to be funded from borrowing. The available capital resources for the HRA for 2014/15 are £16.185 million. An estimated spend of £12.723 million is required leaving £3.462 million to be carried forward into 2015/16. 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 two years.

The value of actual capital receipts received in the quarter in respect of the General Fund and the HRA are:

	General Fund £	HRA £
Balance as at 30 June 2014	127,095	667,500
New Receipts	0	441,180
Less HRA Pooling		(101,387)
Balance as at 30 September 2014	127,095	1,007,293

8.5 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2014/15 are:

Scheme	Estimated Overspend / (Underspend) £	Reason
Canal Basin & Quayside	(30,485)	There are no further planned works to be undertaken so the remaining budget is a saving.
Replace Athletics Track at Exeter Arena	40,000	There is likely to be an overspend on this project, primarily due to additional unforeseen works required during the construction process. The overspend will be in the region of £40,000 but yet to be finalised.
Sports Facilities Refurbishment	(40,000)	A budget saving will be made to compensate the Athletics Track overspend detailed above.
Exeter City Football in the Community	(13,800)	Only £6,000 of the £19,800 grant was required therefore the unspent budget will go back into the New Homes Bonus pot to be made available to others.

Electrical Central Heating	(15,000)	A saving is anticipated in respect of replacing electrical central heating systems due to a lower than budgeted level of reported breakdowns by tenants.	(15,000)
Central Heating Programme	(229,000)	Significant savings are expected to be made in respect of replacement central heating systems following the commencement of a new comprehensive gas servicing contract in July. Works will be undertaken to maximise the life expectancy of central heating systems and boilers as part of the routine service and maintenance regime.	(229,000)
Boiler Replacement Programme	(350,000)		(350,000)

8.6 SCHEMES TO BE DEFERRED TO 2015/16 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2015/16 and beyond are:

Scheme	Revised 14/15 Budget £	Budget to be Deferred £	Reason
Energy Saving Projects	1,390,170	425,000	Three PV projects have been delayed due to the lack of in-house engineering and procurement support. Upgrading the Civic Centre to all LED lighting has been delayed due to uncertainty over office moves.
LAINGS Refurbishments	296,850	71,850	Structural surveys have been undertaken in respect of three vacant properties. The results will form part of an options appraisal for the extent of works to be undertaken, in the event that a full refurbishment is deemed appropriate the works would be completed in the Spring. Further spend of this budget is then dependent upon further LAINGS properties becoming empty.
Other Works	44,620	20,000	This budget provides for ad hoc capital works identified during the course of the financial year. To date, no works have been identified for 2014/15.
Communal Areas	191,640	40,000	Fourteen communal areas have been identified for improvement works including; the provision of new flooring, doors and glazing. Full spend of the budget is pending the outcomes of a prioritisation process for the next phase of improvements to communal areas.

Rennes House Structural Work	435,840	400,000	Only urgent health and safety works are planned to be carried out ahead of the results of a full options appraisal for the long term future of this site.
Electrical Re-wiring	899,630	100,000	Fewer full electrical re-wires have been required in accordance with the recommendations of periodic electrical testing in the first six months with remedial repairs undertaken instead.
COB Wave 2 – Rennes House Car Park	1,181,940	407,040	Delays associated with moving telecoms equipment and an electrical substation at this site have impacted on the profiling of this budget with slippage into 2015/16.
Acquisition of Social Housing	752,170	418,715	The acquisition of 8 new affordable housing units are expected to complete this financial year, the remaining budget will be deferred into 2015/16.

8.7 ACHIEVEMENTS

The following schemes have been completed since 30 June 2014:

Replace Running Track at Exeter Arena

The track at Exeter Arena has been completely replaced. The new surface is non-porous – similar to the Olympic Stadium in London, will have limited maintenance costs and is estimated to last for 25 years.

8.8 REQUEST FOR ADDITIONAL FUNDING

The Local Government Association is planning to introduce a Municipal Bond Agency to provide a competitive alternative to the PWLB for council borrowing needs. It has offered Councils the opportunity to invest in the Company as shareholders and to date 37 Councils have contributed £2.68 million, with a further £1.87 million having been offered via letters of intent. The Council intends to send a non-legally binding letter of intent to the LGA offering an investment in shares of £50,000. The letter has to be sent by 4 December, but is subject to approval of this budget by Council on 16 December 2014.

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

David Hodgson, Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:

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