

Report To CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL

Date of Meeting: Corporate Services Scrutiny Committee – 27 June 2019
Executive – 9 July 2019
Council – 23 July 2019

Report of: Chief Finance Officer
Title: Capital Monitoring 2018/19 and Revised Capital
Programme for 2019/20 and Future Years

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To advise members of the overall financial performance of the Council for the 2018/19 financial year in respect of the annual capital programme.

To seek approval of the 2019/20 revised capital programme, including commitments carried forward from 2018/19.

2. Recommendations:

It is recommended that Corporate Services Scrutiny Committee supports and the Executive recommends to Council to approve:

- (i) The overall financial position for the 2018/19 annual capital programme.
- (ii) The amendments and further funding requests to the Council's annual capital programme for 2019/20.
- (iii) An additional £10 Million to allow consideration of any further potential commercial opportunities if they arise.

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 equality and diversity impacts of this decision?

There are no significant equality and diversity impacts associated with this decision.

5. What are the resource implications including non financial resources:

The financial resources required are set out in the body of this report.

6. Section 151 Officer comments:

The borrowing requirement on the General Fund is again lower than the amount that has been set aside to repay debt. Therefore the statutory debt repayment for 2019-20 will be lower than estimated. The major schemes that have been delayed are now all on site and progressing. This should ensure the variance in the capital programme is lower in the next financial year.

7. What are the legal aspects?

The capital expenditure system is framed by the Local Government and Housing Act 1989.

8. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer

9. Report Details:

CAPITAL MONITORING 2018/19 AND REVISED CAPITAL PROGRAMME FOR 2019/20 AND FUTURE YEARS

9.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2018/19 Capital Programme was last reported to Corporate Services Scrutiny Committee on 21 March 2019. Since that meeting the following changes have been made to the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Corporate Services Scrutiny Committee, 21 March 2019	31,521,200	
Budget Deferred to 2019/20 & Beyond at Quarter 3	(10,406,750)	Approved by Council 16 April 2019
Overspends/(Underspends) reported at Quarter 3	(1,750)	
Agile & Flexible Working for Environmental Health	74,900	Approved by Council 16 April 2019
MRF Fire Alarms	15,000	Approved by Council 16 October 2018
Revised Capital Programme	21,202,600	

9.2 PERFORMANCE

Capital expenditure in the year amounted to £17,033,202. The actual expenditure during 2018/19 represents 80.3% of the revised Capital Programme, it is proposed to carry forward a total of £5.435 million budget into future years, whereas £1.642 million budget

has been brought forward from future years and spent in 2018/19 (giving a net budget carry forward of £3.793 million), as indicated in Appendix 1.

Appendix 2 shows the overall position for those schemes which span more than one financial year

9.3 CAPITAL FINANCING

The capital expenditure in 2018/19 of £17,033,202 was financed as follows:

	General Fund	HRA	Total
Housing Revenue Account (Revenue)		4,000,000	4,000,000
HRA Major Repairs Reserve		94,105	94,105
Capital Grants & Contributions	1,006,521	1,578,524	2,585,045
Capital Receipts	1,062,206	524,629	1,586,835
Community Infrastructure Levy	3,868,283		3,868,283
Revenue (New Homes Bonus etc.)	701,392		701,392
Borrowing	4,197,542		4,197,542
TOTAL	10,835,944	6,197,258	17,033,202

The available capital resources for the General Fund for 2018/19 are £12.013 million. Total General Fund capital expenditure is £10.836 million of which £4.198 million will be funded from borrowing, allowing £5.375 million of capital receipts to be carried forward. The available capital resources for the HRA for 2018/19 are £31.004 million. Total HRA capital expenditure is £6.197 million leaving £24.807 million to be carried forward into 2019/20.

Appendix 3 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 four years.

The value of actual capital receipts received in 2018/19 in respect of the General Fund and the HRA are:

	General Fund £	HRA £
Balance as at 1 April 2018	6,306,833	7,704,749
New Receipts	129,998	3,372,090
Amount used to finance capital expenditure in 2018/19	(1,062,206)	(524,629)

Balance as at 31 March 2019	5,374,625	10,552,210
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9.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure that have arisen since 31 December are as follows:

Scheme	Overspend / (Underspend) £	Reason
Vehicle Replacement Programme	(366,179)	The programme has been on hold during the 2018/19 financial year pending the results of a Procurement review.
Capitalised Staff Costs	(100,000)	No directly attributable staff costs were incurred this year.
Central Heating & Boiler Replacement Programme	116,548	System failures rose sharply in the last three months and parts for certain boilers have become obsolete. In particular, Saunier Duval and Glow-worm boilers are failing earlier than previously anticipated. The life expectancy of boilers will be reviewed as part of the next budget setting cycle so that budgets can be realigned with patterns of demand. The reported overspend equates to an additional 92 boiler replacements during 2018/19 with a large number of these boilers in 3 and 4 storey buildings necessitating the need for scaffolding.
COB Wave 2 – Rennes House Car Park	26,682	A saving is reported following payment of the final account. The cost of the additional fire prevention works, as identified by the final building control inspection, were lower than expected including a saving in the cost of smoke vents and associated works. Along with savings in the main contract.

9.5 SCHEMES TO BE DEFERRED TO 2018/19 AND BEYOND

Schemes which have been identified since 31 December as being wholly or partly deferred to 2018/19 and beyond are:

Scheme	Revised 18/19 Budget £	Budget to be Deferred £	Reason
Disabled Facility Grants	401,180	86,942	A variety of awareness activities have taken place, including articles in the Citizen to increase accessibility to these grants. Work has also been undertaken to reduce end to end time with respect to stair lift applications and to remove barriers to people having such adaptations made. A communications plan has been drafted to increase awareness further and it is anticipated that grant take up will be higher in 2019/20.
Temporary Accommodation Purchase	108,670	89,203	Final refurbishment works will take place in 2019/20.
Mechanisation of Street Scene	150,000	136,325	Items of specialist equipment are on order. They have reasonably long lead-in times. The expected delivery date is June 2019.
Repairs to Salmonpool Bridge	45,000	45,000	The contractor has been appointed and awaiting completion of Environment Agency work in this area before undertaking repairs to bridge.
Air Quality Monitoring Equipment	89,560	35,628	Three of the four analysers are working correctly (including the two which are part of DEFRA's national air quality network). However the fourth has just been returned by the manufacturer following repair and is awaiting installation and testing by the contractor.
Outdoor Leisure Facilities	385,710	86,674	Works at Pinhoe, Station Road will commence after the consultation process has been completed.
Sports Facilities Refurbishment	146,460	39,859	Ongoing budget to fund leisure contract obligations.
Belmont Park Enhanced Facilities	50,000	50,000	Work will be undertaken in 2019/20.

Pyramids Essential Works	950,000	138,328	Majority of works complete, the remaining works are on-going.
Leisure Centre Essential Enhancements	2,000,000	1,875,118	Works from the approved scheme continue to be delivered.
Leisure Centre Additional Enhancements	880,000	231,857	
Livestock Market Drainage & Toilets	200,000	195,380	Tenders have been prepared but are awaiting procurement action.
Riverside Leisure Centre	0	(279,389)	Works have commenced ahead of the 2019/20 financial year.
Leisure Complex	2,516,760	(1,158,223)	Work on site started in January, the budgets have been re-profiled in-line with anticipated expenditure.
Bus Station Construction	460,710	164,360	
Belle Isle Temporary Facilities	168,330	40,184	Final works to complete the road resurfacing were undertaken in April 2019.
Replacement Audio & Visual Equipment at the Civic Centre and Guildhall	65,000	38,003	The replacement equipment was partially installed in March and completed in April.
Customer Contact Platform	155,490	164,935	Work will continue on these Strata led schemes in 2019/20.
Idox System for Planning	104,300	100,500	
Convergence Projects	294,660	271,651	
LAINGS Refurbishment	305,930	216,732	The main contractor has been on site since February, removing asbestos and stripping out the ten empty properties ready for the demolition to commence. Drainage investigations are underway for the seven occupied properties that will form phase 2 of the project. The overall project is scheduled for completion in June 2020 and the budget has been re-profiled accordingly.
Structural Repairs	44,280	(60,694)	Additional structure repairs were undertaken in 2018/19 in respect of drainage repairs, whilst monitoring for structural movements continue. Enabling works resulting from fire damage were also undertaken, ahead of planned significant structural repairs to three fire affected properties in 2019/20

Extra Care Scheme	1,500,000	625,187	The piled foundation work has been completed on site and the main contractor has now moved onto the substructures work, which will be completed in August 2019, before moving onto the installation of the concrete frame. The scheme is scheduled for completion in September 2020 and the budget has been re-profiled accordingly.
Estate Regeneration	756,260	391,457	In March 2017 the Council received £1.295m Estate Regeneration funding, in order to progress four HRA sites to the pre-construction stage. The funding for two of the HRA sites has been spent and delivered the required outcomes, however the timetables for Vaughan Road and Clifford Close will run into 2019/20.

9.6 CAPITAL PROGRAMME 2018/19 (Appendix 4)

The revised Capital Programme for 2019/20, after taking into account the carried forward requirements from 2018/19 now totals £68,533,310.

9.7 FURTHER FUNIDNG REQUESTS

Energy Saving Projects (request for additional £150,000 budget)

The existing Energy Saving Projects budget of £2,002,380 will be required to provide match funding for a European Regional Development Fund grant to support a large solar and battery storage project. It is proposed to add a further £150,000 to support two new energy saving schemes:

- Oil boiler replacement at the Corn Exchange
- LED lighting at John Lewis/Leighton Terrace Car Park.

These two additional projects will be financed by Salix Finance Ltd.

Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. Salix is funded by the Department for Business, Energy and Industrial Strategy, the Department for Education, the Welsh Government and the Scottish Government and was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with loans for energy efficiency projects.

Agile & Flexible Working for Environmental Health (request for additional £50,000 budget)

The Agile and Flexible Working Project in Environmental Health and Licensing forms part of the Council's overall EX1 Internal Transformational Change Programme. This approach looks to review service delivery by starting with the customer and then redesigning systems around their needs. The £50,000 will be used to provide seating for 72 staff, 56 at desks and 16 touch down positions.

It is proposed that this £50,000 is financed via a Revenue Contribution to Capital Outlay funded by money already set aside in the Transformation Fund.

Oracle Weblogic (£11,000)

In order for Exeter City Council to meet PSN (Public Services Network) requirements it is necessary to upgrade our existing version of Oracle Weblogic which is now out of date. This will allow ECC to install future maintenance packs and Critical Patch Updates which are released by Oracle.

10. 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.

11. 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.

12. 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?

The impact of each scheme is considered prior to approval. Any significant deviation from this will be noted within the body of this report.

13. What other options are there, and why have they been dismissed?

There are no options.

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

Background papers used in compiling this report:

None

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