

REPORT TO EXECUTIVE

Date of Meeting: 4 October 2022

REPORT TO COUNCIL

Date of Meeting: 18 October 2022

Report of: Director Finance

Title: 2022/23 General Fund Capital Monitoring Statement – Quarter 1

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 Executive Committee supports and recommends to Council to approve:

- (1) The overall financial position for the 2022/23 annual capital programme; and
- (2) The amendments and further funding requests to the Council's annual capital programme for 2022/23.

3. Reasons for the recommendation:

3.1. 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:

5.1 Members should note the significant deferrals in the schemes approved. The current economic climate, with rising interest rates however makes the existing programme unaffordable. Interest rates have risen by over 2.5% since the start of the year. Members are reminded that the interest rate charged by the PWLB is based on the cost of the Government's borrowing, not the base rate set by the Bank of England, thus the rate rise being higher than the increase in base rate currently seen. If the full amount required for the Capital Programme, as it stands, was borrowed it would add around £1.3m cost to the General Fund. This is unaffordable and therefore the management Team will be undertaking a review of the programme to determine areas that can be removed or postponed.

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:

It is clear from the S.151 Officers comments that the Capital Programme as it currently stands is unaffordable. SMB is alive to this issue and are working on reporting back to Members with proposals as to how we reduce this area of budgetary pressure.

8. Report details:

8.1. REVISIONS TO THE CAPITAL PROGRAMME

The 2022/23 Capital Programme, including commitments brought forward from 2021/22, was last reported to Executive on 5 July 2022. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Council 19 July 2022	131,182,860	
Energy Saving Projects	64,000	Approved by Council 19 July 2022
Fleet Leasing Costs	2,110,830	
Pinhoe Playing Fields Upgrades	49,280	
Revised Capital Programme	133,406,970	

8.2. PERFORMANCE

The revised capital programme for the current financial year is £133.407 million. During the first three months of the year the Council spent £46.772 million on the programme, which equates to 35.06% of the revised programme. This compares with £5.046 (7.48%) that was spent in the first three months of 2021/22.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2022/23 of £94.921 million with £38.590 million of the programme potentially being deferred to 2023/24 and beyond.

Appendix 2 shows the approved budgets for 2023/24 with the proposed 2022/23 budget to be carried forward to 2023/24 and beyond for Executive and Council 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 2022/23 are £13.067 million. An estimated spend of £94.921 million is required of which £85.609 million will be funded from borrowing with £3.755 million capital receipts carried forward to 2023/24.

Appendix 4 sets out the forecast use of the resources available for the General Fund and the likely amounts of borrowing that will be necessary to fund the capital programme over the next three years.

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

	General Fund £
Balance as at 1 April 2022	3,020,582
New Receipts	2,278,353
Balance as at 30 June 2022	5,298,935

8.4. EXPENDITURE VARIANCES

The main (greater than +/- £30k) variances and issues concerning expenditure are as follows:

Scheme	Variance £
Energy Saving Projects	42,000
<p>Officer Responsible: Net Zero Project Lead</p> <p>Overall, the Water Lane Smart Grid & Solar project is very much nearing completion and will be delivered before the grant activity end date agreed of the 31 December. However, commissioning of Water Lane has suffered increased costs due to the impact of Covid19 at the start of the project in 2020, supply chain availability problems, a very complex private wire dig requiring reinforcement, contaminated land at the depot site requiring added surveys and works, additional District Operator (WPD) connection infrastructure and a project change. The replacement of the Mary Arches Car Park site, with the Riverside Leisure Centre, included an additional solar PV array.</p>	

Scheme	Variance £
Leisure Complex – Build Project	62,220
<p>Officer Responsible: Director - Communications, Culture & Leisure</p> <p>The Leisure Complex – Build Project is showing an overspend this quarter, with more cost anticipated. All the leisure capital programmes are currently being reconciled and reviewed with the project consultants as part of a strategy paper currently being prepared for submission in November; it is likely that there will be amendments to the current programme to reflect the future plans for the Leisure Centres.</p>	

8.5. SCHEMES TO BE DEFERRED TO 2023/24 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2023/24 and beyond are:

Scheme	Budget to be Deferred £
Datacentre Relocation	35,940
NCSC Zero Trust	53,910
<p>Officer Responsible: Chief Executive & Growth Director</p> <p>Both these projects have been slipped into next year as they are currently being reassessed.</p>	

Scheme	Budget to be Deferred £
Improved recycling containers	257,580
Materials Reclamations Facility enhancements	4,081,600
<p>Officer Responsible: Interim Service Manager – Waste, Recycling and Fleet</p> <p>The roll out of the new food waste collection arrangements will continue into 2023/24 and new bins and boxes will be purchased as and when the scheme is extended throughout the city. There are a number of different elements to the MRF enhancements project and the bulk of the costs are likely to be spent in 2023/24.</p>	
Parks Infrastructure	119,190
Outdoor Leisure facilities - Newcourt	121,270
Bowling Green Marshes coastal defence scheme	450,000
Topsham flood prevention scheme	795,000
Cricklepit Bridge	153,750
Trews Weir refurb	1,039,850
Exeter Ship Canal M5 viaduct	164,500
Exeter Quay Cellars cliff face	400,000
Exhibition Way Bridge	210,960
Yaroslavl Bridge	62,250
Leypark Road Footbridge	210,960
Repairs to walls at Farm Hill	79,900
Mallison Bridge	1,037,750
Riverside Walls at Quay	528,950
Bonhay Rd/Andlaw House Footpath	42,440
St James' Weir & Ducks Marsh Meadow banks	159,840
Canal Basin Topsham Quay Countess Wear - Canal craning pads	188,500
Heavitree Paddling Pools	439,300
Mincinglake Valley Park Reed Beds & Pipe Inlet	102,100
Exeter Ship Canal - Bottleneck & Bird Hide	87,260
Exeter Ship Canal - Green Tip to Water Lane	51,500
Bromhams Farm Playing Fields	235,000

Officer Responsible: Engineering & Assets Manager

There is likely to be significant slippage in the Engineering capital programme for 2022/23. This is partly due to external factors, but also the Engineering team do not currently have the capacity to deliver the full range of projects and have had difficulties recruiting new staff to progress this work. Therefore the programme is being re-prioritised and a number of projects are being deferred in whole or in part to later years, and grouped together where it is felt that this can aid delivery.

Repairs to Turf Lock Pier Head**70,310****Officer Responsible: Service Manager – Engineering, Waterways and Parking**

The Turf Lock works is pending longer term decisions around the canal and loading points.

Ash Die Back tree replacement**212,630****Play Areas****131,600****Officer Responsible: Interim Service Manager – Public & Green Space**

Current national guiding bodies are still indicating that Ash Die Back will result in 90% loss over 10 years, with only 5% of trees showing any resilience to the disease. Current demand levels for ECC are not that high at the moment, but disease prevalence will change over time as it spreads. The capital approval has been re-profiled evenly between 2022/23 and 2025/26. The estimated spend for play areas has been re-forecast based on capacity and availability of equipment.

Scheme	Budget to be Deferred £
Mary Arches MSCP	3,492,369
Guildhall MSCP	100,026
Cathedral & Quay MSCP	3,757,198
John Lewis MSCP	122,967
Princesshay 2 MSCP	2,427,503
Princesshay 3 MSCP	55,969
Leighton Terrace & KW St MSCP	667,700
<p>Officer Responsible: City Surveyor Consultants have been appointed and will start work in 22/23; this is the only spend anticipated in 22/23.</p>	
City Wall	328,520
<p>Officer Responsible: City Surveyor The only anticipated costs in 22/23 are consultant-driven survey and design works</p>	
Backlog Maintenance	4,934,830
<p>Officer Responsible: City Surveyor This programme has been put on hold until the Estates restructure has taken place and adequate resources can be identified.</p>	
BLRF – Bonhay Meadows	957,430
BLRF – Exeter Canal Basin	578,550
BLRF – Mary Arches Car Park	1,256,840
BLRF – Belle Isle	651,800
BLRF – Cath & Quay Car Park	2,317,450
<p>Officer Responsible: City Surveyor These programmes are currently being progressed by ECL. Costs in 22/23 will be consultant fees only.</p>	
Depot Relocation	2,930,280
<p>Officer Responsible: City Surveyor Consultant team is now in place so 22/23 costs will be for this team.</p>	
Guildhall Roof Replacement	473,760
<p>Officer Responsible: City Surveyor Initial jury room replacement tenders above estimate; expected to be complete by March 2023. Additional funding will be required to complete main roof in 23/24</p>	

RAMM Roof Replacement	934,510
<p>Officer Responsible: City Surveyor</p> <p>Grant match funding applied for and due to grant restrictions, the start of the project will not be until early 23/24. Spend in 22/23 will be for on-going consultancy support and surveys.</p>	
Ancillary Accom Flat Roof	124,640
Bradninch Place Heating Etc	242,350
Wat Tyler House Water Ingress	235,270
Verney House Roof and Drainage	121,000
Commercial Properties EPS Imps	204,700
<p>Officer Responsible: City Surveyor</p> <p>These budgets are unlikely to be required until 23/24.</p>	

8.6. FURTHER FUNDING REQUESTS

Noise monitoring equipment (£45,000)

The Environmental Health team have a legal duty to investigate approximately 1,200 noise nuisance complaints a year. In practice this is done using specific noise monitoring equipment to meet evidential requirements. The existing kit was due for replacement five years ago but is becoming increasingly unreliable. 3 mobile units at £15k each should be sufficient to deal with this volume of complaints. These will be funded from capital receipts.

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. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the impact of each scheme is considered prior to approval. Any significant deviation from this will be noted within the body of this report.

12. Carbon Footprint (Environmental) Implications:

We are working towards the Council's commitment to carbon neutral by 2030. The impact of each scheme is considered prior to approval.

13. Are there any other options?

There are no other options.

Director Finance, Dave Hodgson

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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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