

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 3 FEBRUARY 2015

CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2014/15

REPORT BY IAN LORIMER, HEAD OF CORPORATE IMPROVEMENT & FINANCE

**ABSTRACT**

This report appraises members of the capital expenditure incurred for the period from 1 April 2014 to 30 November 2014 and measures projected capital expenditure for the year against budgeted provision for the year.

**1 RECOMMENDATION**

- 1.1 It is recommended that the Committee reviews and scrutinises the expenditure position on the General Fund Capital Programme as at 30 November 2014 as per Tables 1 and 2 below and the accompanying Capital Monitoring Statement (**Appendix 1**).

**2 ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT**

- 2.1 The projects undertaken through the Council's capital programme (as reflected in **Appendix 1** to this report) contribute as a whole to the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3 BACKGROUND**

- 3.1 The responsibilities of Chief Officers with regard to capital monitoring are set out in Section 7 of the Council's Financial Regulations. This report seeks to ensure that budgetary control is exercised in line with those Regulations through the early identification of variances and the appropriate actions for dealing with these.
- 3.2 Where the possibility of significant expenditure slippage arises, the Head of Corporate Improvement & Finance must ensure that an assessment of the relevant programme is carried out and must consider what resultant action needs to be taken. **Accordingly it is important that Strategic Directors and Heads of Service identify and notify significant potential under and over spends to the Head of Corporate Improvement & Finance at the earliest opportunity.**
- 3.3 Report 372/14 approved the 2014/15 Final Capital Budget Volume, detailing the 2013/2018 Financial Plan which includes the capital monitoring budget for 2014/15. The 2014/15 gross and net budgets detailed in Tables 1 and 2 below, and **Appendix 1** are the budgets against which directorates must monitor their spend for the remainder of the financial year.

**4 CURRENT POSITION**

- 4.1 Tables 1 and 2 below set out the current position on the overall General Fund capital programme for 2014/15 as at 30 November 2014 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2014/15 position of all capital projects.
- 4.2 It should be noted that some projects detailed on **Appendix 1** are classified as non enhancing expenditure. This may be because the expenditure (for accounting purposes) is revenue in nature, or is capital expenditure on a third party's asset, and therefore must be transferred back to revenue at the year end. These projects are not included within the summary of gross

and net capital expenditure detailed in **Appendix 1** (page 1) or within Tables 1 and 2, below, but will continue to be monitored through the capital monitoring process.

**Table 1 – GROSS Capital Expenditure**

Programme	Gross Budget £000	Actual to 30 Nov 14 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Over / (Under) Spend £000
<b>Chief Executive's</b> Economic Development	1,074	76	7.1	602	(472)
<b>Communities</b> Planning & Place	224	77	34.4	205	(19)
Regulatory, Protective and Prevention Services	5,053	2,274	45.0	4,632	(421)
Services to Communities	530	374	70.6	580	50
Technical and Property Services	14,833	5,739	38.7	14,889	56
<b>People</b> Adult Services	218	46	21.1	178	(40)
Children & Young People's Services	1,539	851	55.3	1,539	0
Schools and Learning	18,196	8,109	44.6	14,309	(3,887)
<b>Resources</b> Organisational Change	1,233	808	65.5	1,194	(39)
<b>Gross Totals</b>	<b>42,900</b>	<b>18,354</b>	<b>42.8</b>	<b>38,128</b>	<b>(4,772)</b>

**Table 2 – NET Capital Expenditure**

Programme	Net Budget £000	Actual To 30 Nov 14 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Over / (Under) Spend £000
<b>Chief Executive's</b> Economic Development	174	4	2.3	113	(61)
<b>Communities</b> Planning & Place	51	3	5.9	32	(19)
Regulatory, Protective and Prevention Services	3,087	999	32.4	2,655	(432)
Services to Communities	271	191	70.5	271	0
Technical and Property Services	13,311	5,288	39.7	13,400	89
<b>People</b> Adult Services	197	35	17.8	157	(40)
Children's Services	1,339	851	63.6	1,339	0
Schools and Learning	17,053	7,429	43.6	13,107	(3,946)
<b>Resources</b> Organisational Change	17	17	100.0	17	0
<b>Net Totals</b>	<b>35,500</b>	<b>14,817</b>	<b>41.7</b>	<b>31,091</b>	<b>(4,409)</b>

4.3 It may be noted from Tables 1 and 2 that actual spend as a percentage of budget is 42.8% on a gross basis and 41.7% on a net basis. This compares with the capital monitoring report

detailing the position as at 30 November 2013 of 44.0% (gross) 47.2% (net). For information purposes it is commented that the 2013/14 actual spend outturn was 81.9% (gross) and 86.8% (net).

- 4.4 Members will note that with eight months (67%) of the financial year gone the actual spend levels presented in Tables 1 and 2 are low, notwithstanding that historically around 10% of capital spend comes through as accruals at the year end. It should be noted that work is ongoing on a number of significant projects for which no payment has yet been made by virtue of the phasing of such projects. Furthermore, the value of work completed up to 31 March 2015 will be assessed as part of the year end process and expenditure accrued accordingly, hence the reason why spend can increase significantly in the last month of the year.
- 4.5 The projected net expenditure of £31.091 million (reflected in Table 2) will be indicatively funded from the sources detailed in Table 3 below (the monitoring budget figures are presented for information purposes):

**Table 3 – Funding**

Expenditure / Funding Source	Monitoring Budget £000	Latest Projection £000	Variance £000
Projected net expenditure	35,500	<b>31,091</b>	(4,409)
Borrowing	17,255	<b>11,223</b>	(6,032)
General capital grant (balance)	14,978	<b>16,601</b>	1,623
Corporate capital receipts	500	<b>500</b>	-
Corporate CFCR	2,767	<b>2,767</b>	-
Total funding	35,500	<b>31,091</b>	(4,409)

## 5 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 5.1 The following tables 4 to 10 detail those departments / divisions which are currently anticipating significant under or overspends of overall gross expenditure. Only the main areas making up each overall variance have been highlighted, along with a brief commentary on the reasons for that variance.
- 5.2 Individual variances of lesser value are reflected in the 'Miscellaneous' line (where applicable). Whilst these individual variances may actually total a significant level, particularly for the bigger capital programmes, no specific commentary has been provided. Reference should be made to **Appendix 1** for further detail on the lower value individual variances. If Members require specific detail on individual projects beyond the summary position presented in this report they should contact the relevant Head of Service.

### 5.3 Chief Executives

**Table 4 – Economic Development**

Project	Gross (Under) / Overspend £000	Commentary
Tourism Projects	(46)	Expenditure slipped into 2015/16, in particular due to procurement delays on the angusahead.com upgrade.
Montrose South Regeneration	(465)	Tenders returned, with main contract tender (section 2 spine road) coming in below original expectations. Some design changes also accounts for the reduction in projected spend.
Digitisation of Business Unit Sites Across Angus	54	Advance spend on new project agreed through 2015/16 budget process. Will be fully funded from Economic Development revenue.
Miscellaneous	(15)	
<b>Total Gross (Under) / Overspend</b>	<b>(472)</b>	

### 5.4 Communities

**Table 5 – Regulatory, Protective & Prevention Services**

Project	Gross (Under) / Overspend £000	Commentary
Direct Services Projects	(188)	Slippage into 2015/16, reasons for which include: - site being sought and overall project redesigned (New Play Area, Monifieth) - late deliveries (Brechtin Public Park / Borrowfield Park, Montrose) - ongoing development / pricing (Monifieth Blue Seaway).
Ground Maintenance Machinery Replacement Programme	(45)	Some slippage anticipated due to delivery timescales falling into next financial year.
Waste Vehicle Replacement Programme 2014/15	70	Mainly due to purchase of additional food waste collection vehicle (£56k) - grant received from Zero Waste Scotland to fund this.
General Vehicle Replacement Programme 2014/15	(79)	Programme rephased as part of ongoing 2014/2019 Financial Plan exercise.
Provision for Investment in Workshop / Garage Facilities	(200)	Expenditure slipped due to rephasing of programme.
Refurbishment of Public Toilets, East Haven	23	Costs higher than anticipated, however this will be fully funded by additional grant from Angus Environmental Trust.
Miscellaneous	(2)	
<b>Total Gross (Under) / Overspend</b>	<b>(421)</b>	

**Table 6 – Services to Communities**

Project	Gross (Under) / Overspend £000	Commentary
Leisure Equipment Replacement Programme 2013/14	26	Residual expenditure on a prior year project. Cost will be absorbed within existing resources.
Miscellaneous	24	
<b>Total Gross (Under) / Overspend</b>	<b>50</b>	

**Table 7 – Technical & Property Services**

Project	Gross (Under) / Overspend £000	Commentary
Capitalised Maintenance (Arbroath Primary Schools)	310	Brought forward to support phase 1 of Arbroath Schools Project.
A92 Dundee to Arbroath Upgrading Project	(60)	Expenditure outturn reduced following reassessment of budget requirement.
A935 Brechin to Montrose Road RAP – Construction Works	100	Expenditure rephased - £100k advanced into current year from 2015/16.
Brechin Flood Prevention Scheme	(260)	Competitive rates have enabled this element of the project to be delivered at a lower cost than originally anticipated.
Miscellaneous	(34)	
<b>Total Gross (Under) / Overspend</b>	<b>56</b>	

## 5.5 People

**Table 8 – Adult Services**

Project	Gross (Under) / Overspend £000	Commentary
Creation of Logistics Hub	(40)	Development work in relation to the Logistics Hub is focussed on AJELs store and Carseview (per R454/14). Cost of development work reduced to £10k in 14/15.
<b>Total Gross (Under) / Overspend</b>	<b>(40)</b>	

**Table 9 – Schools & Learning**

Project	Gross (Under) / Overspend £000	Commentary
Arbroath Schools Project – Phase 1	(3,431)	Slippage is mainly due to a delay in the construction start date. Demolition is currently ongoing and construction works are expected to commence at the end of January.
Arbroath Schools Project – Phase 2	(150)	Slippage due to delay in formal confirmation from SFT on the Phase 4 funding for this project to allow exact details to be defined.
Brechin High School Community Campus	(500)	There has been minor slippage / delay on site due to site utilities and weather conditions, but the proposed completion date remains as is.
Provision for Children & Young People Bill	(75)	Projected outturn has been revised downwards in line with works ordered and anticipated to be completed by the financial year end.
Provision for Free School Meals (P1 to P3)	210	The level of funding for this initiative has only recently been confirmed (£750k). The projected expenditure of £210k on electrical upgradings, fridges / freezers, etc. will be contained within this additional funding.
Miscellaneous	59	
<b>Total Gross (Under) / Overspend</b>	<b>(3,887)</b>	

## 5.6 Resources

**Table 10 – Organisational Change**

Project	Gross (Under) / Overspend £000	Commentary
Agile Working Applications and Services 2013/14	(39)	This project has been reclassified as non enhancing expenditure as, following review, it was deemed to be more revenue in nature. This is simply a technical accountancy adjustment - the £39k underspend <u>does not</u> indicate slippage on the project.
<b>Total Gross (Under) / Overspend</b>	<b>(39)</b>	

## 6 HOUSING CAPITAL MONITORING

- 6.1 Table 11 below sets out for information purposes, a summary of the latest position on the Housing capital monitoring as reported to the Communities Committee of 20 January 2015 (report 16/15 refers).

**Table 11 – Housing Capital Programme**

Expenditure / Funding Source	Monitoring Budget £000	Latest Projection £000	Variance £000
Projected net expenditure	11,849	11,478	(371)
Borrowing (including Survive & Thrive)	4,427	3,719	(708)
Capital receipts	1,250	1,587	337
Capital Funded From Current Revenue	6,172	6,172	-
Total funding	11,849	11,478	(371)

- 6.2 Members may wish to refer to report 16/15 for further detail on the above noted variance on the Housing capital programme.

## **7 CAPITAL PROJECTS MONITORING GROUP**

- 7.1 The last meeting of the Capital Projects Monitoring Group (CPMG) to consider the proposed 2014/15 capital monitoring budget took place on 4 December 2014. Should members wish to see the full minute of CPMG meetings, these are available from the Democratic Services section of Legal and Democratic Services.
- 7.2 The next meeting of the CPMG is scheduled to take place on Thursday 5 February 2015. Members may wish to give direction to the CPMG should they consider the position on a particular project warrants further questioning at the CPMG meeting.

## **8 FINANCIAL IMPLICATIONS**

- 8.1 The financial implications for the Council arising from this report are as detailed in the body of the report. Any future variances of projected spend against available budget will be subject to ongoing review and the need for corrective action will be raised with the appropriate Strategic Director where considered appropriate.

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, were used in the preparation of this report.

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List of Appendices:

### **Appendix 1 – Capital Monitoring Statement**