

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 28 APRIL 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 28 February 2015 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 28 February 2015 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 28 February 2015 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 28 Feb 15 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Over / (Under) Spend £000
<b>Chief Executive's</b> Economic Development	1,074	153	14.2	379	(695)
<b>Communities</b> Planning & Place	224	77	34.4	210	(14)
Regulatory, Protective and Prevention Services	5,053	3,112	61.6	3,921	(1,132)
Services to Communities	530	436	82.3	517	(13)
Technical and Property Services	14,833	8,900	60.0	14,919	86
<b>People</b> Adult Services	218	59	27.1	128	(90)
Children & Young People's Services	1,539	1,169	76.0	1,439	(100)
Schools and Learning	18,196	10,909	60.0	13,788	(4,408)
<b>Resources</b> Organisational Change	1,233	886	71.9	941	(292)
<b>Gross Totals</b>	<b>42,900</b>	<b>25,701</b>	<b>59.9</b>	<b>36,242</b>	<b>(6,658)</b>

**Table 2 – NET Capital Expenditure**

Programme	Net Budget £000	Actual To 28 Feb 15 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Over / (Under) Spend £000
<b>Chief Executive's</b> Economic Development	174	49	28.2	119	(55)
<b>Communities</b> Planning & Place	51	(1)	-2.0	29	(22)
Regulatory, Protective and Prevention Services	3,087	1,725	55.9	1,976	(1,111)
Services to Communities	271	185	68.3	211	(60)
Technical and Property Services	13,311	8,605	64.6	13,382	71
<b>People</b> Adult Services	197	56	28.4	107	(90)
Children's Services	1,339	1,169	87.3	1,239	(100)
Schools and Learning	17,053	10,229	60.0	12,346	(4,707)
<b>Resources</b> Organisational Change	17	17	100.0	17	0
<b>Net Totals</b>	<b>35,500</b>	<b>22,034</b>	<b>62.1</b>	<b>29,426</b>	<b>(6,074)</b>

- 4.3 It may be noted from Tables 1 and 2 that actual spend as a percentage of budget is 59.9% on a gross basis and 62.1% on a net basis. This compares with the capital monitoring report detailing the position as at 28 February 2014 of 63.5% (gross) 66.4% (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 11 months (92%) 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 where payments lag behind by virtue of the phasing / nature 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 £29.426 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>29,426</b>	(6,074)
Borrowing	17,255	<b>9,433</b>	(7,822)
General capital grant (balance)	14,978	<b>16,726</b>	1,748
Corporate capital receipts	500	<b>500</b>	-
Corporate CFCR	2,767	<b>2,767</b>	-
Total funding	35,500	<b>29,426</b>	(6,074)

## 5 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 5.1 The following tables 4 to 11 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	(47)	Expenditure slipped into 2015/16, in particular due to procurement delays on the angusahead.com upgrade and slight slippage on delivery of a 3D virtual reality tour of Angus.
Montrose South Regeneration	(630)	Tenders returned, with main contract tender (section 2 spine road) coming in below original expectations. Some design changes also account for the reduction in projected spend. Unforeseen ground problems has resulted in the delivery of Sect 2 of the spine road slipping into 2015/16 (£165k). Scottish Enterprise have confirmed funding despite delay in delivery.
Miscellaneous	(18)	
<b>Total Gross (Under) / Overspend</b>	<b>(695)</b>	

## 5.4 Communities

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

Project	Gross (Under) / Overspend £000	Commentary
Direct Services Projects	(211)	Slippage into 2015/16, reasons for which include: - site being sought and overall project redesigned (New Play Area, Monifieth) - late deliveries (Brechin Public Park / Borrowfield Park, Montrose) - ongoing development / pricing (Monifieth Blue Seaway).
Ground Maintenance Machinery Replacement Programme	(68)	£37k slipped to 15/16 due to delivery date after 31 March. Cost of some equipment lower than originally anticipated.
Waste Vehicle Replacement Programme 2014/15	(425)	Delivery timescales on 4 refuse collection vehicles have been delayed leading to £495k of slippage which has been partially offset by the purchase of an additional food waste collection vehicle (£56k) which is fully funded by Zero Waste Scotland grant.
General Vehicle Replacement Programme 2014/15	(82)	Programme rephased as part of 2014/2019 Financial Plan exercise.
Provision for Investment in Workshop / Garage Facilities	(270)	Tender documents not released until later than expected – agreeing joint design. Only spend through 14/15 is fees
Provision for Zero Waste implementation	(100)	Currently in the process of obtaining planning consent – no spend likely in 2014/15.
Refurbishment of Public Toilets, East Haven	18	Costs higher than anticipated reflecting increases in tender prices and payment required for access over railway line, however this project is fully funded by grant from Angus Environmental Trust.
Miscellaneous	6	
<b>Total Gross (Under) / Overspend</b>	<b>(1,132)</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.
Montrose Swimming Pool	(60)	Anticipated final account agreement slipped into 2015/16 – discussions with contractor still ongoing.
Miscellaneous	21	
<b>Total Gross (Under) / Overspend</b>	<b>(13)</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.
Central Efficiency Fund (13/14)	(22)	2013/14 programme completed.
Refurbishment Works at Bruce House, Arbroath – Phase 3b	(16)	Total cost reduced based on latest estimated final account.
Fire Safety Works (Phase 2) – Public Buildings	(17)	Delays investigating Listed Building Consent works to Montrose Library.
Energy Management General (13/14)	(14)	Estimated spend reduced based on tender returns.
A92 Dundee to Arbroath Upgrading Project	(75)	Expenditure outturn reduced following reassessment of budget requirement.
Road Structure Repairs / Strengthening	60	2015/16 funding brought forward
Coastal Protection / River Flood Alleviation capital	29	2015/16 funding brought forward
A935 Brechin to Montrose Road RAP – Construction wks.	100	Expenditure rephased - £100k advanced into current year from 2015/16.
Brechin Flood Prevention Scheme	(287)	Competitive tender rates have enabled this element of the project to be delivered at a lower cost than originally anticipated.
<b>Supplementary Capital</b>		
• Traffic Schemes	(13)	Works slipped into 2015/16
• Lighting Upgrades / Replacements	(35)	Works slipped into 2015/16
• Den of Airlie Landslip	(20)	Project outturned lower than anticipated costs
• Flooding Alleviation / Coastal Protection	66	2015/16 funding brought forward
• Arbroath Harbour Welfare Facilities	(29)	This has slipped into 15/16 to allow prioritisation of works required.
R & R Funded Projects	70	Projects fully funded from R&R Balance
Miscellaneous	(21)	
<b>Total Gross (Under) / Overspend</b>	<b>86</b>	

**People****Table 8 – Adult Services**

Project	Gross (Under) / Overspend £000	Commentary
Creation of Logistics Hub	(40)	Development work in relation to the Logistics Hub. Cost of development work reduced to £10k in 14/15.
Kinloch Care Centre & Supported Housing	(50)	Project plan set out requiring works contractor to make good all outstanding works by a certain date. This has not been delivered in full prior to the agreed deadline therefore work orders issued to term contractors to complete outstanding works.
<b>Total Gross (Under) / Overspend</b>	<b>(90)</b>	

**Table 9 – Children & Young People's Services**

Project	Gross (Under) / Overspend £000	Commentary
Replacement of Kinnaird Street Residential Home, Arbroath	(100)	Completion date has slipped from April to May 2015.
<b>Total Gross (Under) / Overspend</b>	<b>(100)</b>	

**Table 10 – Schools & Learning**

Project	Gross (Under) / Overspend £000	Commentary
Arbroath Schools Project – Phase 1	(3,507)	The project is being procured by the Scottish Futures Trust procurement vehicle Hubco and the slippage is due to contractor appointment issues, resulting in subsequent delays in the start date. The demolition of Timmergreens PS is complete.
Arbroath Schools Project – Phase 2	(150)	Slippage due to a delay in formal confirmation from SFT on the Phase 4 funding for this project to allow exact details to be defined. Some progress has been made on staff consultation in respect of the Hayshead PS project. However the underspend relates to costs associated with the engagement of a design team which has not yet been progressed until a decision has been made on the procurement method i.e. traditional or DBFM.
Information and Communications Technology Equipment	(175)	The underspend is due to a delay in the planned roll out of broadband to a number of rural schools. Budget was set aside within the ICT allocation to procure land and construct a communication mast at the top of Craigowl Hill, Dundee and purchase the ex Tayside Police mast at Drummieshole, by Carmyllie (followed on by the installation of communication equipment to provide broadband links to rural schools) - however this has been delayed until 2015/16.

Brechin High School Community Campus	(1,000)	There has been minor on site slippage / delays due to reduced site progress with the concrete frame due to weather conditions. This minor site slippage has therefore resulted in a projected underspend of £1.0 million in the current year. This arises due to the value of the contract and thus minor slippage of a few weeks or reprogramming of works can result in circa £1m of financial slippage without having a major effect on the overall 2 year construction programme.
Contribution Towards Forfar Academy Community Campus	198	Awaiting the reimbursement of design fees from Hubco. The design fee reimbursement was expected in 2014/15, however due to the delay in the Financial Close this is now unlikely to happen until 2015/16.
Provision for Children & Young People Bill	(85)	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)	250	The level of funding for this initiative has only recently been confirmed (£750k). The projected expenditure of £250k on electrical upgradings, fridges / freezers, etc. will be contained within this additional funding.
Miscellaneous	61	
<b>Total Gross (Under) / Overspend</b>	<b>(4,408)</b>	

5.6

## Resources

**Table 11 – Organisational Change**

Project	Gross (Under) / Overspend £000	Commentary
Public Service Network Compliance (Capital Costs)	(27)	The original deadline of 31 March for removal of non-compliant PC and Server operating systems has been adjusted to take account of the need to deal with a number of service based applications that will not run on the compliant platforms.
Agile Working Applications and Services 2013/14	(55)	This project has been reclassified as non enhancing expenditure - this is a technical accountancy adjustment which results in a £55k variance when comparing the set budget to the outturn. With regard to the project itself, a number of applications in scope for migration to Citrix have been deferred due to the need to upgrade to compliant versions of the software, resulting in slippage of some £21k.
Mobile Application Development	(50)	£34k previously reported to CPMG to deal with future years costs. £16k for forms development being withheld until product sign off.
Angus Digital	(177)	Previously verbally reported to CPMG as likely to slip. This fund is to support the work of the Angus Digital Programme and will link to work that supports agile working. These programmes were realigned in quarter 3 of the financial year and some timelines have not been met as a result.

Miscellaneous	17	
<b>Total Gross (Under) / Overspend</b>	<b>(292)</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 14 April 2015 (report 155/15 refers).

**Table 12 – Housing Capital Programme**

Expenditure / Funding Source	Monitoring Budget £000	Latest Projection £000	Variance £000
Projected net expenditure	11,849	11,147	(702)
Borrowing (including Survive & Thrive)	4,427	2,968	(1,659)
Capital receipts	1,250	1,480	200
Capital Funded From Current Revenue	6,172	6,172	230
Earmarked Reserves	0	527	527
Total funding	11,849	11,147	(702)

- 6.2 Members may wish to refer to report 155/15 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 19 March 2015. 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 30 April 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

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