

**ANGUS COUNCIL**

**POLICY & RESOURCES COMMITTEE – 2 SEPTEMBER 2014**

**2014/15 FINAL CAPITAL BUDGET VOLUME - GENERAL FUND AND HOUSING**

**REPORT BY THE HEAD OF CORPORATE IMPROVEMENT AND FINANCE**

**ABSTRACT**

This report presents to members the updated 2013/2018 General Fund Financial Plan and 2013/2017 Housing Financial Plan (both of which incorporate the 2014/15 capital monitoring budget) which will be reflected in the 2014/15 Final Capital Budget Volume.

**1. RECOMMENDATION**

1.1 It is recommended that the Committee:

- (i) approves the contents of the updated 2013/2018 General Fund Financial Plan, as will be reflected in the 2014/15 Final Capital Budget Volume (attached at **Appendix 1**);
- (ii) notes the contents of the updated 2013/2017 Housing Financial Plan, as will be reflected in the 2014/15 Final Capital Budget Volume (attached at **Appendix 2**); and
- (iii) notes that the 2014/15 capital budgets for both the General Fund departments and Housing represent the Council's approved budgets for capital monitoring purposes.

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

2.1 The projects undertaken through the Council's capital programme (as reflected in **Appendices 1 and 2**, attached) contribute as a whole to the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. 2014/15 GENERAL FUND CAPITAL MONITORING BUDGET**

3.1 At the special meeting of Angus Council on 13 February 2014, the Council approved the 2013/2018 General Fund Financial Plan, incorporating the provisional 2014/15 capital budget of £33.684m (net of slippage - report 85/14 refers). As members may be aware, following their approval at the special budget meeting, a comprehensive update of departmental capital programmes (based on the actual position at the close of the 2013/14 financial year) is undertaken over the summer months for the purpose of the Final Capital Budget Volume.

3.2 The updated 2013/2018 General Fund Financial Plan will be contained within the 2014/15 Final Capital Budget Volume which details the total cost and phasing of those capital projects anticipated to be undertaken by Angus Council in the foreseeable future. These costs are shown on an outturn basis, i.e. including an allowance for inflation.

3.3 Funding elements such as ring-fenced capital grants, external funding contributions, Local Capital Fund and other internal funding contributions are reflected within the financial plan itself, netted off against the gross cost of particular projects. Anticipated capital receipts from the sale of assets are not specifically shown in the financial plan (unless by exception, where committee approval has been given to ring-fence a receipt for a particular project).

3.4 On a net basis, the revised position covering the estimated capital budget, capital resources and capital borrowing position for 2014/15 is detailed in Table 1 below:

**Table 1**

| 2014/15 Capital Monitoring Budget and Funding         | £m            |
|---|---------------|
| Chief Executive's                                     | 0.174         |
| Communities Directorate                               | 16.720        |
| People Directorate                                    | 18.589        |
| Resources Directorate                                 | 0.017         |
| <b>General Fund Capital Monitoring Budget 2014/15</b> | <b>35.500</b> |
| Scottish Government general capital grant *           | 14.978        |
| Corporate capital receipts from asset sales           | 0.500         |
| Corporate CFCR – revenue budget contribution          | 0.700         |
| Corporate CFCR – balance of loan charges budget       | 2.067         |
| Estimated Borrowing for Capital Purposes              | 17.255        |
| <b>Funding 2014/15</b>                                | <b>35.500</b> |

\* includes £3.901m for Brechin Flood Prevention Scheme

3.5 The 2014/15 capital monitoring budget of £35.500m shows a net increase of £1.816m when compared with the provisional capital budget position reflected in report 85/14 (£33.684m). This is due to a combination of factors:

- the £3.410m supplementary budget allocation provided to Technical and Property Services (Communities Directorate) for roads infrastructure projects through the 2014/15 revenue and capital budget setting process is now included.
- movements in departmental capital programmes following the recent comprehensive review to reflect the impact of final actuals for 2013/14 on forward years and anticipated expenditure on a number of capital projects being rephased across the years 2014/15 to 2017/18. The most significant of these movements are:

Economic Development (Chief Executive's Unit)

- anticipated net expenditure in 2014/15 on Montrose South Regeneration has decreased by £882,000 to reflect the award of grant funding from Scottish Enterprise.
- land acquisition and servicing works at Peasiehill, Arbroath has been decommitted (£600,000 in 2014/15) and moved into later years.
- the application of £1.0m general capital grant to fund Angus Broadband Roll Out.

Technical & Property Services (Communities Directorate)

- amendment to the presentation of Brechin Flood Prevention Scheme (following the confirmation of grant funding) has increased expenditure in 2014/15 by £2.480m.

Children & Young People's Services (People Directorate)

- rephasing of expenditure on the replacement facility for Kinnaird Street Residential Home has decreased anticipated net expenditure by £386,000 in 2014/15.

Schools & Learning (People Directorate)

- rephasing of expenditure on Brechin High School Community Campus has decreased anticipated net expenditure by £1.408m in 2014/15.

- removal of the £750,000 slippage allowance which was allowed for in the provisional capital budget. The inclusion of an allowance for expenditure slippage was largely historical (when capital budgeting was strictly bound by the Section 94 Consent regime) and it is proposed that this now be removed going forward.

- 3.6 The revised estimated borrowing is £17.255m and is roughly £1.579m lower than projected when the provisional capital budget was agreed in February 2014, mainly due to a combination of the supplementary capital allocation added on budget setting day offset by movements in the phasing of expenditure and the application of additional grant funding. Borrowing remains affordable in terms of the allowances made within the 2014/15 revenue budget for capital financing costs and is in line with the approved long term affordability strategy (report 87/14 refers). It should be noted that some £1.643m of the total borrowing in 2014/15 relates to projects funded through departmental borrowing, where mechanisms are put in place to ensure the transfer of departmental revenue resources into the Council's capital financing costs budget (e.g. Waste Vehicle Replacement Programme).
- 3.7 For information purposes, the gross expenditure in 2014/15 totals £42.900m. This compares with gross expenditure of £40.675m per the provisional 2014/15 capital budget, an increase of £2.225m. This increase is due in the main to the aforementioned supplementary budget allocation to Technical and Property Services and movements in departmental capital programmes following the comprehensive review (as detailed in paragraph 3.5).
- 3.8 Further capital funding in the form of Scottish Government capital grant is anticipated in 2014/15 in relation to initiatives associated with the Children & Young People (Scotland) Act 2014 and related policy initiatives:
- Early Learning and Childcare for Vulnerable 2 Year Olds – it has been confirmed that additional general capital grant of £838,186 has been awarded to Angus Council. This has not been included in either the expenditure / funding detailed in Table 1 or the financial plan attached at **Appendix 1** as further discussion needs to take place as to the use of these resources. This level of allocation may increase depending on negotiations between COSLA and Scottish Government.
  - Extension of Free School Meals (Primaries 1 to 3) – grant funding will be available for this in 2014/15 however specific council allocations have yet to be confirmed. In this regard, no provision has been made in the financial plan as yet for any spend in relation to this initiative.
- 3.9 The comprehensive review exercise of programmed expenditure for 2014/15 and beyond was undertaken by Strategic Directors, Heads of Service and Service Managers with a view to setting a realistic and achievable capital monitoring budget. The monitoring budget was thereafter 'signed off' as being reasonable by the Capital Projects Monitoring Group (CPMG) at their meeting on 8 August 2014. Particular emphasis on delivery to this monitoring budget will be applied in 2014/15 as overseen by the CPMG and the Policy and Budget Strategy Group, and with updates provided through regular capital monitoring reports to the Policy & Resources Committee.

#### **4. HOUSING CAPITAL PROGRAMME**

- 4.1 The special Communities budget meeting, which took place on 6 February 2014, approved the 2013/2017 Housing Financial Plan incorporating the provisional 2014/15 capital budget which totalled £11.970m (report 76/14 refers). As with the General Fund, the Housing Financial Plan has been updated and a 2014/15 capital monitoring budget of £11.849m has been established following a comprehensive review of the 2013/2017 Financial Plan, based on actual expenditure for financial year 2013/14 and updated information on the position regarding specific projects in 2014/15. The updated 2013/2017 Financial Plan incorporating the 2014/15 monitoring budget was approved by the Communities Committee on 19 August 2014 (report 323/14 refers).
- 4.2 Members should be aware that following the meeting of the CPMG the projects within the Housing capital monitoring budget have been noted and the phasing of some expenditure is to be reviewed by officers from the Communities Directorate. Any amendments to the project phasing will be included within the next update of the financial plan and capital monitoring reports presented to the Communities Committee throughout the financial year.
- 4.3 The 2014/15 capital monitoring budget of £11.849m shows a net decrease of £0.121m (1.0%) comprising a number of broadly compensating increases and decreases in expenditure when compared with the position approved at the special Communities budget meeting of £11.970m. Full details of these movements are contained within Report 323/14 presented to Communities

Directorate on the 19<sup>th</sup> August 2014, however in summary the movements have arisen mainly due to the following:

New Build (net Increase £598,000)

There are a number of fairly significant movements in the new build section resulting in the above net increase in expenditure this year. This is mainly due to revisions to the project cash flow at Newmonthill Forfar £383,000, additional works at Millgate Loan Arbroath £105,000 and Chapelpark Forfar £100,000. In addition a further £140,000 has been added to enable the Purchase of Houses to support the affordable housing programme.

Offsetting the above additional spends, the proposed new build project at Milton Street Monifieth is no longer being taken forward (£294,000) due to difficulties encountered with planning issues.

Heating Installation and Replacement Programme (decrease £1,097,000)

The estimated cost of the programme was based on an expectation of some 1,000 properties requiring upgrade, however completion of detailed surveys has resulted in approximately 170 less properties being identified. Additionally some 200 tenants have either not responded to the offer of new heating or have expressed unwillingness to change.

Window Replacement (Increase £369,000)

An additional 114 properties have been identified in Arbroath, Brechin, Forfar and Kirriemuir for Window Replacement this year resulting in an additional £300,000 spend in the current financial year.

Energy Saving (net reduction £554,000)

This reduction primarily reflects the use of photovoltaic panels in rural areas and a reassessment of the level of external insulation works that are required for this year.

Kitchen Replacements (increase £180,000)

There have been an additional 100 properties throughout the Angus Area identified for Kitchen Replacement this year. In addition there has been some carry over of properties from last year. In total an additional spend this year is anticipated of £180,000.

Miscellaneous (increase £243,000)

Miscellaneous project expenditure has been increased this year mainly due to: Increased footpath resurfacing works (£150,000); and further updating of Door Entry Systems (£176,000).

- 4.4 The approved updated 2013/2017 Housing Financial Plan will be contained within the 2014/15 Final Capital Budget Volume which details the total cost and phasing of those capital projects anticipated to be undertaken by Angus Council in the foreseeable future. These costs are shown on an outturn basis, i.e. including an allowance for inflation.
- 4.5 Particular emphasis on delivery to this Housing capital monitoring budget will be applied in 2014/15 as overseen by the Capital Projects Monitoring Group and with updates provided through regular capital monitoring reports to the Communities Committee.
- 4.6 The revised position covering the estimated 2014/15 Housing capital monitoring budget and the anticipated funding sources is detailed in Table 2 below:

**Table 2**

| 2014/15 Capital Monitoring Budget and Funding    | £m            |
|--|---------------|
| New Build and Shared Equity                      | 3.415         |
| Survive and Thrive                               | 0.233         |
| Regeneration                                     | 0.002         |
| Conversion                                       | 0.025         |
| Heating Installation                             | 3.295         |
| Window Replacement                               | 0.439         |
| Energy Saving                                    | 1.912         |
| Sheltered Housing                                | 0.464         |
| Kitchen Replacement                              | 0.350         |
| Aids and Adaptations                             | 0.520         |
| Improvements                                     | 0.056         |
| Miscellaneous                                    | 1.138         |
| <b>Housing Capital Monitoring Budget 2014/15</b> | <b>11.849</b> |
| Capital receipts                                 | 1.250         |
| CFCR   | 6.172         |
| Borrowing  | 4.194         |
| Borrowing – Survive and Thrive                   | 0.233         |
| <b>Funding 2014/15</b>                           | <b>11.849</b> |

4.7 To reflect the reduced net expenditure position and a projected minor increase in capital receipts, overall borrowing has been reduced by £0.271m from the original rent setting position.

## 5. DISTRIBUTION

5.1 Subject to the approval of the Committee, the 2014/15 Final Capital Budget Volume will be published on the Council's website and Intranet.

## 6. FINANCIAL IMPLICATIONS

6.1 The financial implications for the Council arising from this report are as detailed in the body of the report.

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**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

[Appendix 1](#) – updated 2013/2018 Financial Plan (General Fund)

[Appendix 2](#) – updated 2013/2017 Financial Plan (Housing)