

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 13 MARCH 2018

CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2017/18

REPORT BY THE HEAD OF CORPORATE FINANCE

ABSTRACT

This report appraises members of the capital expenditure incurred for the period from 1 April 2017 to 31 January 2018 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 31 January 2018 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) reflect the Council's corporate priorities and contribute as a whole to the local outcomes contained within the Council Plan and Local Outcome Improvement Plan.

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 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 Finance at the earliest opportunity.
- 3.3 Report 261/17 approved the 2017/18 Final Capital Budget Volume, detailing the 2016/2021 Financial Plan which includes the capital monitoring budget for 2017/18. The 2017/18 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 2017/18 as at 31 January 2018 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2017/18 position of all capital projects.

Table 1 – GROSS Capital Expenditure

Programme	Gross Budget £000	Actual to 31 Jan 2018 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Chief Executive's					
Economic Development	1,614	306	19.0	1,918	(304)
Strategic Policy & Transformation	1,126	768	68.2	1,008	118
Place					
Planning and Place	887	667	75.2	847	40
Regulatory and Protective Services	3,937	1,997	50.7	2,654	1,283
Services to Communities	2,059	746	36.2	1,358	701
Technical and Property Services	12,706	7,945	62.5	11,788	918
People					
Children and Learning	7,421	1,975	26.6	3,488	3,933
Information Technology	615	530	86.2	699	(84)
Adult Services (IJB)	297	276	92.9	392	(95)
Gross Totals	30,662	15,210	49.6	24,152	6,510

Table 2 – NET Capital Expenditure

Programme	Net Budget £000	Actual To 31 Jan 2018 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Chief Executive's					
Economic Development	1,466	282	19.2	1,854	(388)
Strategic Policy and Transformation	963	768	79.8	845	118
Place					
Planning and Place	0	(5)	n/a	0	0
Regulatory and Protective Services	3,868	1,833	47.4	2,361	1,507
Services to Communities	1,128	157	13.9	351	777
Technical and Property Services	11,831	7,825	66.1	10,634	1,197
People					
Children and Learning	2,102	1,071	51.0	959	1,143
Information Technology	70	11	15.7	11	59
Adult Services (IJB)	260	189	72.7	260	0
Net Totals	21,688	12,131	55.9	17,275	4,413

- 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 summaries of gross and net capital expenditure detailed in **Appendix 1** (page 1) or within Tables 1 and 2, above, but will continue to be monitored through the capital monitoring process.
- 4.3 It may be noted from Tables 1 and 2 that actual spend as a percentage of budget is 49.6% on a gross basis and 55.9% on a net basis. For information purposes it is commented that the 2016/17 actual spend outturn was 85.9% (gross) and 91.1% (net).

- 4.4 Members will note that with 10 months (83%) of the financial year gone the actual spend levels presented in Tables 1 and 2 could be considered low, although 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 2018 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 £17.275 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	21,688	17,275	4,413
Borrowing	7,125	5,267	1,858
General capital grant (balance)	11,758	11,758	0
Corporate capital receipts *	500	250	250
Corporate Capital Funded from Current Revenue (balance of loan charges budget) *	2,305	0	2,305
Total funding	21,688	17,275	4,413

* anticipated receipts / corporate revenue funding updated in line with report 64/18 – Long Term Affordability of the General Fund Financial Plan

5 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 5.1 The following table(s) 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 ‘Other Minor Variances’ 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 Executive’s

Table 4 – Economic Development

Project	Gross Under/ (Over)spend £000	Commentary
Montrose South Regeneration	(492)	Road improvements and construction works are running ahead of schedule – resources advanced from 2018/19 to accommodate this.
Digitisation of Business Unit Sites Across Angus	87	Decision taken to deliver Kirkton Business Park and Orchardbank in current year, with remainder of sites programmed for 2018/19.
Brechin Business Park Improvements – Unit 5a	67	Spend slipped into 2018/19 due to legal issues. Overall cost of project has also reduced.
Other minor movements	34	
Gross Under / (Over)spend	(304)	

Table 5 – Strategic Policy & Transformation

Project	Gross Under/ (Over)spend £000	Commentary
Provision for Agile Angus / Estates Review	118	Slippage on the Locality Hub works (Kinloch, Carnoustie; Montrose Road; Reform Street, Kirriemuir), IT and furniture costs – now anticipated to be incurred in 2018/19.
Gross Under / (Over)spend	118	

5.4 **Place****Table 6 – Planning & Place**

Project	Gross Under/ (Over)spend £000	Commentary
Community Links – Cycling Network Infrastructure	40	Underspend projected as project originally identified for taking forward will now be funded through an alternative source.
Gross Under / (Over)spend	40	

Table 7 – Regulatory & Protective Services

Project	Gross Under/ (Over)spend £000	Commentary
Direct Services Projects 2017/18	91	Majority of underspend due to slippage on Montrose Seafront Splash Paddling Pool following a required redesign of the project. Subcontractor works costs not being supplied delayed the pricing of the Knowehead Rest Garden project, which will now slip into 2018/19.
Ground Maintenance Machinery Replacement Programme	57	Cost of equipment lower than budget.
General / Waste Vehicle Replacement Programme	52	Confirmation received that 2 vans will not be delivered prior to end of financial year leading to slippage of spend into 2018/19.
Provision for Zero Waste Implementation – Arbroath / Montrose / Carnoustie	(204)	Overspend due to additional work needed at sites to bring them up to an acceptable standard
Provision for Zero Waste	515	Slipped into 2018/19 due to Council agreement to postpone decisions on recycling centre provision.
Restenneth Landfill Site – Restoration Works	760	Slippage into 2018/19 whilst scope of works being confirmed (following recent signing of contract with MVV). Consultants will be required to give indication of work required.
Other minor movements	12	
Gross Under / (Over)spend	1,283	

Table 8 – Services to Communities

Project	Gross Under/ (Over)spend £000	Commentary
Replacement of Montrose Swimming Pool	50	Overall cost reduction as final account now agreed and all outstanding and final fee payments covered by accrual.
Carnoustie Pitches Development (Shanwell Road)	117	Additional archeological works that need to be undertaken now anticipated to take place in 2018/19.

Library / ACCESS Integration	601	Carnoustie - £130k underspend projected as tender returned lower than budget. Works have now been completed. Montrose – spend rephased following return of tenders and delay to start on site (due to planning application to replace listed building windows), with £488k moving from 17/18 into 18/19. Also, increase in overall cost of project based on tender.
Restoration of Artworks	57	14 paintings / frames will be restored in 17/18, with the remainder slipping into the following year.
Air Conditioning Works at Brechin Community Campus	(40)	New project to improve air conditioning in studio at Brechin Community Campus. Fully funded from 2016/17 revenue carry forward.
Air Conditioning Works at Forfar Community Campus	(65)	New project to improve air conditioning in studio at Forfar Community Campus. Funded from 2016/17 revenue carry forward and Angus Alive contribution.
Other minor movements	(19)	
Gross Under / (Over)spend	701	

Table 9 – Technical & Property Services

Project	Gross Under/ (Over)spend £000	Commentary
Refurbishment Works at Bruce House, Arbroath (Phase 4 – Curtain Wall / Gable)	121	Delays due to Network Rail (building borders on to railway line).
Capitalised Maintenance (Reclassified R&R) - Various Systems / Infrastructure Upgrades / Replacements	61	Cash flow updated based on orders issued and timing of works to suit clients.
Capitalised Maintenance (Reclassified R&R) – Schools & Learning Block Allocation	80	Cash flow updated based on orders issued and requirement for works to be carried out during school holidays.
Capitalised Maintenance (Main Infrastructure Replacement) – Maisondieu Primary School	51	Listed Building Consent awaited. Works programmed for 2018 school summer holidays.
Capitalised Maintenance (Main Infrastructure Replacement) – Arbroath Academy Curtain Walling, Phases 1 & 2	65	Contingency not expended and anticipated final account less than anticipated.
Capitalised Maintenance (Main Infrastructure Replacement) – Saltire Leisure Centre, Upgrade Steel Roof Sheetting	(209)	Additional works to be undertaken, as per tender report. Funding identified for this (including PV panels).
Route Action Plan – Montrose to A90 Road Link	195	Slipped to 2018/19, based on expenditure profile of programme of works as submitted by the consultants
Arbroath Flood Strategy (Brothock Burn / Seawall Projects)	444	Programme delivery revised per committee report 16/18.
Brechin Flood Prevention Scheme	(77)	Overspend due to value of compensation claims which have been higher than anticipated.
Lighting Upgrades / Replacements	(47)	Additional spend to be undertaken (funded from Roads Renewal & Repair Fund).
Local Flood Risk Management Plan	65	Spend slipped due to staff resource issues
Traffic Calming / Road Safety	70	Potential project slipped to 2018/19

Major Drainage Work Schemes/Flooding Works	110	Programme / project slippage of 12%, potential to use for additional resurfacing work being reviewed.
Other minor movements	(11)	
Gross Under / (Over)spend	918	

5.5 People

Table 10 – Children & Learning

Project	Gross Under/ (Over)spend £000	Commentary
Arbroath Schools Project (Phases 2 & 3a)	2,598	The monitoring budget reflects gross expenditure partly offset by income from the Scottish Futures Trust. In practice however, the Scottish Futures Trust will provide funding via the revenue budget there by reducing the capital liabilities falling to Angus Council, as reflected in the projected outturn. Delays in the formal consultation have also been a factor in the underspend.
Early Years & Childcare – 1140 Hours Expansion	363	Spend profile of projects rephased whilst consultation is undertaken on the various options available, thereby ensuring best use of grant funding.
Monifieth Burgh Schools Reconfiguration / Mattocks Primary School Reconfiguration	810	These projects form part of the School Estate Strategy and the budgets have been moved into the 2018/19 to allow time for the various options to be considered.
Early Years Provision in Carnoustie	100	Some slippage as identification of a site has proven difficult, although an appropriate site has now been identified.
Other minor movements	62	
Gross Under / (Over)spend	3,933	

Table 11 – Information Technology

Project	Gross Under/ (Over)spend £000	Commentary
Network Improvement (Radio)	(66)	Unanticipated additional costs have arisen, funded from reallocation of R&R monies following 2017/18 budget setting reclassification exercise.
Wifi Renewal	59	Slippage due to the link this project has with the locality hubs project (Provision for Agile Angus) which has also slipped. This project will now follow the Agile Angus timeline.
Other minor movements	(77)	
Gross Under / (Over)spend	(84)	

5.6 Adult Services (Integrated Joint Board)

Table 12 – Adult Services

Project	Gross Under/ (Over)spend £000	Commentary
Community Meals Hub at County Buildings	(95)	Increased costs relating to asbestos removal, bat colony, discovery / decommissioning of fuel tank, time extension claim and other sundry items.
Gross Under / (Over)spend	(95)	

6 HOUSING CAPITAL MONITORING

- 6.1 Table 13 below sets out for information purposes, a summary of the position on the Housing capital monitoring which was reported to the Communities Committee of 6 February 2018 (report 40/18 refers).

Table 13 – Housing Capital Programme

Expenditure / Funding Source	<i>Monitoring Budget</i> £000	Latest Projection £000	Variance £000
Projected net expenditure	11,874	11,470	404
Borrowing (including Survive & Thrive)	0	0	0
Capital receipts	2,260	2,260	0
Capital Funded From Current Revenue	7,764	7,764	0
Transfer from Earmarked Reserves	1,850	1,446	404
Total funding	11,874	11,470	404

- 6.2 Members may wish to refer to report 40/18 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) took place on 1 February 2018. 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 will take place on 15 March 2018. 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.

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

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List of Appendices:

Appendix 1 – Capital Monitoring Statement