

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 12 MARCH 2019

CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2018/19

REPORT BY THE HEAD OF FINANCE & LEGAL

ABSTRACT

This report appraises members of the capital expenditure incurred for the period from 1 April 2018 to 31 December 2018 and measures projected capital expenditure for the year against budgeted provision.

1 RECOMMENDATION

- 1.1 It is recommended that the Committee reviews and scrutinises the expenditure to date and projected outturn position on the General Fund Capital Programme as per Tables 1 and 2 below and the accompanying capital monitoring statement (**Appendix 1**).

2 ALIGNMENT TO CORPORATE PLAN / LOCAL OUTCOMES IMPROVEMENT PLAN

- 2.1 The projects undertaken through the Council's capital programme reflect the Council's corporate priorities and contribute as a whole to the local outcomes contained within the Corporate Plan and Local Outcomes 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 Finance & Legal 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 Finance & Legal at the earliest opportunity.
- 3.3 Report 256/18 approved the 2018/19 Final Capital Budget Volume, detailing the 2017/2022 Financial Plan which includes the capital monitoring budget for 2018/19. The 2018/19 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 summarise the current position on the overall General Fund capital programme for 2018/19 as at 31 December 2018 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2018/19 position of all capital projects. It may be noted that a line for Angus Alive has been included in both tables as projects relating to buildings and other physical assets occupied / utilised by Angus Alive are now separately identified within the capital programme. Angus Council continues however to own, replace, upgrade and maintain these assets.

Table 1 – GROSS Capital Expenditure

Programme	Gross Budget £000	Actual to 31 Dec 2018 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Chief Executive's Strategic Policy & Economy	974	15	1.5	830	144
Place					
Communities – Planning & Communities	253	37	14.6	184	69
Communities – Environmental Services	3,898	1,125	28.9	3,056	842
Infrastructure – Property Asset	3,192	1,572	49.2	3,064	128
Infrastructure – Roads & Transportation	9,631	5,211	54.1	8,539	1,092
People					
Schools & Learning	6,559	3,108	47.4	6,079	480
Information Technology	1,463	517	35.3	1,501	(38)
Adult Services (IJB)	158	120	75.9	158	0
Angus Alive	1,264	718	56.8	1,250	14
Gross Total	27,392	12,423	45.4	24,661	2,731

Table 2 – NET Capital Expenditure

Programme	Net Budget £000	Actual To 31 Dec 2018 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Chief Executive's Strategic Policy & Economy	855	15	1.8	776	79
Place					
Communities – Planning & Communities	60	0	0.0	0	60
Communities – Environmental Services	2,975	862	29.0	2,301	674
Infrastructure – Property Asset	2,759	1,370	49.7	2,376	383
Infrastructure – Roads & Transportation	8,873	4,956	55.9	7,543	1,330
People					
Schools & Learning	4,500	1,920	42.7	4,320	180
Information Technology	1,145	517	45.2	1,243	(98)
Adult Services (IJB)	108	120	111.1	108	0
Angus Alive	770	569	73.9	761	9
Net Total	22,045	10,329	46.9	19,428	2,617

- 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 45.4% on a gross basis and 46.9% on a net basis. For information purposes it is commented that the 2017/18 actual spend outturn was 75.3% (gross) and 82.3% (net).
- 4.4 Members will note that with 9 months (75%) 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 2019 will be assessed as part of the year end process and expenditure accrued accordingly, hence the reason why spend can increase significantly in the final month of the year.
- 4.5 The projected net expenditure of £19.428 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	22,045	19,428	2,617
Borrowing	9,593	6,873	2,720
General capital grant (balance)	12,202	12,249	(47)
Corporate capital receipts	250	306	(56)
Total funding	22,045	19,428	2,617

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. 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 – Strategic Policy & Economy

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
3	Digitalisation of Business Unit Sites Across Angus	28	Delay due to review that took place to ensure maximum connectivity
4	Angus On The Go – Integrated Transport Hub	50	Slippage due to delay in awaiting sign off of project stages
5	Brechin Business Park Improvements – Unit 5a	67	Lease has still to be signed. Project will slip into 2019/20
	Other Minor Variances	(1)	
	Gross Under / (Over)spend	144	

5.4 Place

Table 5 – Communities – Planning & Communities

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
14	Participatory Budgeting	60	Slippage due to changes to memberships of locality partnerships and requirement for significant lead in time to ensure full engagement with communities on priorities and outcomes
	Other Minor Variances	9	
	Gross Under / (Over)spend	69	

Table 6 – Communities – Environmental Services

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
20	Ground Maintenance Machinery Programme	(62)	Additional machinery replaced in order to ensure service continuity - funded from revenue and additional sales receipts
24	Transfer Area at Restenneth	100	Slipped to 19/20 to focus time and resources on Forfar Recycling Centre redevelopment. Also to provide additional time to review business case for transfer station
25	New Staff Welfare facility at Restenneth	100	Slipped to 19/20 to focus time and resources on Forfar Recycling Centre redevelopment
26	Automation of Weighbridge at Restenneth	30	Costs lower than anticipated
30	Waste Vehicle Replacement Programme	152	Funds brought forward from 19/20 to purchase skips £18k required now due to condition. Screener slipped to 19/20 due to issues with tender
32	Provision for Zero Waste Implementation- Arbroath/Montrose	80	No further spend anticipated as all works now completed at these recycling centres
33	Provision for Zero Waste Implementation	519	Project outturn amended in line with report 264/18 (Review of Recycling Centre Provision)
35	Arrats Mill	(66)	Restoration works of Area 5 completed and payment now due in accordance with contract – funding brought forward from future years
	Other Minor Variances	(11)	
	Gross Under / (Over)spend	842	

Table 7 – Infrastructure – Property Asset

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
38	Masiondiu Primary School – Upgrade Windows Phase 1	77	Deferred due to lead time for windows and need to tie-in with holiday periods and operational requirements. On site during summer holidays 2019.
38	Borrowfield Primary School – Upgrade Electrical Installation to Upper Block	(45)	Project brought forward from Capitalised Maintenance - General
39	Capitalised Maintenance (Reclassified R&R) Various Systems / Infrastructure – Upgrades / Replacements	66	Works deferred to tie-in with holiday periods and operational requirements
45	Provision for Agile Angus/ Estates Review – Locality Hubs/Democratic	217	Programme revised to allow for finalisation of brief to accommodate a wide range of functions under the agile programme
46	Contribution to CCTV upgrade	(95)	Total cost increased which is funded through additional funding contributions
49	South Links Holiday Park Drainage Works	(50)	Reinstatement of partially lower building structure after demolition of upper section
	Other Minor Variances	(42)	
	Gross Under / (Over)spend	128	

Table 8 – Infrastructure – Roads & Transportation

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
54	Carriageway / Footway Reconstruction	(238)	Roads Repair & Renewal Fund residual balance (from prior years contributions), utilised in 2018/19 for funding additional capital works
65	Arbroath flood strategy (Brothock Burn/Seawall Projects)	1,381	This won't be procured until January 2019, therefore spend in 18/19 will be reduced
69	Arbroath Harbour Ballast Quay Repairs	(100)	Emergency repairs after quay wall failure
	Other Minor Variances	49	
	Gross Under / (Over)spend	1,092	

5.5 People

Table 9 – Schools & Learning

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
73	Arbroath Schools Project (Phase 2 &3a) - Ladyloan PS/Muirfield PS	140	It is expected that the projects will incur less expenditure through phase 1 than expected. The higher risk elements with regards to removing asbestos, demolition etc. will commence before the end of March, but will not be completed and as such the costs may not be fully realised
80	Early Learning & Childcare Centre -Carnoustie	200	Re-phasing due to design change. New tenders being issued February for August 2019 start on site
81	Early Learning & Childcare Centre - Forfar	80	Re-phased due to design change/outcome of re-tendering for Carnoustie
83	Early Years Expansion – Block/Outdoor Nursery at Borrowfield PS	35	Property are currently preparing a revised brief. This project is planned for phase 2 of the Early Years Expansion Programme. Only some property fees are expected in 2018/19
91	Provision for Relocation of Temporary Classroom at Muirfield PS	40	The re-phasing of the project is due to the fitting out of the building not taking place until April
	Other Minor Variances	(15)	
	Gross Under / (Over)spend	480	

Table 10 – Information Technology

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
96	Network Infrastructure Renewal	50	Re-profiled to better match premises changes and re-using hardware where possible
98	Software Licencing – Core Components	55	Engagement commenced with supplier has enabled better estimate for 18/19
99	IT Hardware Refresh Programme	130	Current estimate based on agreed technical route taken to undertake refresh and the inventory that needs to be supported. A further reason for the slippage is that the current replacement programme is utilising current assets longer than initially predicted.
105	Cloud Migration for Resilience	60	Re-profiled due to staff working on higher priority projects
107	Equipment purchased for Eclipse	(60)	Underspend within IT Hardware Refresh Programme to be used to fund this equipment.
109	Craigowl Wifi	(160)	Fully completed. Funded from 100% Carry Forward

110	Rural Schools Wifi Rollout	(100)	Re-profiled spend will take place during 19/20 dependant on pace of planning permission and then technical installation
	Other Minor Variances	(13)	
	Gross Under / (Over)spend	(38)	

6 HOUSING CAPITAL MONITORING

- 6.1 Table 11 below sets out for information purposes, a summary of the position on the Housing Revenue Account (HRA) capital monitoring which was reported to the Communities Committee of 12 February 2019 (report 47/19 refers)

Table 11– Housing Capital Programme

Expenditure / Funding Source	<i>Monitoring Budget</i> £000	Latest Projection £000	Variance £000
Projected net expenditure	12,343	8,485	3,858
Borrowing (including Survive & Thrive)	2,001	-	2,001
Capital receipts	1,107	-	1,107
Capital Funded From Current Revenue	8,008	8,008	-
Affordable Housing Reserve	500	477	23
Transfer from Earmarked Reserves	727	0	727
Total funding	12,343	8,485	3,858

- 6.2 Members may wish to refer to report 47/19 for further detail.

7 CAPITAL PROJECTS MONITORING GROUP

- 7.1 The fourth Capital Projects Monitoring Group (CPMG) meeting of the 2018/19 financial year, which took place on 31 January 2019, considered and made recommendations with regard to the proposed 2018/19 capital monitoring budget.
- 7.2 The next meeting of the CPMG will take place on 14 March 2019, where expenditure to date, projected outturns and any necessary remedial action will be discussed. Should members wish to see the full minute of CPMG meetings, these are available from the Democratic & Members Services section of Finance & Legal.

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 / Head of Service 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