

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 27 AUGUST 2019

2019/20 FINAL CAPITAL BUDGET - GENERAL FUND

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report presents to members the updated 2018/2023 General Fund Financial Plan incorporating the 2019/20 capital monitoring budget.

1. RECOMMENDATION

1.1 It is recommended that the Committee:

- (i) approves the contents of the updated 2018/2023 General Fund Financial Plan (attached at **Appendix 1**);
- (ii) approves the requests for additional funding from the general capital contingency totalling £130,000 (paragraph 4.2 refers); and
- (iii) notes that the 2019/20 capital budget represents the Council's approved budget for General Fund capital monitoring purposes.

2. ALIGNMENT TO COUNCIL PLAN / LOCAL OUTCOMES IMPROVEMENT PLAN

2.1 The projects undertaken through the Council's capital programme (as reflected in **Appendix 1**, attached) reflect the Council's corporate priorities and contribute as a whole to the local outcomes within the Council Plan and Local Outcome Improvement Plan.

3. 2019/20 GENERAL FUND CAPITAL MONITORING BUDGET

3.1 At the special meeting of Angus Council on 21 February 2019, the Council approved the 2018/2023 General Fund Financial Plan, incorporating the provisional 2019/20 capital budget of £31.551m (report 59/19 refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2018/19 financial year) was undertaken over the summer months to inform the 2019/20 final capital budget position.

3.2 The updated 2018/2023 General Fund Financial Plan 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). Likewise, general capital grant received from the Scottish Government is not reflected on the face of the financial plan unless it is being utilised to fund third party capital expenditure.

3.4 On a net basis, the revised position covering the estimated capital budget, capital resources and capital borrowing position for 2019/20 is detailed in Table 1 below:

Table 1

2019/20 Capital Monitoring Budget and Funding	Draft Final Capital Budget £m	Provisional Capital Budget (R59/19) £m	Movement £m
Strategic Policy Transformation & Public Sector Reform	0.650	3.204	(2.554)
Communities	2.830	2.599	0.231
Infrastructure	9.513	13.264	(3.751)
Schools & Learning	10.923	10.439	0.484
HR, Digital Enablement, IT & Business Support	0.952	0.833	0.119
Angus Health & Social Care Partnership	0.895	1.184	(0.289)
Angus Alive	0.027	0.028	(0.001)
General Fund Capital Monitoring Budget 2019/20	25.790	31.551	(5.761)
Scottish Government general capital grant	19.524	16.382	3.142
Corporate capital receipts from asset sales	0.100	0.100	-
Estimated borrowing for capital purposes	6.166	15.069	(8.903)
Funding 2019/20	25.790	31.551	(5.761)

3.5 The 2019/20 capital monitoring budget of £25.790m shows a net decrease of £5.761m when compared with the provisional capital budget position reflected in report 59/19 (£31.551m). This is due to movements in departmental capital programmes following the comprehensive review to reflect the impact of final actuals for 2018/19 on forward years and anticipated expenditure on a number of capital projects being re-phased across the years 2019/20 to 2022/23. The most significant movements are:

Strategic Policy Transformation & Public Sector Reform

- slipped expenditure from 2018/19 into 2019/20 on Montrose South Regeneration (+£0.493m)
- slipped expenditure from 2019/20 into 2021/22 on Brechin Business Park Extension (-£3.000m)

Communities

- advancement of Kirriemuir Cemetery Extension works originally planned for 2020/21 (+£0.126m)
- slipped expenditure from 2018/19 into 2019/20 on Provision for Zero Waste Implementation (+£0.177m)
- re-phasing of Waste and General Vehicle Replacement Programmes (-£0.157m)
- slipped expenditure from 2018/19 into 2019/20 on Parks Services Projects, specifically burial ground and play area repairs (+£0.096m)

Infrastructure

- re-phasing of provision for Agile Angus / Estates Review (Locality Hubs) expenditure from 2019/20 to 2020/21 and re-profiling of ring fenced capital receipts (-£1.196m)
- re-phasing of Arbroath Flood Strategy from 2019/20 to 2020/21 (-£3.000m)

Schools & Learning

- slipped expenditure from 2018/19 into 2019/20 on Information & Communications Technology and Arbroath Schools Phases 2 & 3a (+£0.392m)
- additional cost and re-phasing of spend from 2020/21 into 2019/20 on Edzell Primary School Extension (+£0.248m)

Angus Health & Social Care Partnership

- Provision for Complex Care Accommodation has been re-phased over 2019/20 to 2021/22 (-£0.250m).

3.6 The updated estimated borrowing of £6.166m is affordable in terms of the allowances made within the 2019/20 revenue budget for capital financing costs, as reflected in the approved long term affordability strategy (report 62/19 refers). It should be noted that this is a significant drop in estimated borrowing from the capital budget position reflected in report 59/19 – a reduction of some £8.9m. The 2 main reasons for this are:

1. the decrease in expenditure of £5.761m, as noted in paragraph 3.5 above; and
2. an increase in Scottish Government general capital grant for 2019/20 of £3.132m, thereby reducing the borrowing required in that year. Members may recall that the Scottish Government held back general capital grant monies in 2016/17, for distribution at a later date. Whilst the majority of these funds were distributed as part of the 2019/20 finance settlement (and therefore built into the Council's 2019/20 capital budget), the Government did retain some £9m at that time. This £9m related to the flooding element of general capital grant and the Government had to establish how they would be allocating this to councils. It was ultimately decided that it would be done so largely on the basis of approved priority flood schemes and, as Angus Council has Arbroath Flood Strategy in progress and will be expecting further grant monies in future years in this regard, we received £3.132m for that purpose. What this does mean however is that the grant we are due to receive in 2020/21 will be reduced by an equivalent amount – we have essentially just received it a year earlier than anticipated.

The impact of the decreased expenditure and additional grant in 2019/20 will be largely neutral over the current year and 2020/21 – whilst the borrowing level has reduced in 2019/20, all things being equal it will rise by an equivalent amount in 2020/21 as the re-phased spend is incurred and the portion of general capital grant relating to Arbroath Flood Strategy is reduced.

3.7 It should also be noted that some £0.492m of the total borrowing in 2019/20 relates to departmental borrowing, where mechanisms are put in place to ensure the transfer of departmental revenue resources into the Council's capital financing costs budget.

3.8 The comprehensive review exercise of programmed expenditure for 2019/20 and beyond was undertaken by Directors, Service Leaders and Managers with a view to setting a realistic and achievable capital monitoring budget. The monitoring budget was thereafter 'signed off' as being reasonable by members of the Capital Projects Monitoring Group (CPMG). Particular emphasis on delivery to this monitoring budget will be applied in 2019/20 as overseen by the CPMG and the Policy and Budget Strategy Group, with updates provided through regular capital monitoring reports to the Policy & Resources Committee.

4. ADDITIONAL MATTERS FOR NOTING

4.1 Elms, Arbroath and Kirriemuir Cemetery Extensions

Due to problematic ground conditions at the site of the proposed Elms Cemetery extension in Arbroath, Environmental Services will no longer be proceeding with works at this particular location. A new site will require to be found to serve burial ground requirements elsewhere in western Arbroath. In the meantime however, the ongoing works to extend Kirriemuir Cemetery has identified a problem with surface water drainage which requires to be addressed. Environmental Services have sought approval from the CPMG and the Policy & Budget Strategy Group (PBSG) to divert £70,000 of funding from the Elms project to Kirriemuir to allow the Kirriemuir works to progress. This transfer of resources between projects has now been reflected in the updated 2018/2023 Financial Plan.

4.2 Requests for Additional Funding from Capital Contingency

The following requests for additional resources from the Council's general capital contingency were considered at the CPMG at their meeting of 8 August 2019. After review and discussion by the CPMG these were recommended for approval by the P&R Committee:

- Upgrade Changing Areas in Arbroath High Swimming Pool (Schools & Learning) – This is an existing approved priority project within the 2018/2023 Financial Plan which, due to time delays and design changes in the development of the project, is seeking additional funding of £80,000 from the contingency.
- Montrose Splash & Esplanade Coastal Defences (Roads & Transportation) – Following a partial collapse of the coastal defences, £50,000 is being sought to cover emergency repair works that have required to be undertaken, for which no funding is available in the 2018/2023 Financial Plan.

Members are asked to note that the current balance on the general capital contingency is £3.239m and the recommendations above would utilise £0.130m of these. Should members wish to see the full minute of CPMG meetings, these are available from Legal & Democratic Services.

5. DISTRIBUTION

- 5.1 Subject to the approval of the Committee, the updated 2018/2023 Financial Plan (incorporating the 2019/20 capital budget) will be available 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.

**IAN LORIMER
DIRECTOR OF FINANCE**

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.

REPORT AUTHOR: Dawn Johnston
EMAIL: FINANCE@angus.gov.uk

List of Appendices:

Appendix 1 – updated 2018/2023 Financial Plan (General Fund)