

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 8 OCTOBER 2019

CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2019/20

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the capital expenditure incurred for the period from 1 April 2019 to 31 August 2019 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 Director of 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 Directors identify and notify significant potential under and over spends to the Director of Finance at the earliest opportunity.
- 3.3 Report 277/19 approved the 2019/20 Final Capital Budget Volume, detailing the 2018/2023 Financial Plan which includes the capital monitoring budget for 2019/20. The 2019/20 gross and net budgets detailed in Tables 1 and 2 below, and **Appendix 1**, are the budgets against which services 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 2019/20 as at 31 August 2019 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2019/20 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 Aug 2019 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	830	21	2.5	830	0
Communities – Planning & Communities	1,368	19	1.4	1,368	0
Communities – Environmental Services	3,369	252	7.5	2,705	664
Infrastructure – Property Asset	2,808	1,019	36.3	2,846	(38)
Infrastructure – Roads & Transportation	7,808	2,001	25.6	8,088	(280)
Schools & Learning	18,244	4,773	26.2	18,307	(63)
Information Technology	1,209	98	8.1	1,209	0
Angus Health & Social Care Partnership	895	0	0.0	645	250
ANGUS Alive	532	177	33.3	533	(1)
Net Total	37,063	8,360	22.6	36,531	532

Table 2 – NET Capital Expenditure

Programme	Net Budget £000	Actual To 31 Aug 2019 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	650	21	3.2	650	0
Communities – Planning & Communities	200	0	0.0	200	0
Communities – Environmental Services	2,630	184	7.0	2,034	596
Infrastructure – Property Asset	2,508	1,019	40.6	2,521	(13)
Infrastructure – Roads & Transportation	7,005	2,001	28.6	6,883	122
Schools & Learning	10,923	4,779	43.8	10,986	(63)
Information Technology	952	176	18.5	952	0
Angus Health & Social Care Partnership	895	0	0.0	645	250
ANGUS Alive	27	165	611.1	28	(1)
Net Total	25,790	8,345	32.4	24,899	891

- 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 22.6% on a gross basis and 32.4% on a net basis. For information purposes it is commented that the 2018/19 actual spend outturn was 83.0% (gross) and 80.1% (net).
- 4.4 Members will note that with 5 months (42%) 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 2020 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 £24.899 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	25,790	24,899	891
Borrowing	6,166	5,275	891
General capital grant (balance)	19,524	19,524	-
Corporate capital receipts	100	100	-
Total funding	25,790	24,899	891

5 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 5.1 The following table(s) detail those departments / services 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 Director.

5.3 Table 4 – Communities – Environmental Services

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
18	Redesign of Montrose Splash Paddling Pool	75	The specification of this project has changed and a budget bid will be submitted as part of the next budget process. Until the outcome of this is known the project has been put on hold.
19	Replacement of equipment at Montrose Splash Paddling Pool	75	The specification of this project has changed and a budget bid will be submitted as part of the next budget process. Until the outcome of this is known the project has been put on hold.
21	Restenneth Landfill Site – Phase 3b Capping	277	The capping works will be performed in two stages on completion of the construction of the

			two stabilised slopes. Phase 3B/2B/2A will be lined and capped this financial year, phases 1E/2B will be capped 20/21.
28	Parks Services Projects 2018/19	33	Ferryden playpark slipped to 20/21 due to workload.
30	Kirriemuir Cemetery Extension	76	Slipped to 20/21 due to timescales of planning application and subsequent tender submissions.
31	Development of Transfer Area at Restenneth Landfill Site	136	Slipped to 20/21. Property have advised this will not be started until 20/21
	Various	(8)	
	Gross Under / (Over)spend	664	

Table 5 – Infrastructure – Property Asset

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
41	Capitalised Maintenance (Reclassified R&R) - Schools & Learning Block Allocation	(13)	Project's Final Accounts and Fees received
47	Capitalised Maintenance (Main Infrastructure Replacement)	(25)	Fire Safety works required, however this will be funded by a revenue contribution from Schools & Learning
	Gross Under / (Over)spend	(38)	

Table 6 – Infrastructure – Roads & Transportation

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
58	Carriageway/Footway Reconstruction	(230)	Additional grant received from Stirling & Tayside Timber Transport Group
60	Roads Structure Repairs/Strengthening	140	The Service's ability to commission this work has been adversely affected by specialist staff leaving, and a delay in recruiting replacement staff
62	Coastal Protection / River Flood Alleviation	170	Underspend to offset Reservoirs Infrastructure Repairs overspend
72	Reservoirs Infrastructure Repairs	(170)	Agreed full contract over 1 year, not phased over 3 years as initially proposed
74	Arbroath Harbour – Pontoon & Chill Room Installations	(172)	Fully funded by external sources and reserve fund but works of a capital nature
	Other Minor Variances	(18)	
	Gross Under / (Over)spend	(280)	

Table 7 – Schools & Learning

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
78	Provision for Relocation of Temporary Classrooms at Muirfield Primary School	(63)	Underestimated costs of setting up temporary classrooms
	Gross Under / (Over)spend	(63)	

Table 8 – Angus Health & Social Care Partnership

Project Nos.	Project	Gross Under/ (Over)spend £000	
119	Provision for Complex Care Accommodation	250	Delay in project development will result in this expenditure slipping to 2020/21.
	Gross Under / (Over)spend	250	

6 HOUSING CAPITAL MONITORING

- 6.1 Table 9 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 13 August 2019 (report 230/19 refers)

Table 9– Housing Capital Programme

Expenditure / Funding Source	<i>Monitoring Budget</i> £000	Latest Projection £000	Variance £000
Projected net expenditure	18,535	18,535	-
Borrowing (including Survive & Thrive)	7,289	7,289	-
Capital receipts	1,475	1,475	-
Capital Funded From Current Revenue	8,451	8,451	-
Affordable Housing Reserve	500	500	-
Transfer from Earmarked Reserves	820	820	-
Total funding	18,535	18,535	-

- 6.2 Members may wish to refer to report 230/19 for further detail.

7 CAPITAL PROJECTS MONITORING GROUP

- 7.1 The first Capital Projects Monitoring Group (CPMG) meeting of the 2019/20 financial year, which took place on 8 August 2019, considered and made recommendations with regard to the proposed 2019/20 capital monitoring budget.
- 7.2 The next meeting of the CPMG will take place on 10 October 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 Legal & Democratic Services.

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 Director where considered appropriate.

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DIRECTOR OF FINANCE

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