

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 26 NOVEMBER 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 30 September 2019 and measures projected capital expenditure for the year against budgeted provision.

1 RECOMMENDATION

1.1 It is recommended that the Committee:

- (i) 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**)
- (ii) approves the request for additional funding from the general capital contingency totalling £127,000 for Montrose Seafront Splash Zone (paragraph 6.1 refers).

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 30 September 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 30 Sept 2019 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	830	21	2.5	810	20
Communities – Planning & Communities	1,368	19	1.4	1,368	0
Communities – Environmental Services	3,369	480	14.2	2,698	671
Infrastructure – Property Asset	2,808	1,237	44.1	2,846	(38)
Infrastructure – Roads & Transportation	7,808	2,512	32.2	7,755	53
Schools & Learning	18,244	6,802	37.3	18,204	40
Information Technology	1,209	129	10.7	998	211
Angus Health & Social Care Partnership	895	0	0.0	606	289
ANGUS Alive	532	180	33.8	650	(118)
Net Total	37,063	11,380	30.7	35,935	1,128

Table 2 – NET Capital Expenditure

Programme	Net Budget £000	Actual To 30 Sept 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	412	15.7	2,416	214
Infrastructure – Property Asset	2,508	1,237	49.3	2,521	(13)
Infrastructure – Roads & Transportation	7,005	2,512	35.9	6,542	463
Schools & Learning	10,923	6,401	58.6	10,882	41
Information Technology	952	207	21.7	741	211
Angus Health & Social Care Partnership	895	0	0.0	606	289
ANGUS Alive	27	167	618.5	145	(118)
Net Total	25,790	10,957	42.5	24,703	1,087

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 30.7% on a gross basis and 42.5% 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 6 months (50%) 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 £24.703 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	24,703	1,087
Borrowing	6,166	5,079	1,087
General capital grant (balance)	19,524	19,524	-
Corporate capital receipts	100	100	-
Total funding	25,790	24,703	1,087

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	Project on hold due to request for additional funding being considered at P&R committee, as agreed at last CPMG
19	Replacement of equipment at Montrose Splash Paddling Pool	75	Project on hold due to request for additional funding being considered at P&R committee as agreed at last CPMG
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 due to resources being directed to other prioritised projects in the current year.
	Various	(1)	
	Gross Under / (Over)spend	671	

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
54	Arbroath Flood Strategy (Brothock Burn/ Seawall Projects)	349	Project slippage to 2020/21 per report to Communities Committee 12 November 2019
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	(180)	Fully funded by external sources and Arbroath Harbour Reserve Fund but works of a capital nature
	Other Minor Variances	(26)	
	Gross Under / (Over)spend	53	

Table 7 – Schools & Learning

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
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78	Provision for Relocation of Temporary Classrooms at Muirfield Primary School	(73)	Underestimated costs of setting up temporary classrooms
79	Provision Towards Extension at Edzell Primary School	114	This is due to a minor adjustment to the phasing of this project
87	Early Learning & Childcare Centre, Carnoustie	143	This project was recently the subject of a tendering exercise. The total estimated costs and re-phased expenditure position reflects the result of this exercise
88	Early Learning & Childcare Centre, Forfar	(144)	This project was recently the subject of a tendering exercise. The total estimated costs and re-phased expenditure position reflects the result of this exercise
Gross Under / (Over)spend		40	

Table 8- Information Technology

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
103	Corporate Infrastructure Renewal	40	Data Centre Resilience Programme investment is less than anticipated in 19/20
104	Network Infrastructure Renewal	40	Delays in Agile Programme rollout will result in lower expenditure in 19/20
112	IT Hardware Refresh Programme	121	Significant programme of upgrade to Solid State Drive and Windows 10 to current end user devices has meant less investment required in 19/20
	Other minor variances	10	
Gross Under / (Over)spend		211	

Table 9 – Angus Health & Social Care Partnership

Project Nos.	Project	Gross Under/ (Over)spend £000	
119	Provision for Complex Care Accommodation	250	Agreed there will be no capital spend in 19/20 and will be rolled over into future years. The Service is considering what works will be undertaken in 20/21 but this is likely to include improvement works at Seaton Grove at an initial estimate of under £200k.
120	Analogue to Digital Community Alarm	39	The Service reviewed projected spend for 19/20 and believes £106k to be a good estimate. The underspend will be transferred to 20/21
Gross Under / (Over)spend		289	

Table 10 – ANGUS Alive

Project Nos.	Project	Gross Under/ (Over)spend £000	
122	Forfar Library	(117)	New radio frequency identification self-service system to be procured

			and installed in 19/20 – brought forward from later years
	Other Minor Variances	(1)	
	Gross Under / (Over)spend	(118)	

6 REQUEST FOR ADDITIONAL FUNDING FROM CAPITAL CONTINGENCY – MONTROSE SEAFRONT SPLASH ZONE

- 6.1 A request for additional resources from the Council's general capital contingency was considered by the Capital Projects Monitoring Group (CPMG) at their meeting of 10 October 2019 - £127,000 for Montrose Seafront Splash Zone. An allowance of £150,000 is already built in to the current capital programme for the redesign and replacement of the existing pool, however a recent option appraisal exercise concluded an accessible, family-friendly 'splash pad' type facility was preferable to a traditional pool. Estimated to cost £277,000, and following 3 unsuccessful bids for external funding, a request was made to fund the £127,000 shortfall from the corporate contingency.
- 6.2 After review and discussion by CPMG, it was concluded that the request for resources to meet the £127,000 funding shortfall be presented to the Policy & Resources Committee for approval.
- 6.3 Members are asked to note that the current balance on the general capital contingency is £3.109m and the recommendation above would reduce this to £2.982m.

7 HOUSING CAPITAL MONITORING

- 7.1 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 November 2019 (report 369/19 refers)

Table 11 – Housing Capital Programme

Expenditure / Funding Source	<i>Monitoring Budget</i> £000	Latest Projection £000	Variance £000
Projected net expenditure	18,535	15,370	3,165
Borrowing (including Survive & Thrive)	7,289	4,124	3,165
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	15,370	-

- 7.2 Members may wish to refer to report 369/19 for further detail.

8 CAPITAL PROJECTS MONITORING GROUP

- 8.1 The second Capital Projects Monitoring Group (CPMG) meeting of the 2019/20 financial year, which took place on 10 October 2019, considered and made recommendations with regard to the proposed 2019/20 capital monitoring budget.
- 8.2 The next meeting of the CPMG will take place on 28 November 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.

9 FINANCIAL IMPLICATIONS

- 9.1 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.

IAN LORIMER
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