

ANGUS COUNCIL

INFORMATION REPORT - CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2019/20

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the capital expenditure incurred for the period from 1 April 2019 to 29 February 2020 and measures projected capital expenditure for the year against budgeted provision.

1 ALIGNMENT TO CORPORATE PLAN / LOCAL OUTCOMES IMPROVEMENT PLAN

- 1.1 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.

2 BACKGROUND

- 2.1 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.
- 2.2 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.
- 2.3 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.

3 CURRENT POSITION

- 3.1 Tables 1 and 2 below summarise the current position on the overall General Fund capital programme for 2019/20 as at 29 February 2020 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 29 Feb 2020 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	830	26	3.1	60	770
Communities – Planning & Communities	1,318	19	1.4	807	511
Communities – Environmental Services	3,369	928	27.5	2,117	1,252
Infrastructure – Property Asset	2,808	2,220	79.1	2,515	293
Infrastructure – Roads & Transportation	7,858	5,005	63.7	7,443	415
Schools & Learning	18,244	13,217	72.4	16,205	2,039
Information Technology	1,209	287	23.7	505	704
Angus Health & Social Care Partnership	895	23	2.6	23	872
ANGUS Alive	532	348	65.4	334	198
Gross Total	37,063	22,073	59.6	30,009	7,054

Table 2 – NET Capital Expenditure

Programme	Net Budget £000	Actual To 29 Feb 2020 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	650	20	3.1	12	638
Communities – Planning & Communities	200	0	0.0	0	0
Communities – Environmental Services	2,630	830	31.6	1,788	842
Infrastructure – Property Asset	2,508	2,215	88.3	2,350	158
Infrastructure – Roads & Transportation	7,005	4,936	70.5	6,394	611
Schools & Learning	10,923	9,667	88.5	9,334	1,589
Information Technology	952	287	30.1	505	447
Angus Health & Social Care Partnership	895	23	2.6	23	872
ANGUS Alive	27	311	1,151.9	15	12
Net Total	25,790	18,289	70.9	20,421	5,369

3.2 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

- 3.3 It may be noted from Tables 1 and 2 that actual spend as a percentage of budget is 59.6% on a gross basis and 70.9% 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).
- 3.4 Members will note that with 11 months (91.67%) of the financial year gone the actual spend levels presented in Tables 1 and 2 is low. Although historically around 10% of capital spend comes through as accruals at the year end this will be impacted to some extent this year by COVID-19 and the lockdown arrangements which began in late March. 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.
- 3.5 The projected net expenditure of £20.421 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	20,421	5,369
Borrowing	6,166	797	5,369
General capital grant (balance)	19,524	19,524	-
Corporate capital receipts	100	100	-
Total funding	25,790	20,421	5,369

Impact of Covid-19 on General Fund Capital Programme

- 3.6 The impact that the national lockdown will have on the capital programme is currently being assessed by officers. All property / construction related capital projects have been closed down following correspondence with the contractors, including schools and HRA as they are not deemed to be essential. Planned maintenance projects are generally in the same situation, however a number of key contracts have been identified, with emergency repair works continuing to be carried out to houses and operational buildings as well as the carrying out of statutory servicing (e.g. gas servicing, legionella, etc.).
- 3.7 With regard to the roads programme, all non-essential capital works of an infrastructure nature have been paused or deferred. It is vital however that the roads network is kept in a safe condition so as to allow other essential services to continue to operate so some works may be required to continue going forward.
- 3.8 Given the timing of these events occurring so close to the end of the financial year, the impact this will have on expenditure to 31 March 2020 is expected to be relatively limited. Projects / programmes will be valued up to the point work stopped, with the associated invoices being paid or, where necessary, accrued in 2019/20. The longer term impact is harder to assess however, both in terms of additional costs and phasing of expenditure, and members will be updated on this once further information is available.

4 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 4.1 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.
- 4.2 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.

4.3 **Table 4 – Strategic Policy & Economy**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
1	Montrose South Regeneration	488	Still waiting on date for Lands Tribunal. Due to uncertainty around the Land Tribunal and in order to free up resources for other pressing projects, consideration to be given to funding this from the corporate capital contingency as and when required.
5	Angus on the Go – Integrated Transport Hub	225	Delay due to original tenders being too high and project having to be retendered. Funding approval has been received for the re-worked scheme. Project will be on site in April 2020.
	Other Minor Variances	57	
	Gross Under / (Over)spend	770	

Table 5 – Communities – Planning & Communities

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
11	Participatory Budgeting	200	Delays to voting on projects will lead to funding being issued in March 2020. Resource, process and procedural pressures will mean it will not be possible for all monies to be issued by the end of the financial year. The underspend will be allocated to identified projects and will be issued as soon as possible after the financial year end. As the project bids have been largely revenue in nature, this project has now been reclassified accordingly.
12	Town Centre Fund	311	Projects have been identified, but not all spend is possible within 2019/20 due to a number of factors including design work and already established project timescales. The underspend has been allocated to identified projects. The Government has recently provided an extension of the deadline for provision of the grants to September 2021.
	Gross Under / (Over)spend	511	

Table 6 – Communities – Environmental Services

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
18	Replacement of Splash Montrose	135	Project was put on hold due to additional funding being required. This was approved by the P&R Committee on 26 November.
20	Restenneth Landfill Site – Phase 3b Capping	527	Continued dialogue with regulatory bodies and requirement to adjust our final detailed design drawing for

			the site to address drainage issues.
29	Kirriemuir Cemetery Extension	120	Slipped to 2020/21 due to timescales of planning application and subsequent tender submissions.
30	Development of Transfer Area at Restenneth Landfill Site	136	Slipped to 2020/21 due to resources being directed to other prioritised projects in the current year.
31	New Staff Welfare Facility at Restenneth landfill Site	100	Due to prioritisation of schools project and the lead time for delivery of a portacabin this will slip to 20/21.
36	Parks Services Projects 19/20	73	Slipped to 2020/21 - unable to complete due to service currently prioritising fee earning revenue work.
	Other Minor Variances	161	
	Gross Under / (Over)spend	1,252	

Table 7 – Infrastructure – Property Asset

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
44	Contribution to CCTV upgrade	230	Contract on hold with Dundee City Council.
47	Capitalised Maintenance (Supplementary Budget Allocation)	148	Works adjusted to reflect school holidays and revenue funding available from planned maintenance budget.
48	Provision for Agile Angus/Estate Review- Locality Hubs (Information Technology)	80	Expenditure on Information Technology moved to 20/21 to align with the completion of works programme.
	Other Minor Variances	(165)	
	Gross Under / (Over)spend	293	

Table 8 – Infrastructure – Roads & Transportation

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
53	Arbroath Flood Strategy (Brothock Burn/ Seawall Projects)	319	Project slippage to 2020/21 per report to Communities Committee of 12 November 2019.
57	Carriageway/Footway Reconstruction	(230)	Spend increased in line with additional grant received from Stirling & Tayside Timber Transport Group.
59	Roads Structure Repairs/Strengthening	193	The service's ability to commission this work has been adversely affected by specialist staff leaving, and a delay in recruiting replacement staff.
61	Coastal Protection / River Flood Alleviation	225	Underspend to partially offset Reservoirs Infrastructure Repairs overspend.
62	Traffic Calming/ Road Safety	(96)	Additional works undertaken at Westway, Arbroath.
68	Conversion to LED Street Lighting	253	Project slipped to 2020/21 due to staff resource issue related to the transition of the street lighting team to a partnership with Dundee, Perth & Kinross Councils and Tayside

			Contracts.
71	Reservoirs Infrastructure Repairs	(210)	Agreed full contract over 1 year, not phased over 3 years as initially proposed.
73	Arbroath Harbour – Pontoon & Chill Room Installations	(184)	New project introduced part way through year - fully funded by external sources and Arbroath Harbour Reserve Fund.
	Other Minor Variances	145	
	Gross Under / (Over)spend	415	

Table 9 – Schools & Learning

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
78	Arbroath Schools Project – Phases 2 & 3a	1,060	The project has been rephrased as the potential risks in Phases 1 & 2 have not yet materialised, although the asbestos and demolition risks are still present.
79	Provision for Relocation of Temporary Classrooms at Muirfield Primary School	(92)	The relocation of temporary classrooms to Edzell Primary School was significantly more expensive than first envisaged.
80	Provision Towards Extension at Edzell Primary School	364	This is due to adjustments to the phasing of this project. The contractor is on programme however expenditure in 2019/20 is lower than expected.
82	Arbroath Academy Synthetic Pitch	93	This project has been delayed as the funding package is still being finalised.
84	Upgrade Changing Areas in Arbroath High School Swimming Pool	80	The phasing of this project has been adjusted following delays due to structural issues.
88	Early Learning & Childcare Centre, Carnoustie	452	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 and recent delays on-site.
89	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.
94	Early Years Expansion – Extension / Outdoor Nursery at Lochside Primary School	66	The phasing has been revised to reflect the internal alteration works to the school which will now be undertaken in 2020 summer holidays.
100	Early Years Expansion – Catering Adaptations	200	Plans are currently being finalised. Spend is likely to be incurred in 2020/21.
101	Alterations to Production Kitchens for Tayside Meals Centre	100	Work to house the new equipment will likely be required in 2019/20, however the majority of spend will be incurred in 2020/21.
	Other Minor Variances	(140)	Predominantly relates to a number of projects that have incurred property fees, however are programmed to start in 2020/21.
	Gross Under / (Over)spend	2,039	

Table 10 – Information Technology

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
118	Software Licensinig – Core Components	300	Underspend relates to the roll-out of Office 365 which is currently ongoing. Decision taken during 2019/20 financial year that the nature of spend associated with Office 365 should be treated for accounting purposes under revenue rather than capital, hence the apparent underspend against the capital budget originally allocated for the project.
121	Edzell wifi – Bulg Hill	70	Budgets to be re-aligned as an alternative approach is to be taken following discussions with British Telecom.
122	Rural Schools Wifi Rollout	53	Budgets to be re-aligned as alternative approach to be taken following discussions with British Telecom.
123	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 2019/20.
124	Cloud Migration for Resilience	60	Budgets to be re-aligned as an alternative is to be taken following discussions with British Telecom.
	Other Minor Variances	100	
	Gross Under / (Over)spend	704	

Table 11 – Angus Health & Social Care Partnership

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
129	Provision for The Gables Replacement	500	Delay in obtaining a signed agreement and the required financial spend information along with the current COVID 19 situation.
130	Provision for Complex Care Accommodation	250	Agreed there will be no capital spend in 2019/20 and will be rolled over into future years. The Service is considering what works will be undertaken in 2020/21 but this is likely to include improvement works at Seaton Grove at an initial estimate of under £200k.
131	Analogue to Digital Community Alarm	122	The Service reviewed projected spend for 2019/20 and the work to upgrade the control room won't happen until April. Purchased additional alarms at a cost of £10k in 2019/20 and the slippage will be transferred to 2020/21.
	Gross Under / (Over)spend	872	

Table 12 – ANGUS Alive

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
137	Leisure/Cultural Equipment Replacement Programme	197	R&R spend has been held pending investment into the facilities through the partnership with Alliance Leisure. Preparatory work has not yet progressed to a stage where any expenditure has taken place or is yet planned.
	Other Minor Variances	1	
	Gross Under / (Over)spend	198	

5 HOUSING CAPITAL MONITORING

- 5.1 Table 13 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 11 February 2020 (report 42/20 refers)

Table 13 – Housing Capital Programme

Expenditure / Funding Source	Monitoring Budget £000	Latest Projection £000	Variance £000
Projected net expenditure	18,535	14,314	4,221
Borrowing (including Survive & Thrive)	7,289	1,887	5,402
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	2,001	(1,181)
Total funding	18,535	14,314	4,221

- 5.2 Members may wish to refer to report 42/20 for further detail.

6 CAPITAL PROJECTS MONITORING GROUP

- 6.1 The fifth Capital Projects Monitoring Group (CPMG) meeting of the 2019/20 financial year, which took place on 12 March 2020, considered and made recommendations with regard to the proposed 2019/20 capital monitoring budget.
- 6.2 The final meeting of the CPMG for the 2019/20 financial year is scheduled for 4 June 2020, where actual expenditure against budget will be reviewed. Should members wish to see the full minute of CPMG meetings, these are available from the Democratic & Members Services section of Legal & Democratic Services.

7 FINANCIAL IMPLICATIONS

- 7.1 The financial implications for the Council arising from this report are as detailed in the body of the report.

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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