

**ANGUS COUNCIL**

**POLICY & RESOURCES COMMITTEE – 8 DECEMBER 2020**

**CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2020/21**

**REPORT BY THE DIRECTOR OF FINANCE**

**ABSTRACT**

This report appraises members of the capital expenditure incurred for the period from 1 April 2020 to 31 October 2020 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 COUNCIL PLAN / COMMUNITY 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 Council Plan and the Community 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 212/20 to Angus Council on 10 September 2020 approved the 2020/21 Final Capital Budget Volume, detailing the updated 2019/2024 Capital Plan which includes the capital monitoring budget for 2020/21. The 2020/21 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. Report 212/20 also provided detail of the strategy that has been put in place to fund the financial impact of the COVID-19 pandemic.

**4. CURRENT POSITION**

- 4.1 Tables 1 and 2 below summarise the current position on the overall general fund capital programme for 2020/21 as at 31 October 2020 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2020/21 position of all capital projects. It may be noted that a line for ANGUSalive has been included in both tables as projects relating to buildings and other physical assets occupied / used by ANGUSalive 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 Oct 2020 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	957	7	0.7	957	0
Communities – Planning & Communities	1,154	140	12.1	1,498	(344)
Communities – Environmental Services	3,927	377	9.6	3,954	(27)
Infrastructure – Property Asset	1,153	319	27.7	907	246
Infrastructure – Roads & Transportation	13,123	1,322	10.1	11,965	1,158
Schools & Learning	10,695	4,496	42.0	10,068	627
Information Technology	1,253	248	19.8	763	490
Angus Health & Social Care Partnership	1,009	13	1.3	437	572
ANGUSalve	576	19	3.3	136	440
<b>Net Total</b>	<b>33,847</b>	<b>6,941</b>	<b>20.5</b>	<b>30,685</b>	<b>3,162</b>

**Table 2 – NET Capital Expenditure**

Programme	Net Budget £000	Actual To 31 Oct 2020 £000	Actual Against Budget %	Latest Year End Estimate £000	Projected Under / (Over) Spend £000
Strategic Policy & Economy	610	7	1.1	610	0
Communities – Planning & Communities	0	0	n/a	0	0
Communities – Environmental Services	3,799	218	5.7	3,554	245
Infrastructure – Property Asset	355	319	89.9	601	(246)
Infrastructure – Roads & Transportation	10,587	1,302	12.3	9,253	1,334
Schools & Learning	2,622	4,722	180.1	2,473	149
Information Technology	1,035	271	26.2	545	490
Angus Health & Social Care Partnership	1,004	13	1.3	432	572
ANGUSalve	114	0	0.0	105	9
<b>Net Total</b>	<b>20,126</b>	<b>6,852</b>	<b>34.0</b>	<b>17,573</b>	<b>2,553</b>

4.2 A small number of 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 With seven months (58.33 per cent) of the financial year gone the actual spend levels presented in Tables 1 and 2 are extremely low, at 20.5 per cent on a gross basis and 34.0 per cent on a net basis respectively. This unprecedented low level of actual expenditure to date is a direct result of the lockdown imposed during the COVID-19 pandemic, in particular the

shutdown of the construction industry and the delay in reopening sites (which must be compliant with new protocols introduced to ensure the health and safety of personnel on site).

- 4.4 Furthermore around 10 per cent of capital spend comes through as accruals at the year end. The value of work completed up to 31 March 2021 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. It should also 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. For information purposes, the 2019/20 actual spend outturn was 75.9 per cent (gross) and 80.4 per cent (net).
- 4.5 The projected net expenditure of £17.573 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	<i>Monitoring Budget £000</i>	<b>Latest Projection £000</b>	Variance £000
Projected net expenditure	20,126	<b>17,573</b>	2,553
Borrowing	6,289	<b>3,736</b>	2,553
General capital grant (balance)	12,084	<b>12,084</b>	-
CFCR (Balance of Special Repayments)	1,042	<b>1,042</b>	-
Corporate capital receipts	711	<b>711</b>	-
Total funding	20,126	<b>17,573</b>	2,553

- 4.6 Report 212/20 to Angus Council on 10 September approved a number of measures for dealing with any unavoidable additional costs beyond current budget allowances which may arise in the months ahead, including the use of the capital contingency and the Seagreen Wind Energy capital receipt.
- 4.7 In summary, the strategy now in place ensures that:
- budgets are adjusted where currently needed, but not before;
  - there is an agreed approach to managing and funding cost increases which may arise in the coming months;
  - a reasonable level of capital contingency is retained; and
  - compensating savings being required on a large scale, which may hurt service provision and the wider economy, are avoided.
- 4.8 As part of the capital monitoring process going forward, departmental officers are required to specifically highlight any additional known costs coming through (or those that can be reasonably estimated based on the provisions in the contract) as a direct result of the pandemic, in order for the appropriate funding to be applied. Any such costs will be reported through the regular capital budget monitoring reports submitted to this committee. No additional costs were highlighted during this particular round of capital monitoring.
- 4.9 Members may be aware of the loans fund review that has been undertaken in conjunction with treasury advisors Link Asset Services. This review was due to report to Angus Council on 17 December 2020, and thereafter be implemented as part of the 2020/21 year end accounts process. The finalisation of the loans fund review has been deferred in light of the fiscal flexibilities being provided by the Scottish Government to support the impact of the COVID-19 pandemic, specifically that relating to the loan repayment holiday which may be permitted in either 2020/21 or 2021/22. Finance officers are currently assessing how the loans fund review could work alongside the repayment holiday fiscal flexibility and will report back on this in due course.
- 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). While 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 Planning & Communities**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
9	Town Centre Fund	(387)	Further grant awarded. Although all grant will be committed by 31 March 2021 some expenditure will fall into financial year 2021/22
	Other Minor Variances	43	
	<b>Gross Under / (Over)spend</b>	<b>(344)</b>	

**Table 5 – Communities – Environmental Services**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
23	Waste Vehicle Replacement Programme 2020/21	(93)	Capital receipts of £93k will be used to cover expected increased costs.
24	General Vehicle Replacement Programme 2020/21	(43)	Capital receipts of £43k will be used to cover expected increased costs.
25	Future Burial Provision, Arbroath	141	Slipped to next year as still in the process of identifying and purchasing land. This is taking longer than first anticipated
29	Restenneth Landfill Site – Restoration Works	90	Restoration will not start until next year due to prolonged discussion with SEPA and Revenues Scotland regarding agreement to the closure and restoration plan for site.
31	Parks Services Projects 2020/21	(92)	Base budget is insufficient for Parks to complete required projects. Revenue budget funds will fully fund the overspend.
	Other Minor Variances	(30)	
	<b>Gross Under / (Over)spend</b>	<b>(27)</b>	

**Table 6 – Property Asset**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
43	Provision for Agile Angus/Estates Review – Locality Hubs/ Democratic	165	Furniture requirements have been reduced, however the funding has been used to offset additional costs identified on the buildings as works have progressed.
	Other Minor Variances	81	
	<b>Gross Under / (Over)spend</b>	<b>246</b>	

**Table 7 – Infrastructure – Roads & Transportation**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
54	Carriageway/Footway Reconstruction	(500)	Additional spend on surface dressing cost will be met from Revenue Budget funds
55	Road Structure Repairs/ Strengthening	220	Limited staff resource to design, award and deliver work within timescale.
57	Coastal Protection/River Flood Alleviation	113	Limited staff resources to design, award and deliver work within timescale.
61	Route Action Plan – Montrose to A90 Link Road	1,039	The original phasing of this project allowed for an initial phase of construction works in this year. This has been deferred based on the developing transport appraisal and design development per schedule 1 of report 368/19. A more substantive re-profiling of the updated capital budget is required and will be reported to committee in due course, once the preferred route(s) stage has been reached, (which is forecast to be so by the end of 2020/21).
64	Arbroath Active Travel Active Town	452	Project re-profiled due to delays caused by COVID-19
	Other Minor Variances	(166)	
	<b>Gross Under / (Over)spend</b>	<b>1,158</b>	

**Table 8 – Schools & Learning**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
93	EY Expansion – Contribution to Monifieth Cluster	500	This project has been re-phased to align with other proposals for the Monifieth school estate.
	Other Minor Variances	127	
	<b>Gross Under / (Over)spend</b>	<b>627</b>	

**Table 9 – Information Technology**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
111	DSE IT Provision work from home	320	Due to the impact of COVID-19 on the global supply chain, some expenditure will be deferred until 2021/21
	Other Minor Variances	170	
	<b>Gross Under / (Over)spend</b>	<b>490</b>	

**Table 10 – Angus Health & Social Care Partnership**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
114	Provision for The Gables Replacement	500	The project timeline has slipped due to unexpected issues.
116	Analogue to Digital Community Alarm	72	Further delay to control upgrade due to COVID-19 and re-profiling of spend
	<b>Gross Under / (Over)spend</b>	<b>572</b>	

**Table 11 – ANGUSalve**

Project Nos.	Project	Gross Under/ (Over)spend £000	Commentary
122	Leisure / Cultural Equipment Replacement Programme 19/20	179	Due to current circumstances surrounding COVID-19, it is now anticipated that there will be zero spend from the R&R fund for this year.
123	Leisure / Cultural Equipment Replacement Programme 20/21	220	Due to current circumstances surrounding COVID-19, it is now anticipated that there will be zero spend from the R&R fund for this year.
	Other Minor Variances	41	
	<b>Gross Under / (Over)spend</b>	<b>440</b>	

## 6. HOUSING CAPITAL MONITORING

- 6.1 Table 12 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 29 September 2020 (report 240/20 refers).

**Table 12– Housing Capital Programme**

Expenditure / Funding Source	<i>Monitoring Budget</i> £000	<b>Latest Projection</b> £000	Variance £000
Projected net expenditure	13,943	<b>13,943</b>	-
Borrowing (including Survive & Thrive)	4,861	<b>4,861</b>	-
Capital receipts	-	-	-
Capital Funded from Current Revenue	8,231	<b>8,231</b>	-
Affordable Housing Reserve	500	<b>500</b>	-
Transfer from Earmarked Reserves	351	<b>351</b>	-
Total funding	13,943	<b>13,943</b>	-

- 6.2 Members may wish to refer to report 240/20 for further detail.

## 7. CAPITAL PROJECTS MONITORING GROUP

- 7.1 The first Capital Projects Monitoring Group (CPMG) meeting of the 2020/21 financial year, which took place on 6 August 2020, considered and made recommendations regarding the updated 2019/2024 Capital Plan and proposed 2020/21 capital monitoring budget.
- 7.2 The third meeting of the CPMG took place on 26 November 2020, where expenditure to date, projected outturns and any necessary remedial action were 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