

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 31 AUGUST 2021

2021/22 FINAL CAPITAL BUDGET - GENERAL FUND

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report presents to members the updated 2020/2025 General Fund Capital Plan, incorporating the 2021/22 capital monitoring budget.

1. RECOMMENDATION

1.1 It is recommended that the Committee:

- (a) notes the contents of this report and that there remains a degree of uncertainty around the financial impact the current market volatility could have on the capital programme which may continue for some time;
- (b) approves the contents of the updated 2020/2025 General Fund Capital Plan (attached at **Appendix 1**);
- (c) approves the requests for additional funding totalling £152,000 (paragraph 5.2 refers); and
- (d) notes that the 2021/22 capital budget represents the Council's approved budget for General Fund capital monitoring purposes.

2. ALIGNMENT TO COUNCIL PLAN / COMMUNITY PLAN

2.1 The projects undertaken through the Council's capital programme (as detailed in **Appendix 1**, attached) reflect the Council's corporate priorities and contribute as a whole to the specific targets and objectives within the Council Plan and the Community Plan.

3. BACKGROUND

3.1 At the special meeting of Angus Council on 4 March 2021, the Council approved the 2020/2025 General Fund Capital Plan, incorporating the provisional 2021/22 capital budget of £26.321m (report 71/21 refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2020/21 financial year) was undertaken over the summer months to inform the 2021/22 final capital budget position.

3.2 This is usually a straightforward exercise however the COVID-19 pandemic significantly impacted the capital programme in 2020/21 resulting in delays on a number of projects, and it will continue to affect capital projects in 2021/22 and future financial years. Alongside Brexit and general disruption in world supply markets, the pandemic is one of the reasons for the materials supply issues and price volatility that the construction industry in particular is currently experiencing.

3.3 This update exercise therefore also intended to capture, both in terms of timescales and costs, any continuing impact from the COVID-19 pandemic as well as the materials supplies and price volatility issues that are currently being experienced. Officers were also provided the opportunity to submit bids requesting additional funding from the capital contingency where project costs were expected to increase as part of this process.

3.4 The Capital Projects Monitoring Group (CPMG) met on 5 August 2021 to review the updated capital plan and to scrutinise and challenge the officers in attendance on their proposed spending plans in

terms of robustness and achievability. A number of amendments to the phasing of project expenditure were made as a result of this. CPMG also reviewed the bids for additional funding that were submitted and provided a proposed approach to the Policy & Budget Strategy Group (PBSG) in this regard.

- 3.5 The updated capital plan and funding bids were thereafter considered by the PBSG and are included in this report for approval.

4. UPDATED CAPITAL RESOURCES POSITION

- 4.1 Updated estimated capital resources totalling £112.361 million over the 5 year period of the 2020/2025 Capital Plan are detailed in Table 1 below, alongside a comparison of the Provisional Budget Volume position approved at March's budget setting meeting (reports 71/21 and 76/21 refer).

Table 1

	Updated Resource Position £m	Total Resources Per R76/21 £m	Increase / (Decrease) £m
Scottish Government general capital grant	54.020	54.258	(0.238)
Corporate capital receipts (from sale of assets)	3.090	3.269	(0.179)
CFCR (via Special Repayment Strategy)	1.326	1.326	-
Corporate Capital Fund contribution	2.850	-	2.850
Corporate borrowing	51.075	51.270	(0.195)
Total Resources	112.361	110.123	2.238

- 4.2 Whilst the above table reflects an overall increase in resources of £2.238 million it must be noted that this does not represent headroom for new capital projects. These resources are required in order to fund slipped expenditure from 2020/21.
- 4.3 The £0.238 million decrease in general capital grant is due to its application to non-enhancing capital expenditure within the existing capital plan. There has been no official change to the overall level of Scottish Government general capital grant awarded in 2021/22, although members are directed to paragraph 4.7 below which details potential additional resources.
- 4.4 The decrease in estimated corporate capital receipts of £0.179 million is due to the actual income received from asset sales in 2020/21 being lower than anticipated.
- 4.5 The inclusion of the £2.850 million contribution from the Capital Fund in the main relates to actions that were undertaken at the 2020/21 year end to mitigate the impact that slippage had on the council's ability to spend its general capital grant. To ensure general capital grant was fully utilised (otherwise it would require to be returned to the Scottish Government), the application of Capital Financed from Current Revenue (CFCR) was deferred. General capital grant was also used in place of departmental borrowing. The unapplied resources that resulted from these mitigating actions were transferred into the Capital Fund and, to ensure an overall neutral impact, will be drawn down in 2021/22 to fund the capital programme.
- 4.6 The decrease in estimated corporate borrowing of £0.195 million is brought about by the rephasing of expenditure across the capital programme and the various movements in application of other sources of funding.
- 4.7 As this report was being finalised, notification was received from the Scottish Government of additional capital grant being made available to the council in 2021/22 in respect of renewal of playparks (£0.108 million) and the Nature Restoration Fund (£0.095 million). It has been intimated that this funding will be received in the form of general capital grant. The use of this funding will require consideration by the appropriate services and to be reflected accordingly in the capital programme in due course once plans for use of the funding have been drawn up.

5. BIDS FOR ADDITIONAL FUNDING FROM THE CORPORATE CONTINGENCY

- 5.1 Requests for additional resources from the Council's general capital contingency were initially considered by the CPMG at their meeting of 5 August 2021. The PBSG subsequently reviewed and

agreed the CPMG's recommendations and the following bids are now recommended for approval by the Committee:

- Improvement Works to Elliot NCN 1 Coastal Path (Roads & Transportation) - £0.100 million sought for this proposed new project to alleviate flooding on the coastal path at Elliot Links (report 226/21 refers). With the works estimated to cost £0.200 million, this funding will match the £0.100 million that Sustrans have indicated they would be willing to provide.
- Upgrade Changing Areas in Arbroath High School Swimming Pool (Education & Lifelong Learning) – a total of £0.052 million is being sought as additional funding for this existing project, split as follows:
 - £0.032 million to complete structural repairs and meet associated fees
 - £0.020 million to cover COVID related additional costs.

5.2 The balance on the corporate contingency is currently £4.473 million. Within that balance are amounts earmarked for specific purposes (totalling £3.366 million), although some of these are precautionary in nature and may not ultimately materialise. Included within this earmarked sum is £0.973 million which was originally set aside for COVID-19 pandemic additional capital costs (per report 212/12). This provides some flexibility should it be required, not only in terms of any further COVID-related costs coming through but also if prices start exceeding budget estimates due to the current market volatility with the supply and cost of building materials. In the event that this provision proves insufficient however it may be necessary to review the capital budget again and defer or cancel some projects to remain within our affordability limits.

5.3 The aforementioned recommendations on the bids for additional funding would utilise £0.152 million of the corporate contingency, reducing the balance from £4.473 million to £4.321 million.

6. UPDATED 2020/2025 CAPITAL PLAN AND 2021/22 CAPITAL MONITORING BUDGET

6.1 The updated 2020/2025 Capital Plan, reflecting the impact of 2020/21 actual expenditure on the budget and phasing of projects for 2021/22 onwards, is attached at Appendix 1.

6.2 Using the proposed approach detailed in section 5, the two bids for additional funding that been recommended for approval by the PBSG have been built into the updated 2020/2025 Capital Plan in order to provide a more complete position.

6.3 The 2021/22 capital monitoring budget and updated funding position is detailed in Table 2 below, alongside comparable figures from March's budget setting meeting (per report 71/21):

Table 2

2021/22 Capital Monitoring Budget and Funding	Capital Monitoring Budget £m	Provisional Capital Budget (R71/21) £m	Movement £m
Communities	3.098	5.029	(1.931)
Infrastructure	17.135	15.992	1.143
Education & Lifelong Learning	0.586	1.090	(0.504)
Digital Enablement & Information Technology	0.850	1.085	(0.235)
Angus Health & Social Care Partnership	0.476	1.625	(1.149)
Angus Alive	0.062	0.000	0.062
Tay Cities Deal	0.413	1.500	(1.087)
General Fund Capital Monitoring Budget 2021/22	22.620	26.321	(3.701)
Scottish Government general capital grant	9.790	10.090	(0.300)
Corporate capital receipts from sale of assets	2.490	2.383	0.107
CFCR (Balance of Special Repayments)	1.043	1.043	-
Corporate Capital Fund contribution	2.850	-	2.850
Corporate borrowing	6.447	12.805	(6.358)
Funding 2021/22	22.620	26.321	(3.701)

- 6.4 Funding elements such as ring-fenced capital grants, external funding contributions and other internal funding contributions are reflected within the capital 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 capital 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 capital plan unless it is being utilised to fund third party capital expenditure.
- 6.5 The 2021/22 capital monitoring budget of £22.620 million shows a net decrease of £3.701 million when compared with the provisional capital budget position reflected in report 71/21 (£26.321m). This downward movement in 2021/22 net expenditure is due to the rephasing of expenditure, including that which has slipped from 2020/21 into 2021/22 offset by spend which was originally planned for 2021/22 moving in to 2022/23.
- 6.6 The revised estimated borrowing of £6.447 million remains affordable in terms of the allowances made within the 2021/22 revenue budget for capital financing costs, as reflected in the approved long-term affordability strategy (report 76/21 refers). Whilst this is a significant drop when compared with 2021/22's estimated borrowing per reports 71/21 and 76/21, this borrowing will still require to be incurred in the years thereafter, thereby having a neutral impact over the 5 years of the 2020/2025 Capital Plan.
- 6.7 It should also be noted that some £1.499m of the total borrowing in 2021/22 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.
- 6.8 The comprehensive review exercise of programmed expenditure for 2021/22 and beyond was undertaken by directors, service leaders and managers with a view to setting as realistic and achievable a capital monitoring budget as possible given the current circumstances with regard to the pandemic and market volatility. This picture will however continue to evolve financially over the coming months as tenders for new works are put in place.
- 6.9 The delivery of this monitoring budget, including any further review that may be necessary as the impact of the current market volatility becomes clearer, will be overseen by the CPMG and PBSG, with updates provided through regular capital monitoring reports to the Policy & Resources Committee.

7. DISTRIBUTION

7.1 Subject to the approval of the committee, the updated 2020/2025 Capital Plan (incorporating the 2021/22 capital budget) will be available on the council's website and intranet.

8. RISKS & UNCERTAINTIES

8.1 The environment the council is operating in, both as a consequence of the ongoing COVID-19 pandemic and market volatility, is highly uncertain and carries a high degree of risk, the main one being an underestimation of its financial impact on the 2020/2025 Capital Plan. Mitigation measures have been considered however, with services having reviewed their plan in detail, giving attention to both the financial and non-financial implications.

8.2 Another risk is that of slippage. Whilst this, in some cases, can be outwith the council's control, working in close partnership with contractors to ensure there is a continued and open dialogue on such matters will be essential.

9. EQUALITY IMPACT ASSESSMENT

9.1 An Equality Impact Assessment is not required.

10. FINANCIAL IMPLICATIONS

10.1 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: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Finance Circular 5/2021

REPORT AUTHOR: Dawn Johnston

EMAIL: FINANCE@angus.gov.uk

List of Appendices:

Appendix 1 – Updated 2020/2025 Capital Plan (General Fund)