

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 8 MARCH 2022

CAPITAL MONITORING – GENERAL FUND CAPITAL PROGRAMME – 2021/22

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the capital expenditure incurred for the period from 1 April 2021 to 31 January 2022 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

- 2.1 The projects undertaken through the General Fund capital programme reflect the council's corporate priorities and contribute as a whole to the local outcomes contained within the Council 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 264/21 approved the 2021/22 Final Capital Budget Volume, detailing the updated 2020/2025 Capital Plan which includes the capital monitoring budget for 2021/22. The 2021/22 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 2021/22 as at 31 January 2022 on a gross and net (after the deduction of funding contributions) basis respectively. **Appendix 1** gives further detail in respect of the 2021/22 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 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 Jan 2022 £000 | Actual Against Budget % | Latest Year End Estimate £000 | Projected Under / (Over) Spend £000 |
|---|----------------------|-------------------------------------|----------------------------------|--|---|
| Finance | 0 | 0 | 0.0 | 0 | 0 |
| Vibrant Communities & Sustainable Growth: | | | | | |
| – Economic Development | 160 | 38 | 23.8 | 132 | 28 |
| – Environmental Services | 3,399 | 637 | 18.7 | 2,700 | 699 |
| – Planning & Sustainable Growth | 1,162 | 995 | 85.6 | 1,372 | (210) |
| Infrastructure – Property Asset | 1,599 | 1,109 | 69.4 | 1,532 | 67 |
| Infrastructure – Roads & Transportation | 17,478 | 9,850 | 56.4 | 16,138 | 1,340 |
| Education & Lifelong Learning | 3,177 | 2,045 | 64.4 | 3,550 | (373) |
| Information Technology | 850 | 347 | 40.8 | 691 | 159 |
| Angus Health & Social Care Partnership | 476 | 157 | 33.0 | 200 | 276 |
| ANGUSalive | 473 | 84 | 17.8 | 310 | 163 |
| Tay Cities Deal | 1,888 | 1,323 | 70.1 | 1,764 | 124 |
| Net Total | 30,662 | 16,585 | 54.1 | 28,389 | 2,273 |

Table 2 – NET Capital Expenditure

| Programme | Net Budget £000 | Actual To 31 Jan 2022 £000 | Actual Against Budget % | Latest Year End Estimate £000 | Projected Under / (Over) Spend £000 |
|---|--------------------|-------------------------------------|----------------------------------|--|---|
| Finance | 0 | 0 | 0 | 0 | 0 |
| Vibrant Communities & Sustainable Growth: | | | | | |
| – Economic Development | 97 | 38 | 39.2 | 69 | 28 |
| – Environmental Services | 3,001 | 335 | 11.2 | 2,209 | 792 |
| – Planning & Sustainable Growth | 0 | 0 | 0 | 0 | 0 |
| Infrastructure – Property Asset | 1,299 | 1,109 | 85.4 | 1,242 | 57 |
| Infrastructure – Roads & Transportation | 15,836 | 9,380 | 59.2 | 14,375 | 1,461 |
| Education & Lifelong Learning * | 586 | 1,545 | 263.7 | 1,435 | (849) |
| Information Technology | 850 | 347 | 40.8 | 691 | 159 |
| Angus Health & Social Care Partnership | 476 | 157 | 33.0 | 200 | 276 |
| ANGUSalive | 62 | 76 | 122.6 | 100 | (38) |
| Tay Cities Deal | 413 | 650 | 157.4 | 289 | 124 |
| Net Total | 22,620 | 13,637 | 60.3 | 20,610 | 2,010 |

* The actual spend of £1,545,000 is net of £726,000 early years revenue funding which will be drawn down at the year end.

- 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 ten months (83.33 per cent) of the financial year gone the actual spend levels presented in Tables 1 and 2 are low, at 54.1 per cent on a gross basis and 60.3 per cent on a net basis respectively.
- 4.4 Up to 10 per cent of annual capital spend can come through as accruals at the year end. The value of work completed up to 31 March 2022 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 2020/21 actual spend outturn was 67.2 per cent (gross) and 56.4 per cent (net), although these numbers must be taken within the context of the disruption to capital programmes caused by the COVID-19 pandemic.
- 4.5 The projected net expenditure of £20.610 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 | 22,620 | 20,610 | 2,010 |
| Borrowing | 6,447 | 4,092 | 2,355 |
| General capital grant (balance) * | 9,790 | 10,135 | (345) |
| CFCR (Balance of Special Repayments) | 1,043 | 1,043 | - |
| Corporate Capital Fund contribution | 2,850 | 2,850 | - |
| Corporate capital receipts from sale of assets | 2,490 | 2,490 | - |
| Total funding | 22,620 | 20,610 | 2,010 |

* Additional funding allocated for Renewal of Play Parks (£108,000) and Nature Restoration Fund (£95,000) - to be paid as general capital grant (per revised Offer of Grant letter of 10 September 2021) and additional funding for the Purchase and Installation of CO2 Monitors in schools (£142,000) – to be paid as general capital grant (per revised Offer of Grant letter of 14 October 2021)

5. COMMENTARY ON SIGNIFICANT MONITORING ISSUES

- 5.1 The following table(s) detail those 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 – Vibrant Communities & Sustainable Growth – Environmental Services**

| | Project | Gross Under/ (Over)spend £000 | Commentary |
|----|---|-------------------------------------|--|
| 8 | Restenneth Landfill Phase 3b Capping | 230 | Tenders returned and the lowest bid is higher than budget. There are issues with the tenders which are being looked into. Project has slipped. |
| 10 | Parks Services Projects | 161 | Estimated slippage due to likely delivery issues. |
| 13 | General Vehicle Replacement Programme 2021/22 | 379 | Delays are expected on delivery of some vehicles and these have slipped into 2022/23. |
| | Other Minor Variances | (71) | |
| | Gross Under / (Over)spend | 699 | |

Table 5 – Vibrant Communities & Sustainable Growth – Planning & Sustainable Growth

| | Project | Gross Under/ (Over)spend £000 | Commentary |
|----|----------------------------------|-------------------------------------|---|
| 23 | Place Based Investment Programme | (210) | New project anticipated to progress in 2021/22. Fully funded by Scottish Government Place Based Investment Programme. |
| | Gross Under / (Over)spend | (210) | |

Table 6 – Infrastructure – Roads & Transportation

| Project Nos. | Project | Gross Under/ (Over)spend £000 | Commentary |
|--------------|---|-------------------------------------|--|
| 40 | Carriageway/Footway Reconstruction/Supplementary Core Capital Maintenance | (302) | Additional resources per Angus Council committee 9 September 2021 – report amendment |
| 45 | Arbroath (Brothock Water) Flood Protection Scheme | 1,153 | Based on revised works profile for 21/22 of £8m received w/c 20.12.21 from contractor. |
| 48 | Conversion to LED Street Lighting (Invest to Save) | 107 | Resource capacity and supplier issues, time constraints on delivery. |
| 64 | Improvement Works to Elliot NCN 1 Coastal Path | 200 | Project under review following tender returns exceeding budgets. Alternative proposal being progressed with slippage of budget and expenditure into 2022/23. |
| | Other Minor Variances | 182 | |
| | Gross Under / (Over)spend | 1,340 | |

Table 7 – Education and Lifelong Learning

| Project Nos. | Project | Gross Under/ (Over)spend £000 | Commentary |
|--------------|--|-------------------------------------|---|
| 72 | Early Learning and Childcare Centre, Carnoustie | (154) | Additional drainage works due to the initial choice of site. The increased cost will be fully funded by Early Years Expansion Grant monies. |
| 98 | Purchase and Installation of CO2 Monitors in Schools | (142) | Additional project fully funded by Scottish Government General Capital Grant. |
| | Other Minor Variances | (77) | |
| | Gross Under / (Over)spend | (373) | |

Table 8 – Angus Health & Social Care Partnership

| Project Nos. | Project | Gross Under/ (Over)spend £000 | Commentary |
|----------------------------------|--|-------------------------------|--|
| 119 | Provision for Complex Care Accommodation | 125 | Further to changes in the Care Home sector, the provision of mental health services was reviewed and spend on the mental health wing at Seaton Grove will take place in 2022/23. |
| 120 | Analogue to Digital Community Alarm | 201 | Slippage due to staffing issues and shortage of equipment. The programme will however finish earlier than expected. |
| 121 | Seaton Grove Improvements | (50) | Initially only anticipated to spend £50,000 on kitchen works in 2021/22, however a new call system has been advanced from a future year at an expected cost of £50,000. |
| Gross Under / (Over)spend | | 276 | |

Table 9 – ANGUSalive

| Project Nos. | Project | Gross Under/ (Over)spend £000 | Commentary |
|----------------------------------|--|-------------------------------|--|
| 124 | Leisure/Cultural Equipment Replacement Programme | 189 | Planned works at Carnoustie Sports Centre will slip to 2022/23 due to structural building works being required before equipment can be installed. New Aquaglide at Monikie Country Park will also slip into 22/23 due to procurement delays. It is anticipated this will be installed for the summer holidays. |
| Other Minor Variances | | (26) | |
| Gross Under / (Over)spend | | 163 | |

Table 10 – Tay Cities Deal

| Project Nos. | Project | Gross Under/ (Over)spend £000 | Commentary |
|----------------------------------|------------------------------------|-------------------------------|---|
| 128 | Angus Fund - Mercury Drone Project | 124 | Delays in Civil Aviation Authority approval of licences for drone flight paths. |
| Gross Under / (Over)spend | | 124 | |

- 5.4 With regard to the non enhancing Montrose Playhouse Project (project no. 23) being overseen by Communities, a gross overspend of £300,000 against budget is projected. This simply reflects additional funding that has been awarded from the Scottish Government's Regeneration Capital Grant Fund to support final completion of the project. This particular project is classified as non enhancing as it involves the transfer of grant to fund capital expenditure on a third party's assets.

6. HOUSING CAPITAL MONITORING

- 6.1 Table 11 below sets out for information purposes, a summary of the position on the Housing Revenue Account (HRA) capital monitoring which was last reported to the Special Communities Committee of 8 February 2022 (report 31/22 refers).

Table 11 – Housing Capital Programme

| Expenditure / Funding Source | <i>Monitoring Budget £000</i> | Latest Projection £000 | Variance £000 |
|--|---------------------------------------|---------------------------------------|------------------|
| Projected net expenditure | 20,145 | 21,004 | (859) |
| Borrowing (including Survive & Thrive) | 7,764 | 11,193 | (3,429) |
| Capital receipts | 72 | 188 | (116) |
| Capital receipts – Shared Equity | 2,686 | - | 2,686 |
| Capital Funded from Current Revenue | 7,714 | 7,714 | - |
| Affordable Housing Reserve | 300 | 300 | - |
| Transfer from Earmarked Reserves | 1,609 | 1,609 | - |
| Total funding | 20,145 | 21,004 | (859) |

7. CAPITAL PROJECTS MONITORING GROUP

- 7.1 The first Capital Projects Monitoring Group (CPMG) meeting of the 2021/22 financial year took place on 5 August 2021, when the Group considered and made recommendations regarding the updated 2020/2025 Capital Plan and proposed 2021/22 capital monitoring budget.
- 7.2 The next meeting of the CPMG will take place on 9 March 2022, where expenditure to 31 January 2022, 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.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact assessment is not required.

**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