

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 29 AUGUST 2023

2023/24 FINAL CAPITAL BUDGET - GENERAL FUND

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report presents to members the updated 2022/2027 General Fund Capital Plan, incorporating the 2023/24 capital monitoring budget.

1. RECOMMENDATION

1.1 It is recommended that the Committee:

- (a) note the contents of this report and that there still remains a degree of uncertainty around the financial impact the current market volatility is having on the capital programme which may continue for some time to come;
- (b) approve the contents of the updated 2022/2027 General Fund Capital Plan (attached at **Appendix A**);
- (c) note that the 2023/24 capital budget represents the Council's approved budget for General Fund capital monitoring purposes.

2. ALIGNMENT TO COUNCIL PLAN

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

3. BACKGROUND

3.1 At the special meeting of Angus Council on 2 March 2023 the Council approved the 2022/2027 General Fund Capital Plan, incorporating the provisional 2023/24 capital budget of £43.470m (report 54/23 refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2022/23 financial year) was undertaken over the summer months to inform the 2023/24 final capital budget position.

3.2 This continues to be a challenging exercise due to issues around the availability of supplier material and labour resource, resulting in delays on a number of capital projects, and also the impact of inflation on budget setting.

3.3 This exercise therefore also intended to capture, both in terms of timescales and costs, any continuing impact from 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 as part of this process for any approved projects where the budget approved in March may no longer be sufficient.

3.4 The Capital Projects Monitoring Group (CPMG) met on 10 August 2023 to review the draft updated capital plan/additional funding bids and to scrutinise and challenge the officers in attendance on their proposed spending plans in terms of robustness and achievability.

4. UPDATED CAPITAL RESOURCES POSITION

- 4.1 Updated estimated capital resources totalling £131.587 million over the 5 year period of the 2022/2027 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 54/23 and 60/23 refer).

Table 1 – 5 Year Position

	Updated Resource Position £m	Total Resources Per Report 60/23 £m	Increase / (Decrease) £m
Scottish Government general capital grant	50.148	50.462	(0.314)
Corporate capital receipts (from sale of assets)	0.743	0.800	(0.057)
CFCR (via Special Repayment Strategy)	1.883	1.883	0.000
Corporate revenue contribution	0.500	0.500	0.000
Corporate Capital Fund contribution	0.903	0.903	0.000
Additional SFT support for Monifieth Learning Campus	2.900	0.000	2.900
Corporate borrowing	74.510	73.739	0.771
Total Resources	131.587	128.287	3.300

- 4.2 Whilst the above table reflects an overall increase in resources of £3.300 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 2022/23 and the increased cost of the Monifieth Learning Campus as was outlined in Report 116/23 to this Committee in May 2023.
- 4.3 The £0.314 million decrease in general capital grant is due to additional earmarked funding for the Nature Restoration Fund and also 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 2023/24.
- 4.4 The decrease in estimated corporate capital receipts of £0.057 million is due to the actual income received from asset sales in 2022/23 being lower than anticipated.
- 4.5 The increase in estimated corporate borrowing of £0.771 million is brought about by the rephasing of expenditure across the capital programme and the various movements in application of other sources of funding.

5. CAPITAL CONTINGENCY

- 5.1 The balance on the corporate contingency is currently £4.000 million. Within that balance are amounts earmarked for specific purposes, although some of these are precautionary in nature and may not ultimately materialise. CPMG agreed at its meeting on 10 August 2023 to remove the following amounts from the earmarked part of the contingency:

- £0.860m – A92 upgrading compensation claims (considered unlikely to materialise)
- £0.973m – set aside for COVID-19 pandemic additional capital costs, including balance of Seagreen capital receipt received in 2020/21 (risks of COVID have moved on)

This would leave an uncommitted balance of £2.533 million. The adequacy of the contingency will be reviewed again as part of the 2024/25 budget setting process. This provides some flexibility should 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.

- 5.2 The Committee is asked to approve these adjustments to the capital contingency as part of this report.

6. UPDATED 2022/2027 CAPITAL PLAN AND 2023/24 CAPITAL MONITORING BUDGET

- 6.1 The updated 2022/2027 Capital Plan, reflecting the impact of 2022/23 actual expenditure on the budget and phasing of projects for 2023/24 onwards, is attached at Appendix A for the Committee to approve.
- 6.2 The 2023/24 capital monitoring budget and updated funding position is detailed in Table 3 below, alongside comparable figures from March's budget setting meeting (per report 54/23):

Table 2- Movement on the 2023/24 Capital Budget from Council Tax Setting Meeting

2023/24 Capital Monitoring Budget and Funding	Capital Monitoring Budget (this report) £m	Provisional Capital Budget (Report 54/23) £m	Movement £m
Vibrant Communities & Sustainable Growth	0.369	0.060	0.309
Infrastructure & Environment	14.285	15.121	(0.836)
Education & Lifelong Learning	12.834	22.584	(9.750)
Digital Enablement & Information Technology	0.973	0.951	0.022
Angus Health & Social Care Partnership	0.100	0.250	(0.150)
Angus Alive	0.218	0.542	(0.324)
Tay Cities Deal	(0.175)	3.962	(4.137)
General Fund Capital Monitoring Budget 2023/24	28.604	43.470	(14.866)
Scottish Government general capital grant	9.929	8.984	0.945
Corporate capital receipts from sale of assets	0.250	0.250	0.000
CFCR (Balance of Special Repayments)	0.600	0.600	0.000
Corporate borrowing	17.825	33.636	(15.811)
Funding 2023/24	28.604	43.470	(14.866)

- 6.3 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.
- 6.4 The 2023/24 capital monitoring budget of £28.604 million shows a net decrease of £14.866 million when compared with the provisional capital budget position reflected in report 54/23 (£43.470m). This downward movement in 2023/24 net expenditure is due to the rephasing of expenditure which was originally planned for 2023/24 moving into 2024/25. This downward movement in 2023/24 mainly relates to the rephasing of the following projects :-
- Monifieth Learning Campus £9.420m – based on revised expenditure phasing from Robertsons – completion of the school within the previously identified timescales remains on track – this is a re-phasing of the contractors expenditure profile
 - Universal Free School Meals £1.956m – project phasing has been reviewed based on likely delays in the national roll-out of P6/P7 free school meals to all pupils
 - Angus Rural Mobility Hub £2.500m – awaiting approval from Scottish Government through Tay Cities Deal governance arrangements. Work likely to start March 2024
 - Waste Vehicles Replacement Programme (departmental borrowing) £0.937m – potential supply delays particularly in respect of hydrogen vehicles
- 6.5 The revised estimated borrowing of £17.825 million remains affordable in terms of the allowances made within the 2023/24 revenue budget for capital financing costs, as reflected in the approved

long-term affordability strategy (report 60/23 refers). Whilst this is a significant drop when compared with 2022/23's estimated borrowing per reports 54/23 and 60/23, this borrowing will still require to be incurred in the years thereafter, thereby having a similar impact over the 5 years of the 2022/2027 Capital Plan.

- 6.6 It should also be noted that some £1.738m of the total borrowing in 2023/24 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.
- 6.7 The comprehensive review exercise of programmed expenditure for 2023/24 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. This picture will however continue to evolve financially over the coming months as contracts for new works are put in place.
- 6.8 The delivery of this monitoring budget, including any further review that may be necessary, 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 2022/2027 Capital Plan (incorporating the 2023/24 capital budget) will be available on the council's website and intranet.

8. RISKS & UNCERTAINTIES

- 8.1 The environment the council is operating in, particularly resource availability and inflationary pressure, is highly uncertain and carries a high degree of risk, the main one being an underestimation of its financial impact on the 2022/2027 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. FINANCIAL IMPLICATIONS

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

10. EQUALITY IMPACT ASSESSMENT

- 10.1 An Equality Impact Assessment is not required as this report does not impact on people.

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:

- Local Government Finance Circular No 3/2023 issued on 1 March 2023 by the Scottish Government

REPORT AUTHOR: Gillian Woodcock, Manager (Finance)

EMAIL DETAILS: FINANCE@angus.gov.uk

List of Appendices:

Appendix A – Updated 2022/2027 Capital Plan (General Fund)