

The Highland Council

Resources Committee – 24 February 2016

Agenda Item	5
Report No	RES/04/16

Corporate Capital Monitoring to 31 December 2015

Report by Director of Finance

Summary

This report provides an overview of expenditure on the General Fund and Housing Revenue Account (HRA) capital programmes for the period from 1 April to 31 December 2015 and the estimated position for the 2015/16 financial year.

1. Background

- 1.1 The purpose of this report is to present an overview of the position of the 2015/16 capital programmes as at 31 December 2015. The figures presented include net expenditure to date, the net annual budget and the estimated outturn for the financial year.
- 1.2 This report is produced in support of the Council's corporate governance process, which in turn is designed to support the Council's corporate delivery of its obligations in terms of the Single Outcome Agreement.

2. General Fund Capital Programme

- 2.1 Annex 1 Table A shows net year to date expenditure of £81.195m against the 2015/16 General Fund capital budget total of £119.180m. At the year end the estimated outturn is £115.962m. Slippage on projects amounting to £4.786m will be carried forward to match the expenditure in future years. The remaining amount of £1.568m is the anticipated overspend on the capital programme for the financial year, the funding of which will require to be considered by Services before the financial year-end.
- 2.2 The Capital Plan for financial years 2015/16 to 2023/24 was agreed by Highland Council on 17 December 2015. The budget figures presented are adjusted for underspends brought forward from 2014/15 and slippage carried forward to 2016/17 as shown in Annex 2.
- 2.3 The funding of the capital plan and adjustments for project slippage or acceleration for a 3 year period are detailed on Annex 2. This annex tracks movement between financial years and makes the required adjustments to the programmes funding arrangements.
- 2.4 Annex 3 provides Members with whole of life project information for individual projects with a budget of greater than £4m.
- 2.5 Members, when approving the programme, requested confirmation that the funding arrangements for the Capital Plan were sustainable. The assumptions made are based on the best information available and will allow the delivery of the Plan. However if revenue settlements continue to tighten, then a review of

the size and affordability of the current plan may be required.

3. General Fund Variances

3.1 Care and Learning Service

3.1.1 The Care and Learning Programme has an anticipated variance of £3.075m. Since the previous report to Resources Committee, ECAS committee have approved budget increases for two major projects in the Care and Learning capital programme. The budget for the Portree Gaelic Primary school project was increased by £1.515m to £10.8m with three factors contributing to the increased cost - market conditions, the increased cost of certain building elements (principally external walling and ventilation) and increased contract duration. The budget for the Caol Joint Campus primary school project was increased by £0.25m to £15.94m due to an increased scope for the project including the relocation and replacement of the existing community multi-use games area and the widening of Glenkingie Street and other offsite works to address potential traffic and parking problems in the area. Funding for both of these approved changes was allocated from the generic Life Cycle budget.

3.1.2 Actual and forecast overspends have been identified against two major projects, the Portree High School hostel (£0.2m) and the improvements at St Duthus and St Clements special schools (£0.375m), and a significant overspend has been forecast for the Cromarty Primary school extension project (overspend of £0.5m forecast against a total project budget of £2.75m). In total, overspends of £1.175m have been identified against Care and Learning's significant projects and a detailed report on the causes of the overspends and proposals for how they will be managed will be presented to the ECAS meeting in March.

3.1.3 In terms of programme some potential delays to project completion dates have been identified and again these will be reported on in more detail at the next meeting of the ECAS committee. Projects already underway for which the completion date is likely to extend include the refurbishment of Inverness High School, Portree High School hostel and the new Portree Gaelic Primary.

3.1.4 In the current year slippage has been identified in a number of projects across the programme and acceleration of some projects funded from the lifecycle budget heading only partially offsets this. In total a further £3.65m of slippage has been identified since the November report to this committee, meaning total slippage of £5.188m from the budget at the start of the financial year.

3.2 The Chief Executive's Service is anticipating a year end underspend of £0.116m. Slippage of £0.066m on the ICArts River Connections Project will be carried forward to 2016/17. An underspend of £0.050m arises from the Carbon Clever Community Grant Fund, although this may decrease if suitable applications are approved at relevant committees before the end of the financial year.

3.3 Community Services is predicting a net variance of £1.002m. The net variance is represented by slippage of £1.002m which will be carried forward to 2016/17. There are a number of overspends in respect of burial grounds and replacement cremators at the Crematorium in Inverness and these will be funded by underspends principally from vehicles and plant purchases.

- 3.4 The Corporate Development Service anticipates a year end underspend of £0.489m due to slippage in SWAN, Service Point Improvements and the Unified Communications project which requires £0.474m to be carried forward to 2016/17.
- 3.5 The Development and Infrastructure Service is predicting a net variance of £0.878m. The net variance is represented by slippage of £2.203m; accelerated expenditure of £2.023m; and a net overspend on projects of £1.058m. The major overspends are at Stromeferry (£0.526m) for ongoing stabilisation works to the rock face; additional works to the retaining wall at Achnasheen (£0.165m); and an anticipated compensation payment due on the South West Inverness Storm Relief Channel (£0.353). The overall Service capital programme will have to be adjusted to take account of these net overspends, and will be reported as part of the capital outturn report for 2015/16.
- 3.6 Carbon CLEVER expenditure is anticipated to be higher than previous reported estimates but ultimately a carry forward £0.255m is predicted due to a lack of suitable projects being identified in 2015/16.
- 3.7 The Discretionary Fund budget of £2.169m has projects of £1.129m committed against it as follows:

	£000
War Memorials	310
Highland Hospice	200
Lochaber Sports Association	200
Kyle of Sutherland DT Falls of Shin	100
Kirkmichael Heritage Centre Project	70
Foyers car parking	65
Poolewe and District Swimming Pool	50
Archie Foundation	50
Eden Court Theatre Orchestra Pit	40
Merkinch Welfare Hall	29
Merkinch Community Centre	15
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	1,129
Uncommitted balance	1,040
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Total budget	<u>2,169</u>

4. Housing Revenue Account (HRA) capital programme

- 4.1 A summary of the HRA Capital Programme is shown at Annex 1 Table B.
- 4.2 The projected outturn for net expenditure is £54.928m leading to a net variance of £10.098m. The net variance is represented by slippage of £1.919m; accelerated expenditure of £0.267m; and a net underspend of £8.446m. The net variance comprises an underspend on the Scottish Housing Quality Standard of £9.116m and an overspend of £0.670m in the Council house building element of the HRA capital programme. The principal reasons for the underspend are unutilised contingency sums in Scape contracts and a fall in the number of required heating installations to properties as a result of tenant opt-outs. As projects progress the underspend may vary between now and the end of the financial year.

5. Implications

- 5.1 Resource implications: The total amount in the General Fund carried forward to future years due to slippage has increased by £4.786m to £19.090m at December. This will feed through to underspends in the revenue budget but also increase the level of capital spend expected in future years and thus put pressure on capacity in the market. After removal of slippage an overspend of £1.568m is anticipated in 2015/16. Services will require to identify reductions in future allocations by the financial year end to allow this overspend to be funded.
- 5.2 There are no risk, legal, equalities, climate change/Carbon Clever, Gaelic or rural implications arising as a direct result of this report.

Recommendation

Members are invited to consider the financial position of the General Fund and HRA Capital Programmes as at 31 December 2015.

Designation: Director of Finance

Date: 5 February 2016

Author: Fiona Wood, Finance Manager (Accounts and Central Services)

Background Papers: Service monitoring statements

Capital Expenditure Monitoring Report - Service Summary
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1 April - 31 December 2015

Table A: General Fund

	Actual Net Year to Date £000	Annual Net Budget £000	Year End Estimated Net Outturn £000	Year End Net Variance £000	Carry Forward/ Back £000	Anticipated Year End Under/Over £000
General Fund						
Care and Learning	48,775	65,497	62,422	(3,075)	(3,650)	575
Chief Executive's Office	546	604	488	(116)	(66)	(50)
Community Services	7,365	14,844	13,842	(1,002)	(1,002)	0
Corporate Development	80	862	373	(489)	(474)	(15)
Development and Infrastructure	23,834	36,235	37,113	878	(180)	1,058
Carbon CLEVER	595	338	595	257	257	0
Discretionary Fund	0	800	1,129	329	329	0
Total General Fund	81,195	119,180	115,962	(3,218)	(4,786)	1,568
Funding						
General Capital Grant	18,847	37,694	37,694	0	0	0
Capital Receipts	127	750	750	0	0	0
Self -Financing Projects	207	0	0	0	0	0
Borrowing	62,014	80,736	77,518	(3,218)	(4,786)	1,568
Total General Fund	81,195	119,180	115,962	(3,218)	(4,786)	1,568

Table B: Housing Revenue Account

	Actual Year to Date £000	Annual Budget £000	Year End Outturn £000	Year End Variance £000
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Gross Expenditure Budget	31,965	65,026	54,928	(10,098)
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Total HRA	31,965	65,026	54,928	(10,098)
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Funding

Sale of Council House Receipts	1,388	1,279	1,800	521
CFCR	0	3,770	3,770	0
Landbank Contribution	840	1,260	2,390	1,130
Sale of LIFT properties	854	690	854	164
Borrowing	24,318	47,987	37,757	(10,230)
Government Grant	4,565	10,040	8,357	(1,683)

Total HRA	31,965	65,026	54,928	(10,098)
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Capital Expenditure Monitoring Report - Funding Statement
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1 April - 31 December 2015

General Fund	2015/16						2016/17				2017/18			
	Approved Plan £000	Brought Forward £000	Re-allocations £000	C/fwd at Sep 15 £001	To be C/fwd £000	Revised Plan £000	Approved Plan £000	Brought Forward £000	Carried Forward £000	Revised Plan £000	Approved Plan £000	Brought Forward £000	Carried Forward £000	Revised Plan £000
Care and Learning	66,027	1,008	0	(1,538)	(3,650)	61,847	44,655	5,188	0	49,843	54,135	0	0	54,135
Chief Executive's Office	0	73	531	0	(66)	538	0	66	0	66	0	0	0	0
Community Services	11,815	3,416	0	0	(1,002)	14,229	15,715	1,002	0	16,717	15,515	0	0	15,515
Corporate Development	5,600	929	0	(5,667)	(474)	388	9,800	6,141	0	15,941	6,800	0	0	6,800
Development and Infrastructure	34,305	6,761	0	(5,218)	(180)	35,668	40,746	5,398	0	46,144	45,784	0	0	45,784
Carbon CLEVER	1,000	50	(200)	(512)	257	595	500	255	0	755	500	0	0	500
Discretionary Fund	500	2,000	(331)	(1,369)	329	1,129	250	1,040	0	1,290	500	0	0	500
Total General Fund	119,247	14,237	0	(14,304)	(4,786)	114,394	111,666	19,090	0	130,756	123,234	0	0	123,234
Funding														
General Capital Grant	37,694	0	0	0	0	37,694	28,509	0	0	28,509	28,509	0	0	28,509
Capital Receipts	750	0	0	0	0	750	1,750	0	0	1,750	750	0	0	750
Self-Financing Projects	2,000	0	0	0	0	2,000	5,850	0	0	5,850	5,865	0	0	5,865
Borrowing	78,803	14,237	0	(14,304)	(4,786)	73,950	55,557	19,090	0	74,647	63,110	0	0	63,110
Over-Programming	0	0	0	0	0	0	20,000	0	0	20,000	25,000	0	0	25,000
Total General Fund	119,247	14,237	0	(14,304)	(4,786)	114,394	111,666	19,090	0	130,756	123,234	0	0	123,234

Capital Expenditure Monitoring Report - Projects over £4m
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1 April - 31 December 2015

	Approved Budget March 2015 £000	Current Approved Budget £000	Total Project Spend to Date £000	Forecast Total Project Spend £000	Forecast End of Project Variance £000	Project Completion Dates Planned at March 2015	Current Estimate
CARE AND LEARNING							
COMMUNITY AND LEISURE FACILITIES							
Dornoch Sports Centre	3,000	3,000	0	3,000	0	Mar-17	Mar-17
Thurso Swimming Pool	2,100	2,700	516	2,700	0	Jan-16	Jan-16
Inverness Leisure	6,500	6,500	3,629	6,500	0	Jul-15	Jul-15
Thurso Library	1,200	1,250	1,456	1,350	100	Sep-15	Sep-15
SECONDARY SCHOOLS PROGRAMME							
Inverness High School	10,000	10,000	238	10,000	0	Aug-18	Aug-18
Inverness Royal Academy	39,010	39,010	27,410	39,010	0	Jun-17	Jun-17
Lochaber High Phase 3 & 4	15,885	16,135	15,375	16,135	0	Sep-15	Oct-15
Portree HS Hostel	4,020	4,020	2,651	4,220	200	Dec-15	Jan-16
Wick Joint Campus	5,350	5,350	2,496	5,350	0	Apr-17	Apr-17
PRIMARY SCHOOLS PROGRAMME							
Beaully Primary School	10,000	10,000	0	10,000	0	Aug-19	Aug-19
Cromarty Primary - Extension/Refurbishment	2,750	2,750	2,395	3,250	500	Dec-15	Dec-15
Fort William - Caol/RC Joint Campus	15,690	15,940	9,806	15,940	0	Dec-16	Dec-16
Greater Fort William Primaries incl Gaelic	8,000	7,750	7,575	7,750	0	Jun-15	Jun-15
Fort William - New School at Lundavra	12,000	12,000	11,552	12,000	0	Oct-15	Oct-15
Portree Gaelic Primary School	9,285	9,285	886	9,285	0	Jul-17	Jul-17
Wick - New Noss Primary	16,650	16,650	10,513	16,650	0	Oct-16	Oct-16
SPECIAL SCHOOLS PROGRAMME							
Black Isle Education Centre Replacement	2,000	2,000	0	2,000	0	Mar-18	Mar-18
St Clements St Duthus Schools	4,580	4,580	4,901	4,955	375	Aug-15	Aug-15
Residential Unit for Children with Autism	2,000	2,000	0	2,000	0	Mar-18	Mar-18
ESTATE MANAGEMENT							
SSER - Tain 3-18 Campus	45,000	45,000	0	45,000	0	Aug-18	TBC

SSER - North West Skye	10,000	10,000	0	10,000	0	Aug-18	Aug-18
ICT Investment - Additional	2,500	2,500	82	2,500	0	Mar-17	Mar-17
CORPORATE DEVELOPMENT							
ICT Re provision	12,200	12,200	0	12,200	0	Mar 18	Mar 19
DEVELOPMENT & INFRASTRUCTURE							
ROADS AND BRIDGES							
Major Road Improvements							
The Inverness West Link	43,352	43,352	2,236	43,352	0	Mar 2021	Mar 2021
Inshes Roundabout	6,975	6,975	240	6,975	0	Mar 2020	Mar 2020
Kinnairdie Link Road, Dingwall	7,258	7,258	490	7,258	0	Mar 2019	Mar 2019
A862 Muir of Ord Railway Bridge	5,360	5,360	274	5,360	0	Mar 2018	Mar 2018
B970 Ruthven (Spey) Bridge	1,150	1,150	870	1,150	0	Mar 2016	Mar 2016
LEISURE FACILITIES							
Torvean Golf Course	8,227	8,227	450	8,227	0	Mar 2019	Mar 2019
Canal Parks Enhancement	4,144	4,144	470	4,144	0	Mar 2018	Mar 2018
FLOOD PREVENTION							
River Ness Flood Prevention	34,708	34,708	33,847	34,708	0	Mar 2017	Mar 2017
STRATEGIC ASSET MANAGEMENT							
Wick Office	8,500	8,500	8,309	8,500	0	Mar 2016	Mar 2016
Fort William Office Rationalisation	5,801	5,801	372	5,801	0	Mar 2017	Mar 2018
Kingussie Office Rationalisation	1,994	1,994	1,183	1,994	0	Mar 2016	Mar 2017

Capital Expenditure Monitoring Report - Plan Update
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1 April - 31 December 2015

Capital Plan	2015/16 £000
Approved plan 2015/16	119,247
Slippage brought forward from 2014/15	14,237
Slippage at 30 Sep 2105 cf/wd to 2016/17	(14,304)
Current plan total per Annex 1	<u>119,180</u>

	£000
Current Plan total	119,180
Slippage at 30 Dec 2015 to be c/fwd	(4,786)
Revised plan per Annex 2	<u>114,394</u>