

The Highland Council
Resources Committee – 25 May 2016

Agenda Item	8
Report No	RES 24/16

Major Capital Projects - Monitoring Report

Report by Director of Finance

Summary

This report provides a status update on all live capital projects with a total budget in excess of £4m. Reporting on all major capital projects to this committee is intended to complement individual service reports to their respective service committees.

1. Background

- 1.1 In December 2015 the Council agreed a ten year capital plan covering the period 2015-16 to 2024-25. That plan reflects a major investment in the infrastructure of the Highland Council with 151 individual projects with a collective value of just over £900m over the ten year period.
- 1.2 As part of the improved governance around the Council's major capital projects each service reports to its service committee on the status of its major projects providing an update on current and forecast project cost and project timescale. This report provides a summary of the status of all projects with a total value of over £4m.

2. Governance Arrangements

- 2.1 Each service has its own capital programme board where scrutiny is given to the entirety of the service's capital plan. Those boards review the cost and delivery of individual projects and are responsible for forming proposals for the allocation of generic project budgets.
- 2.2 All the individual service boards feed into the corporate capital programme board which has oversight of the Council's entire capital plan. That board receives reports on projects from service boards by exception and ratifies proposals which require variations to the original plan. Should it be required, the board will also look to address any project funding issues which cannot be managed within individual service plans.
- 2.3 Reporting to elected members reflects this structure. Service capital programme boards report to their service committee and the corporate capital board reports to this committee.
- 2.4 These arrangements reflect the Council's Project Management Governance

Policy, agreed by this committee in November last year, and which services should now be adhering to in their management of their capital plans.

3. Status of Individual Projects

- 3.1 Appendix 1 gives details of all the major capital projects by service and these have been subject to scrutiny by service committees in the May committee cycle.
- 3.2 For any project with a forecast overspend services are expected to find additional funding from within their capital plan. That funding may come from underspends on other projects or use of unallocated generic budgets. Agreement to that funding will be sought from service committees.
- 3.3 Monitoring of the 2015-16 element of the capital plan is the subject of a separate report on this committee agenda. Any acceleration or slippage in the year will have temporary financial implications from associated loans charges.

4. Funding of the Capital Plan

- 4.1 Over the 10 years of the capital plan funding of £849m is available. This funding is less than the total value of projects approved as it is anticipated that delivery of some of the projects will slip into 2025-26 and later years.
- 4.2 There are two main sources of funding for the capital plan, the general capital grant received from Scottish Government and borrowing. Smaller funding sources include specific capital grants and capital receipt from disposals of assets.
- 4.3 The plan assumes a 'flat cash' level of funding from the Scottish Government over the next nine years. Any significant changes to this assumption will require the plan to be reviewed.
- 4.4 Borrowing represents 62% of the overall funding of the capital plan. That borrowing is underpinned by the revenue cost of repayments and the Council is currently assuming a year-on-year increase of £2.5m in its revenue costs of borrowing to support this level of capital investment.
- 4.5 In line with the treasury management strategy the Council is currently borrowing money on a short term basis to take advantage of very low interest rates. At present £128.5m (15%) of the Council's current borrowing will need to be refinanced in the next 2 years. If interest rates begin to rise then refinancing both existing and new borrowing will become more expensive presenting a risk that the assumed level of capital funding is not affordable within the revenue budget available.

5. Future Review of the Capital Plan

- 5.1 The current capital plan was approved in December 2015 and a ten year plan was set to give a strategic approach to the planning and delivery of capital

projects. Given the long timescale of the plan and the number of assumptions contained therein it is prudent to keep it under constant informal review as any significant changes may impact on the whole plan.

- 5.2 It may be likely that a formal, comprehensive or partial, review of the plan will be required in the coming year as a result of a number of factors. These may include the current exercise to redesign the Council, the outcome of which may impact on the Council's asset base, risks of major project overspends that cannot be contained within current service plans or material changes in the level of funding available to support capital spend.

6. Implications

- 6.1 Resource - the main body of the report covers the resource implications of the Council's ten year capital plan which will see over £900m invested during the period of the plan. Overspends on any capital projects will have implications on the budget available for other projects.
- 6.2 There are no legal, risk, equalities, climate change/Carbon Clever, Gaelic or rural implications arising as a direct result of this report

Recommendations

Members are asked to:-

- Consider the status of the Council's major capital projects as contained in Appendix 1.
- Consider the governance structure now in place around the capital plan in accordance with the Council's Project Management Governance Policy.
- Consider the factors that may necessitate a review of the capital plan within the coming year.

Designation: Director of Finance

Date: 16 May 2016

Author: Edward Foster, Head of Corporate Finance

Background Papers: Major capital projects reports to service committees:

- Planning Development and Infrastructure Committee, 11 May 2016, Capital Expenditure Monitoring for Major Projects to 31March 2016
- Education, Children and Adult Committee, 18 May 2016, Revenue and Capital Budget Update

Capital Expenditure Monitoring Report - Projects over £4m

	Approved Budget March 2015 £000	Current Approved Budget £000	Total Project Spend to March 2016 £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							
Inverness Leisure Phase 1	3,500	3,500	3,679	3,950	450	Jul-15	Jul-15
Inverness Leisure Phase 2	3,000	3,000	0	2,750	-250	Mar-19	Mar-20
SECONDARY SCHOOLS PROGRAMME							
Inverness High School	10,000	10,000	321	10,000	0	Aug-18	Mar-19
Inverness Royal Academy	39,010	39,010	30,533	39,010	0	Jun-17	Jun-17
Lochaber High Phase 3 & 4	15,885	16,135	15,544	16,135	0	Sep-15	Oct-15
Elgin Residence, Portree	4,020	4,020	3,866	4,220	200	Dec-15	May-16
Tain 3-18 Campus	45,000	45,000	96	45,000	0	Aug-18	Jul-20
Wick Community Campus	5,350	5,350	2,608	5,350	0	Apr-17	Apr-17
PRIMARY SCHOOLS PROGRAMME							
Beaully Primary School	10,000	10,000	0	10,000	0	Aug-19	Aug-20
Fort William - Caol/RC Joint Campus	15,690	15,940	12,057	15,940	0	Dec-16	Feb-17
Fort William - New Gaelic Primary	8,000	7,750	7,733	7,750	0	Jun-15	Jun-15
Fort William - Lundavra Primary	12,000	12,000	11,798	12,000	0	Oct-15	Oct-15
North West Skye - New Primary School	10,000	10,000	0	10,000	0	Aug-18	TBC
Portree - New Gaelic Primary	9,285	10,800	1,020	10,800	0	Jul-17	TBC
Wick - New Noss Primary	16,650	16,650	14,757	16,650	0	Oct-16	Feb-17
SPECIAL SCHOOLS PROGRAMME							
St Clements St Duthus - Modular Accommodation	4,580	4,580	4,959	4,955	375	Aug-15	Aug-15
CORPORATE DEVELOPMENT							
ICT Reprovision	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	3,102	43,352	0	Mar-21	Mar-21
Inshes Roundabout	6,975	6,975	295	6,975	0	Mar-20	Mar-20
Kinnairdie Link Road, Dingwall	7,258	7,258	913	7,258	0	Mar-19	Mar-19
A862 Muir of Ord Railway Bridge	5,360	5,360	743	5,360	0	Mar-18	Mar-18
LEISURE FACILITIES							
Torvean Golf Course	8,227	8,227	3,646	8,227	0	Mar-19	Mar-19
Canal Parks Enhancement	4,144	4,144	527	4,144	0	Mar-18	Mar-18
FLOOD PREVENTION							
River Ness Flood Prevention	34,708	34,708	34,648	34,708	0	Mar-17	Mar-17
STRATEGIC ASSET MANAGEMENT							
Wick Office	8,500	8,500	8,350	8,500	0	Mar-16	Aug-16
Fort William Office Rationalisation	5,801	5,801	498	5,801	0	Mar-17	Mar-18