

Agenda Item	5
Report No	RES/71/16

Corporate Capital Monitoring to 30 September 2016

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 30 September 2016 and the estimated position for the 2016/17 financial year. The report also provides an overview of the status of all major capital projects with a value over £4m.

1. Background

- 1.1 In December 2015 the Council approved a ten year capital programme incorporating over £900m of capital investment in the council's infrastructure.
- 1.2 This report assesses how spend is progressing in financial year 2016/17, the second year of the programme, and also provides an overview of the status of all major projects, i.e. those with a value over £4m.

2. General Fund Capital Programme Expenditure

- 2.1 **Appendix 1** shows the General Fund capital budget net of direct project income for 2016/17 of £125.863m, net expenditure to date of £33.214m and an estimated net underspend of £10.322m on the programme for the financial year.
- 2.2 This underspend comprises slippage of £17.161m on projects which will be carried over to later financial years and service overspends of £6.839m.
- 2.3 **Appendix 2** reconciles the capital plan approved by Highland Council on 17 December 2015 to the current position, taking account of net slippage and overspends brought forward from financial year 2015/16; agreed changes to the programme and additional direct project income.

3. Funding of the Capital Programme

- 3.1 The funding section of Table A in **Appendix 1** illustrates how the capital expenditure for the year is planned to be funded. Any changes in the forecast expenditure outturn will impact on the level of borrowing required.
- 3.2 The capital grant budget for the year is £29.028m which is £0.519m more than the original budget, relating to changes in grants for flood protection work.
- 3.3 The capital programme assumed that there would be £26.883m of slippage during the year; this assumption allowed for over-programming to enable capital spend to be maximised during the year. However at this stage the actual position is that slippage of only £10.322m is forecast.

- 3.4 The effect of the lower than budgeted level of slippage means that year end spend would exceed funding by £16.561m. If this situation transpires at the year end that shortfall would have to be filled by increasing borrowing by an equivalent amount. The level of borrowing required in year will impact on the level of loan charges made against the General Fund revenue budget.
- 3.5 Whilst the level of borrowing is expected to be higher than planned, the Council has taken advantage of low short term borrowing rates which will mitigate the impact on the general fund with an overall underspend of £0.500m being anticipated on the revenue budget loan charges figure. Any rise in interest rates would lead to an increase in loan charge costs and the final variance position will change depending on the year end capital expenditure.

4. 2016/17 General Fund Variances

- 4.1 Care and Learning estimates net slippage of £7.323m at the year end comprising £2.700m of overspend and £10.023m from project slippage. The projects forecast to overspend include the Caol Joint Campus, Cromarty Primary, modular accommodation at special schools and Portree hostel. Slippage is forecast on a number of projects, most notably the Tain 3-18 campus.
- 4.2 An estimated £0.890m slippage on the Community Services capital programme is due to delays in bridge works; chilling works to the fish market at Kinlochbervie and play areas.
- 4.3 The Corporate Development Service anticipates a year end underspend of £13.976m. In line with the report to the August meeting, this is mainly due to the need to re-profile the spend for the new ICT contract. This includes the use of the Digital Outreach budget line as agreed by the ICT Re-provision Board and Capital Programme Board in order to meet the increased costs associated with the decision made by ECAS committee to roll out one-to-one devices to pupils from 2017 and as part of the new contract delivery. Minor slippage is also anticipated in the unified communications project.
- 4.4 The Development and Infrastructure service anticipates a year end overspend of £12.689m. This includes net £8.550m acceleration of projects from future years and £4.139m overspend on projects delivered in 2016/17. The West link and associated projects account for the majority of the acceleration. The overspend relates mainly to the River Ness Flood Prevention Scheme where unforeseen costs materialised late in the programme including additional compensation payments and phase one adjudication and legal costs.
- 4.5 An underspend of £0.755m is anticipated in the Carbon CLEVER budget. However some initial work is underway in the Development and Infrastructure service which considers potential applications of this budget.
- 4.6 £0.067m of the Capital Discretionary fund remains to be committed. There are outstanding commitments to the value of £1.844m and this level of budget will be transferred to the appropriate service when the agreed project has been delivered.

5. Housing Revenue Account (HRA) capital programme

5.1 The gross budget for the HRA Capital Programme for the year is £39.734m. Year-end spend of £38.822m is currently forecast, the variance reflecting net slippage of £0.474m and project underspends of £0.438m.

6. Major Projects Reporting

6.1 A statement detailing the progress of all the major capital projects is included at **Appendix 3**. These projects are subject to more detailed reporting to the appropriate service committee.

6.2 A number of projects show forecast costs above budget level or significant slippage in terms of project delivery schedule. Whilst the slippage is not welcomed from an individual project perspective it is necessary from the perspective of the financing of the capital programme as detailed at 3.3.

6.3 In line with the Project Management Governance Policy post –project reviews are required to be completed for all major projects. The findings of these reviews will be consolidated to try to identify if there are any recurring issues identified across a number of projects which cause project overspends. Some such issues have already been identified as contributory factors in the need for a review of the capital programme.

7. Review of the Capital Programme

7.1 As previously reported to this committee a review of the capital programme is underway. The outcome of the review will be reported later in the financial year and timed to allow any resulting impact on the revenue budget to be factored into the 2017-18 revenue budget setting process.

8. Implications

8.1 Resource implications are noted in this report.

8.2 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 30 September 2016.

Designation: Director of Finance

Date: 14 November 2016

Author: Edward Foster, Head of Corporate Finance

Background Papers: Service monitoring statements

Capital Expenditure Monitoring Report - Service Summary**1 April - 30 September 2016****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	11,051	45,084	37,761	(7,323)	(10,023)	2,700
Chief Executive's Office	308	278	278	0	0	0
Community Services	6,636	17,167	16,277	(890)	(890)	0
Corporate Development	80	16,111	2,135	(13,976)	(13,976)	0
Development and Infrastructure	15,139	44,432	57,121	12,689	8,550	4,139
Carbon CLEVER	0	880	125	(755)	(755)	0
Discretionary Fund	0	1,911	1,844	(67)	(67)	0
Total General Fund	33,214	125,863	115,541	(10,322)	(17,161)	6,839

Funding

General Capital Grant	13,865	29,028	29,028	0	0	0
Capital Receipts	505	1,750	1,750	0	0	0
Self -Financing Projects	0	5,850	5,850	0	0	0
Borrowing	18,844	62,352	62,352	0	0	0
Planned Over Programming and Slippage - Borrowing	0	26,883	16,561	(10,322)	(17,161)	6,839
Total General Fund	33,214	125,863	115,541	(10,322)	(17,161)	6,839

Table B: Housing Revenue Account

	Actual Year to Date £000	Annual Budget £000	Year End Outturn £000	Year End Variance £000
Gross Expenditure Budget	11,249	39,734	38,822	(912)
Funding				
Sale of Council House Receipts	(2,006)	(1,278)	(2,650)	(1,372)
Government Grant Income	(2,360)	(8,467)	(8,467)	0
RHI Income	(158)	0	(475)	(475)
Other Income	(3)	0	(3)	(3)
CFCR	0	(2,790)	(2,790)	0
Landbank Contribution	(1,898)	(2,195)	(2,195)	0
Borrowing	(4,824)	(25,004)	(22,242)	2,762
Total HRA	0	0	0	912

Capital Expenditure Monitoring Report - Plan Update
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1 April 2016 - 30 September 2016

Capital Plan	2016/17 £000
Approved plan 2016/17	111,666
Net slippage brought forward from 2015/16	17,417
Net overspends brought forward from 2015/16	<u>(1,335)</u>
Capital plan at 1 April 2016	<u>127,748</u>
Additional Project Income - Gaelic School Scottish Government grant	(2,027)
Net addition to Programme, Grantown Courthouse - the borrowing for which is to be funded by revenue budget savings.	<u>142</u>
Capital plan at 30 September 2016 per Appendix 1	<u><u>125,863</u></u>

Capital Expenditure Monitoring Report - Projects over £4m

Appendix 3

	Approved Budget	Current Approved Budget	Total Project Spend to	Forecast Total Project Spend	Forecast End of Project Variance	Project Completion Dates	
	December 2015 £000	£000	September 2016 £000	£000	£000	Planned at March 2015	Current Estimate
CARE & LEARNING							
COMMUNITY & LEISURE FACILITIES							
Inverness Leisure Phase 1	3,500	3,730	3,701	3,730	0	Jul-15	Jul-15
Inverness Leisure Phase 2	3,000	3,000	45	3,000	0	Mar-19	Mar-20
SECONDARY SCHOOLS PROGRAMME							
Inverness High School	10,000	10,000	417	10,000	0	Aug-18	Mar-19
Inverness Royal Academy	39,010	39,010	33,568	39,010	0	Jun-17	Jun-17
Lochaber High School Phase 3 & 4	15,935	16,185	15,676	16,185	0	Sep-15	Oct-15
Portree High - Elgin Residence	4,020	4,020	4,705	4,770	750	Dec-15	May-16
Tain 3 - 18 Campus	45,000	45,000	319	45,000	0	Aug-18	Jul-20
Wick Community Campus	5,350	5,350	3,322	5,350	0	Apr-17	Apr-17
PRIMARY SCHOOLS PROGRAMME							
Beaully - New Primary	10,000	10,000	0	10,000	0	Aug-19	Aug-20
Dunvegan - New Primary	10,000	10,000	0	10,000	0	Aug-18	TBC
Fort William - Caol/RC Joint Campus	15,690	15,940	15,725	16,690	750	Dec-16	Feb-17
Fort William - New Gaelic Primary	8,000	7,750	7,744	7,900	150	Jun-15	Jun-15
Fort William - Lundavra Primary	12,000	12,000	11,856	12,350	350	Oct-15	Oct-15
Portree - New Gaelic Primary	9,285	10,800	1,576	10,800	0	Jul-17	Dec-17
Wick - New Noss Primary	16,650	16,650	15,228	16,650	0	Oct-16	Feb-17
SPECIAL SCHOOLS PROGRAMME							
Cauldeen Annexe	N/A	5,000	140	5,000	0	N/A	Aug-17
St Clements/St Duthus - Modular Accom.	4,580	4,580	4,984	5,030	450	Aug-15	Aug-15
CORPORATE DEVELOPMENT							

ICT Reprovision	12,200	15,200	0	15,200	0	Mar-18	Mar-19
					0		
DEVELOPMENT & INFRASTRUCTURE							
ROADS AND BRIDGES							
Major Road Improvements							
The Inverness West Link	43,352	43,352	10,204	43,352	0	Mar 2021	Mar 2021
Inshes Roundabout	6,975	6,975	714	6,975	0	Mar 2020	Mar 2020
Kinnairdie Link Road, Dingwall (Incl Junction at County Buildings)	7,258	7,258	1,283	7,258	0	Mar 2019	Mar 2019
A862 Muir of Ord Railway Bridge	5,360	5,360	2,477	5,360	0	Mar 2018	Jul 2017
LEISURE FACILITIES							
Torvean Golf Course	8,227	8,227	4,356	8,227	0	Mar 2019	Mar 2019
Canal Parks Enhancement	4,144	4,144	593	4,144	0	Mar 2018	Mar 2018
FLOOD PREVENTION							
River Ness Flood Prevention - Tidal Section (Incl Streetscaping)	34,708	34,708	37,094	37,814	3,106	Mar 2017	Aug 2016
STRATEGIC ASSET MANAGEMENT							
Wick Office	8,500	8,500	8,375	8,750	250	Mar 2016	Nov 2016
Fort William Office Rationalisation	5,801	5,801	1,314	7,221	1,420	Mar 2017	Mar 2018