

The Highland Council
Community Services Committee

15 February 2017

Agenda Item	5
Report No	COM 2/17

Capital Expenditure Monitoring – 1 April 2016 to 31 December 2016

Report by Director of Community Services

Summary

This report invites Members to approve the capital expenditure monitoring position for the period from 1 April 2016 to 31 December 2016 for both the Community Services element of the Council's approved capital programme and the HRA capital programme.

1. Background

1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome agreement.

2. Capital Programme 2016-17

2.1 The summary of capital expenditure against current programme and estimated outturn is included in **Appendix 1**. The 'Revised Net Budget' column is that approved by the Highland Council on 17 December 2015, amended to include the 2015/16 net slippage of £1.502m and the inclusion of £0.050m for low-energy lighting in communal blocks from the Carbon Clever budget.

3. Current Position

3.1 After 9 months of the financial year the net expenditure is £10.957m representing 63.6% of the 2016/17 programmed figure.

3.2 Progress on capital projects is as reported in the notes column on **Appendix 1**.

4. Estimated Outturn and Variances

4.1 The projected outturns for net expenditure is £16.564m leading to a net variance of £0.603m. The net variance is represented by slippage of £0.603m. The slippage will be carried forward and included in the 2017/18 capital programme. There are a number of overspends totalling £0.692m. The overspends are funded by a corresponding number of underspends totalling £0.692m.

5. Major Issues and Variances

5.1 At present there are no major issues or variances other than those highlighted in **Appendix 1**.

6. HRA Capital Programme 2016-17

- 6.1 The HRA capital programme reflects the Council's commitment to maintain and improve the housing stock, to ensure that properties are adapted to meet the changing needs of tenants, and the Council house building programme.
- 6.2 The mainstream HRA Capital Programme 2016/17 was approved by the Community Services Committee on 5 November 2015, amended to include £4.069m of the 2015/16 underspend to allow completion of the final SHQS work, retentions and defect costs. The mainstream HRA capital budget for 2016/17 is £16.526m.
- 6.3 The Council house building programme was approved by the FHR Committee on 30 January 2013, and further amended at the Highland Council meeting on 7 March 2013, giving an overall target of 688 new Council houses by 2017. The total programme cost is estimated to be of the order of £92m. To allow progression and continuation of the programme, the Council house building element of the HRA capital programme for 2016/17 is £23.208m.

7. Current Position

- 7.1 After 9 months of the financial year end the net expenditure is £20.
- 7.2 Progress on capital projects is as reported in the notes column on **Appendix 2**.

8. Estimated Outturn and Variances

- 8.1 The projected outturn for net expenditure is £35.083m leading to a net variance of £4.651m. The net variance is represented by slippage of £6.517m; accelerated expenditure of £2.769m; and a net underspend of £0.903m.
- 8.2 The net underspend comprises an underspend on the mainstream element of the HRA capital programme of £5.353m and an overspend of £0.702m in the Council house building element.
- 8.3 The principal reasons for the underspend are as follows:
- retendering of 7 contracts to achieve better value for money (£2.791m);
 - late award of contracts for heating replacements in Caithness and roof replacements in Ross & Cromarty (£0.732m);
 - further survey work required for the rewiring project pan-Highland (£0.496m);
 - a fall in number of gas heating upgrades required in Ross & Cromarty (£0.528m);
 - lower than anticipated number of Occupational Therapy referrals in the equipment and adaptations work (£0.275m); and
 - unutilised contingency sums on two of the Scape SHQS contracts (£0.531m).

8.4 Although there will be delays getting works started on site as a result of the above retendering and late award of contracts, it is anticipated at this point that the programme will be completed within the first quarter of the next financial year. Any further slippage will be reported to both Community Service Committee and relevant Area Committees.

9. Implications

9.1 Resource implications are discussed in the report.

9.2 Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.

9.3 There are no other known legal, equality, climate change/carbon clever, Gaelic or rural implications arising as a direct result of this report.

Recommendations

Members are invited to approve the capital expenditure monitoring position for the period 1 April 2016 to 31 December 2016.

Designation: Director of Community Services

Date: 23 January 2017

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statements 31/12/16 and the Highland Council Financial Ledger

THE HIGHLAND COUNCIL							APPENDIX 1
MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2016 TO 31ST DECEMBER 2016							
SERVICE: COMMUNITY SERVICES							
Project Description	Actual Net	Revised Net	Year End Estimated Net	Year End Net	(Slippage)/Acceleration	Anticipated Year End	COMMENTS
	Year to Date	Budget	Outturn	Variance	Net	(Under)/Over	
	£000	£000	£000	£000	£000	£000	
ROADS AND BRIDGES							
Structural Road Works							
Road Structural Capital Works	2,252	4,950	4,525	(425)	0	(425)	Works ongoing in all Areas, target completion by year end.
Road Surface Dressing Capital	1,281	1,500	1,925	425	0	425	Works ongoing in all Areas, target completion by year end.
Bridges, Retaining Walls & Culverts	134	946	746	(200)	(200)	0	Works ongoing. Kylesku parapet replacement is slipped to next financial year, however emergency bridging stock and safety barrier works have utilised 50% of the slippage. Bridge works at A831 Struy and C1126 Coronation have slipped to 2017/18.
Area Minor Capital Works							
Area Minor Works - Traffic Calming	30	86	56	(30)	(30)	0	Works ongoing. There will be a slight slippage to next financial year.
Timber Extraction	0	150	50	(100)	(100)	0	Schemes currently under development, however works will slip to next financial year.
ACTIVE TRAVEL							
Bus Shelters	183	247	247	0	0	0	Ward discussions ongoing on programme of bus shelter installations. Installations progressing.
Traffic Management Improvements	2	143	93	(50)	(50)	0	Traffic signals at various sites progressing, however some works will slip to 2017/18.
LIGHTING							
Structural Lighting Works	2,418	2,550	2,675	125	125	0	Works ongoing in all Areas. Funding allocated to replacement of old columns & defected cabling. LED replacements ongoing in all areas. Additional investment of £2m linked to revenue saving on electricity costs.
FERRIES AND HARBOURS							
Harbours General Structural Works	68	280	240	(40)	(40)	0	Schemes approved at Harbour Management Board - programme of works underway.
Lochinver Ice Plant	0	200	200	0	0	0	Grant approved, works to commence shortly, completion this financial year.
Chilling of Fish Market - Kinlochbervie	13	250	20	(230)	(230)	0	Tenders awaiting return, grants thereafter to be applied for.
Pontoons	1	11	11	0	0	0	Installations ongoing.
ENVIRONMENTAL HEALTH							
Contaminated Land	2	36	36	0	0	0	Last of funding for site identification and small remedial works.
COMMUNITY WORKS							
Burials and Cremations							
Burial Ground Extension - General	22	150	111	(39)	0	(39)	
Burial Ground Extension - Portree	24	77	77	0	0	0	Design work ongoing. Phase 1 works to be undertaken in 2016/17.
Burial Ground Extension - Nairn	396	376	400	24	0	24	Works complete.
Burial Ground Acharacle	19	25	25	0	0	0	Works complete.
Burial Ground Fodderty	30	110	110	0	0	0	Extension design brought forward - works 2016/2017
Burial Ground Ullapool	0	0	0	0	0	0	Design work ongoing.
Burial Ground Dores	7	10	10	0	0	0	Design work ongoing.
Burial Ground Glen Nevis	19	10	20	10	0	10	Design work ongoing.
Burial Ground Canisbay	19	30	30	0	0	0	Design work ongoing.
Burial Ground Alness	4	0	5	5	0	5	Design work ongoing.
Inverness Crematorium - Replacement Cremators	186	1	200	199	0	199	Works complete and cremators operational, retention to be paid. Overspend as reported last financial year.
War Memorials	14	(11)	(11)	0	0	0	Programme of works underway in conjunction with Community groups - fully funded by capital discretionary budget.
Public Conveniences							
Invergordon	29	0	29	29	0	29	
Parks and Play Areas - Development							
Play Areas	14	228	100	(128)	(128)	0	Area programmes progressing.
Depots							
Depots - Health & Safety	10	219	219	0	0	0	Depot infrastructure programme of works under development.
VEHICLES & PLANT							
Vehicle & Plant Purchases	3,736	4,500	4,272	(228)	0	(228)	Budget fully committed for 2016/17.
HOUSING (NON HRA)							
Travelling People Sites	44	143	143	0	0	0	Budget fully committed and will be spent by March 2017.
OVERALL TOTAL	10,957	17,217	16,564	(653)	(653)	0	

Project Title	Number of Houses	Budget 2016/17	Actual Spend Year to Date	Year End Estimated Outturn 2016/17	Year End Variance	Slippage / Acceleration	Anticipated Year End (Under)/Over	Comments
HRA Capital Programme 2016/17								
Equipment and Adaptations								
Equipment & adaptations Caithness		100,000	40,029	100,000	-	-	-	Works carried out on demand
Equipment & adaptations Sutherland		125,000	18,873	100,000	- 25,000	- 25,000	-	Works carried out on demand
Equipment & adaptations Inverness City and Area		200,000	92,600	200,000	-	-	-	Works carried out on demand
Equipment & adaptations Badenoch & Strathspey		177,800	20,381	33,000	- 144,800	- 144,800	-	Works carried out on demand
Equipment & adaptations Nairn		46,800	29,177	46,800	-	-	-	Works carried out on demand
Equipment & adaptations Lochaber		95,400	22,205	95,400	-	-	-	Works carried out on demand
Equipment & adaptations Skye, Ross & Cromarty		355,000	111,114	250,000	- 105,000	- 105,000	-	Works carried out on demand
TOTAL		1,100,000	334,379	825,200	- 274,800	- 274,800	-	
Major Component Replacement								
Bathroom replacement Caithness	48	231,663	101,931	231,663	-	-	-	Work on site 70% complete
Kitchen replacement Caithness	46	231,663	108,662	231,663	-	-	-	Work on site 50% complete
Window & door replacement Caithness & Sutherland	55	412,500	45,991	336,000	- 76,500	- 52,000	- 24,500	Contract awarded - tender price less than budget
Bathroom replacement Sutherland	21	98,646	6,618	98,646	-	-	-	Work on site 60% complete
Kitchen replacement Sutherland	20	98,646	74,235	98,646	-	-	-	Work complete
Individual bathroom and kitchens Caithness & Sutherland	12	69,981	-	69,981	-	-	-	Work on site 10% complete
Bathroom replacement Inverness City & Area	14	70,000	38,337	78,119	8,119	-	8,119	Work on site 80% complete
Kitchen replacement Inverness City & Area	33	165,000	74,765	170,000	5,000	-	5,000	Work on site 80% complete
Window & door replacement Inverness City	91	780,000	33,789	630,523	- 149,477	- 103,000	- 46,477	Contract awarded - tender price less than budget
Window & door replacement Inverness Area, Nairn, Badenoch & Strathspey	71	542,000	40,406	55,000	- 487,000	- 487,000	-	Being retendered as tenders exceeded budget
Window & door replacement Fort William & Ardnamurchan, Caol & Mallaig	28	195,000	17,397	30,000	- 165,000	- 165,000	-	Being retendered as tenders exceeded budget
Replacement bathrooms and kitchens Badenoch & Strathspey	15	39,379	1,290	57,500	18,121	-	18,121	Work on site 20% complete
Replacement bathrooms and kitchens Nairn	20	104,470	1,590	104,470	-	-	-	Work on site 80% complete
Replacement bathrooms and kitchens Fort William & Ardnamurchan	20	82,992	41,569	92,600	9,608	-	9,608	Work on site 80% complete
Replacement bathrooms and kitchens Caol & Mallaig	9	23,972	3,869	22,100	- 1,872	-	1,872	Work on site 90% complete
Individual bathroom replacement Skye, Ross & Cromarty	16	80,000	84,943	84,943	4,943	-	4,943	Work complete (additional 5 properties done)
Individual kitchen replacement Skye, Ross & Cromarty	15	120,000	54,556	120,000	-	-	-	Work on site 10% complete
Kitchen replacement Skye, Ross & Cromarty	56	556,743	40,263	457,606	- 99,137	- 8,404	- 90,733	Work on site 10% complete
Window & door replacement Skye, Ross & Cromarty	66	554,000	36,766	39,000	- 515,000	- 515,000	-	Being retendered as tenders exceeded budget
Rewiring	0	503,000	7,021	7,021	- 495,979	- 495,979	-	Project not started - awaiting survey information
TOTAL	656	4,959,655	813,998	3,015,481	- 1,944,174	- 1,826,383	- 117,791	

Project Title	Number of Houses	Budget 2016/17	Actual Spend Year to Date	Year End Estimated Outturn 2016/17	Year End Variance	Slippage / Acceleration	Anticipated Year End (Under)/Over	Comments
Heating/Energy Efficiency								
Heating replacement Caithness	88	858,000	79,210	472,000	- 386,000	- 385,500	- 500	Contract awarded
Insulation works Caithness	30	150,000	-	150,000	-	-	-	Surveys ongoing
Heating replacement Sutherland	15	165,000	118,177	165,000	-	-	-	Work complete
Loft insulation Caithness	35	17,500	921	17,500	-	-	-	Work on site 10% complete - issues with non-access
Insulation works Sutherland	15	75,000	-	75,000	-	-	-	Surveys ongoing
Heating replacements Caithness & Sutherland	23	233,895	76,311	233,895	-	-	-	Work on site 10% complete
Heating replacements Inverness and Nairn	52	500,000	491,630	491,630	- 8,370	-	- 8,370	Work complete
Heating replacements Inverness	10	85,255	53,942	84,097	- 1,158	-	- 1,158	Work complete
Non-gas heating replacements Inverness, Nairn, Badenoch & Strathspey	40	600,000	50,544	55,000	- 545,000	- 545,000	-	Being retendered as tenders exceeded budget
Non-gas heating replacements Fort William & Ardnamurchan, Caol & Mallaig	56	572,961	54,404	55,000	- 517,961	- 517,961	-	Being retendered as tenders exceeded budget
Heating replacements Skye, Ross & Cromarty	12	120,000	-	120,000	-	-	-	Work on site 30% complete
Gas heating upgrades Ross & Cromarty	87	950,000	49,860	388,199	- 561,801	- 33,561	- 528,240	Contract awarded - tender price under budget as fewer addresses
TOTAL	463	4,327,611	974,999	2,307,321	- 2,020,290	- 1,482,022	- 538,268	
External Fabric (Major Component Replacement)								
Works to roofs, soffits, fascia and downpipes Caithness	8	80,000	24,051	80,000	-	-	-	Work on site 10% complete
Works to roofs, soffits, fascia and downpipes Sutherland	32	250,000	24,851	27,620	- 222,380	- 222,380	-	Being retendered as tenders exceeded budget
Individual external fabric works Caithness & Sutherland		48,331	-	48,331	-	-	-	Project not started
Roof replacement Skye	36	370,000	29,106	31,407	- 338,593	- 338,593	-	Being retendered as tenders exceeded budget
Roof replacement Ross & Cromarty	37	380,000	30,878	34,000	- 346,000	- 346,000	-	Contract awarded - tender price £537k
External fabric works Inverness City & Area		477,895	5,751	477,895	-	-	-	Work on site 30% complete
Roof replacement Badenoch & Strathspey	3	21,559	245	18,618	- 2,941	-	- 2,941	Works complete
Roof works Nairn	4	26,693	27,552	27,552	- 859	-	- 859	Works complete
Roof works Caol & Mallaig	11	54,413	33,149	48,649	- 5,764	-	- 5,764	Work on site 80% complete
TOTAL	131	1,708,891	175,583	794,072	- 914,819	- 906,973	- 7,846	
External Fabric (environmental improvements)								
Environmental improvements Caithness		88,548	-	88,548	-	-	-	Works to commence asap
Environmental improvements Sutherland		39,783	-	39,783	-	-	-	Works to commence asap
Environmental improvements Skye, Ross & Cromarty		80,000	-	80,000	-	-	-	Works to commence asap
Environmental improvements Badenoch & Strathspey		21,559	-	21,559	-	-	-	Works to commence asap
Environmental improvements Nairn		26,693	-	26,693	-	-	-	Work on site 20% complete
Environmental improvements Fort William & Ardnamurchan		32,854	5,645	32,854	-	-	-	Work on site 30% complete
Environmental improvements Caol & Mallaig		21,559	5,876	21,559	-	-	-	Work on site 20% complete
Low-energy lighting in communal blocks		50,000	47,256	50,000	-	-	-	Work on site 60% complete - 50% match funding from Carbon Clever budget
TOTAL		360,996	58,777	360,996	-	-	-	
Retention/defects costs outstanding								
Retention/defects costs outstanding		4,068,648	2,870,579	3,870,352	- 198,296	-	- 198,296	All SHQS projects completed on site
TOTAL	1,250	16,525,801	5,228,315	11,173,422	-5,352,379	- 4,490,178	- 862,201	

Project Title	Number of Houses	Budget 2016/17	Actual Spend Year to Date	Year End Estimated Outturn 2016/17	Year End Variance	Slippage / Acceleration	Anticipated Year End (Under)/Over	Comments
New Builds								
Dingwall North Tulloch Castle	13	24,355	8,263	24,355	-	-	-	Works complete - in defect period
Alness, Dalmore	15	222,372	362,274	422,372	200,000	200,000	-	Works complete - in defect period
Alness, Kendal Crescent	10	38,747	33,926	38,747	-	-	-	Works complete - in defect period
Alness, Kendal Crescent II	9	419,000	99,895	250,000	- 169,000	- 169,000	-	Work on site 10% complete
Alness Kendal Pods	8	30,000	1,016	30,000	-	-	-	Works complete - in defect period
Alness, Novar Road	6	754,369	591,618	847,000	92,631	-	92,631	Work on site 60% complete
Alness, Perrins Road	6	1,000	148,622	180,000	179,000	179,000	-	Design in progress
Aviemore, former community centre	20	31,973	32,883	32,883	910	-	910	Works complete - in defect period
Aviemore, Granish Way	8	56,628	60,053	60,053	3,425	3,425	-	Works complete - in defect period
Balmacara, former dairy	8	101,946	82,817	101,946	-	-	-	Works complete - in defect period
Beauly, Simpsons	8	14,362	400	14,362	-	-	-	Works complete - in defect period
Boat of Garten	10	1,031,781	896,533	1,031,781	-	-	-	Work on site 80% complete
Broadford, Broadford House	9	1,223,066	451,270	1,223,066	-	-	-	Work on site 30% complete
Broadford, Fish Factory	12	591,026	446,872	492,000	- 99,026	-	- 99,026	Works complete - in defect period
Dingwall, Castle St	12	725,000	30,389	150,000	- 575,000	- 575,000	-	Design in progress - start delayed, building occupied
Dingwall, Gospel Hall/Gladstone Avenue	4	346,670	368,528	400,000	53,330	53,330	-	Works complete
Dornoch, Deans Park	6	10,408	10,410	10,410	2	-	2	Works complete
Dingwall, North P2/St Andrews Road	9	550,318	612,016	612,016	61,698	61,698	-	Works complete - in defect period
Fort William, Belhaven	5	729,148	284,023	729,148	-	-	-	Work on site 60% complete
Fort William, former Angus Centre	17	234,346	224,934	224,934	- 9,412	-	- 9,412	Works complete
Fort William, Tweeddale	22	2,258,061	1,666,925	2,258,061	-	-	-	Work on site 80% complete
Glenborrodale PS	2	1,000	300	1,000	-	-	-	Works complete
Grantown on Spey, Breachen Court	6	50,000	239	325,000	275,000	275,000	-	Tender received
Invergordon, Flemingway P2	11	20,769	19,594	19,594	- 1,175	-	- 1,175	Works complete
Invergordon, Joss Street P2	5	445,000	765	50,000	- 395,000	- 395,000	-	Design in progress - start delayed, building occupied
Invergordon, Victoria Garage	18	2,274,327	1,138,185	1,800,000	- 474,327	- 474,327	-	Work on site 60% complete
Inverlochy (distillery)	21	40,000	3,314	40,000	-	-	-	Works complete - in defect period
Inverlochy SN Bungalow	1	388	-	388	-	-	-	Works complete - in defect period
Inverness, Academy Street	14	28,188	1,978	28,188	-	-	-	Works complete - in defect period
Inverness, Balloan Road	19	36,000	42,071	42,071	6,071	6,071	-	Works complete, additional landscaping o/s
Inverness, Caulfield Road	13	1,211,536	1,230,324	1,232,000	20,464	20,464	-	Works complete - in defect period
Inverness, Charleston Janny's Houses	3	75,000	-	-	- 75,000	- 75,000	-	Tender received - start delayed, building occupied
Inverness, Glenurquhart Road	8	606,682	652,507	705,000	98,318	98,318	-	Works complete - in defect period
Inverness, Glendoe Terr P2	44	22,611	56,656	1,600,000	1,577,389	1,577,389	-	Out to tender
Inverness, Huntly House	20	1,982,996	1,515,478	2,182,000	199,004	199,004	-	Work on site 80% complete
Inverness, Midmills	30	400,000	54,991	400,000	-	-	-	Tender received
Inverness, Old Edinburgh Rd	6	7,680	66,857	100,000	92,320	92,320	-	Contract awarded - accelerated spend
Inverness, Parks Farm	18	120	150	150	30	-	30	Works complete
Inverness, Slackbuie P2	6	20,000	5,070	5,070	- 14,930	-	- 14,930	Design in progress
Inverness, Westercraigs P1	16	58,814	1,620	58,814	-	-	-	Works complete - in defect period

Project Title	Number of Houses	Budget 2016/17	Actual Spend Year to Date	Year End Estimated Outturn 2016/17	Year End Variance	Slippage / Acceleration	Anticipated Year End (Under)/Over	Comments
Kiltarlity, Balgate Mill	10	901,553	846,890	846,890	- 54,663	- 54,663	-	Works complete - in defect period
Kiltarlity, Phase 2	18	400,000	-	296,000	- 104,000	- 104,000	-	Work on site 10% complete
Kiltarlity, Phase 3		-	154,400	-	-	-	-	
Lochcarron Kirkton Gardens	6	17,000	993	1,000	- 16,000	- 16,000	-	Works complete - in defect period
Muir of Ord, Urry House	22	2,122,150	1,508,892	1,958,000	- 164,150	- 164,150	-	Work on site 70% complete
Naim, Lochloy P1	6	10,411	-	-	- 10,411	-	- 10,411	Works complete
Naim Former bus garage	16	830	1,100	1,100	270	-	270	Works complete - final account settled
Naim, Lochloy P2	8	1,010,875	994,861	1,010,875	-	-	-	Work on site 70% complete
Portree, Dunvegan Road P2	8	657,583	645,545	657,583	-	-	-	Work on site 90% complete
Ullapool, Lochside Court	14	60,000	24,474	60,000	-	-	-	Works complete - in defect period
CHB Additional Schemes	0	18,508	22,143	22,143	3,635	3,635	-	Project not started
Individual House Purchases	0	650,754	218,914	650,754	-	-	-	
One-Bed House Purchases	0	682,691	336,272	682,691	-	-	-	
NEW BUILD TOTAL	586	23,208,042	15,649,450	23,909,445	701,403	742,514	- 41,111	
GRAND TOTAL	1,836	39,733,843	20,877,765	35,082,867	-4,650,976	- 3,747,664	- 903,312	

MONITORING STATEMENT OF CAPITAL PROGRAMMES TO 31 DECEMBER 2016

Capital Receipts 2016/2017

	Funding Budget £'000	Actual to 31/12/2016 £'000	Estimated Outturn £'000	Estimated Variance £'000
Mainstream Investment Programme				
Useable Capital Receipts	1,278	3,258	4,023	2,745
RHI Income	-	249	332	332
Borrowing	12,458	1,721	2,008	(10,450)
Capital from Current Revenue	2,790	-	4,810	2,020
Total For Mainstream Investment Programme	16,526	5,228	11,173	(5,353)
New Council House Build Programme				
Government Grant	8,467	3,433	5,712	(2,755)
Miscellaneous Income	-	197	197	197
Sale of LIFT Properties	-	48	48	48
Landbank	2,195	1,880	2,330	135
Borrowing	12,546	10,092	15,623	3,077
Total For New Council House Build Programme	23,208	15,650	23,910	702
GROSS FUNDING	39,734	20,878	35,083	(4,651)