

Agenda Item	<b>10</b>
Report No	<b>RES/58/17</b>

## HIGHLAND COUNCIL

**Committee:** Corporate Resources Committee

**Date:** 15 November 2017

**Report Title:** Corporate Development Service Capital Expenditure Monitoring April – September 2017/18

**Report By:** Director of Corporate Resources

### 1. Purpose/Executive Summary

- 1.1 The attached report and appendices show the monitoring position for the Corporate Development Service 2017/18 capital budget for the period to 30 September 2017.
- 1.2 **Appendix 1** sets out the in-year monitoring position and shows slippage of £6.225m and a predicted underspend of £0.5m against a total budget of £18.615m.
- 1.3 **Appendix 2** sets out the position for major projects with a value exceeding £4million. In the case of Corporate Development Service, this is a single project, ICT Reprovision, which has a whole lifecycle budget of £15.2m and current expenditure of £1.904m.
- 1.4 This will be the last revenue monitoring report for the Corporate Development Service. From Quarter 3 onwards all of the capital projects will have transferred across to the Corporate Resources Service. These will continue to be reported to Corporate Resources Committee.

### 2. Recommendations

#### 2.1 Members are asked to:

- consider and agree the financial position of the Corporate Development Service capital budget as at 30 September 2017.

### 3. Capital Monitoring

- 3.1 **Appendix 1** shows the monitoring position for the Corporate Development Service capital budget for the second quarter of the 2017/18 financial year. The total budget is £18.615m, with £1.928m spent to date.
- 3.2 As reported to the last committee, the Service is anticipating an underspend of £0.5m against the SWAN project. The roll out is now near completion and whilst there are a small number of sites still waiting to be transferred to Swan, it is not expected that there will be much, if any, capital expenditure requirements arising from this. £0.046m anticipated expenditure has been identified in case any unforeseen residual capital expenditure requirements arise, but even this may not be needed if everything continues to go according to plan.
- 3.3 £1.5m in the Digital Outreach budget reflects budget provision that was made to enable the Council to supplement Scottish Government funding, if needed, to allow for increased broadband coverage within the Highland area. It is recommended that the £1.5m remains as slippage to meet any future demand for THC funding to support infill and community projects.
- 3.4 £4.725m slippage is being anticipated in the ICT Transition Project, against an annual budget of £16.224m. This line covers the costs of the device refresh, the Network refresh, payment of the remaining transition milestone and payment of Retention monies. The actual expenditure to be incurred in 2017/18 will depend a number of factors including dependencies between the various projects and external factors including the unit price of devices which is currently subject to adverse variations in the \$ to £ Exchange Rate.
- 3.5 The predicted out turn reflects the current rollout plan and shows a slippage of £4.7m due to the network refresh and device refresh commencing several months later than originally planned. The revised programme plan was agreed through the ICT Implementation Board and has been reported to Members in separate reports to the Corporate Resources Committee. The Budget amount has been supplemented by a budget virement from Digital Outreach as agreed by the Capital Programme Board.

### 4. Appendix 2: 2017/18 Capital Expenditure, Major Projects

- 4.1 There is one major project listed in **Appendix 2** – ICT Reprovision. This expenditure covers the costs of the device refresh, the Network refresh (phase one), payment of the remaining transition milestone and payment of retention monies.
- 4.2 Appendix 2 shows there was an initial total project budget of £12.2m, rising to £15.1m for the whole life (multi-year) project budget. There needs to be a further adjustment to this line to reflect the increased budget of £16.224m. The majority of spend is still anticipated in 2017/18 and the project is due to complete at the end of 2018/19.

### 5. Implications

- 5.1 Resource - There are no resource implications other than those already set out.

5.2 There are no Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever, Risk or Gaelic implications arising as a direct result of this report.

Designation: Director of Corporate Resources

Date: 6 November 2017

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THE HIGHLAND COUNCIL							APPENDIX 1
MONITORING OF CAPITAL EXPENDITURE - 1ST JULY 2017 TO 30TH SEPTEMBER 2017							
SERVICE: CORPORATE DEVELOPMENT							
Project Description	Actual Net Year to Date £000	Revised Net Budget £000	Year End Estimated Net Outturn £000	Year End Net Variance £000	(Slippage)/Acceleration Net £000	Anticipated Year End (Under)/Over £000	COMMENTS
SWAN THC	7	546	46	(500)		(500)	This position is based on the expectation that there will be minimal capital expenditure incurred on Swan in 2017/18. The roll out of sites to the Swan network is almost complete and as a consequence the likelihood of any significant capital expenditure being incurred is low.
ICT Transition	1,904	16,224	11,499	(4,725)	(4,725)		This expenditure covers the costs of the device refresh, the Network refresh, payment of the remaining transition milestone and payment of Retention monies. The actual level of expenditure to be incurred in 2017/18 will depend a number of factors including dependencies between the various projects and external factors including the unit price of devices which is currently subject to adverse variations in the \$ to £ Exchange Rate. These figures have been updated to reflect the current rollout plan but this is still likely to vary for the reasons given above. There has been a revised forecast for expenditure due to shifts in milestones for device rollout. The Budget amount has been supplemented by a Budget Virement from Digital Outreach as agreed by the Capital Programme Board.
Service Point Improvements Future Years	(10)	16	16	0	0		
Digital Outreach	0	1,500	0	(1,500)	(1,500)		The need to incur Digital Outreach monies in 2017/18 is unlikely and provision shown as slippage in case of any expenditure requirements in future years.
Unified Communications & Chamber Refurbishment	28	329	329	0	0		Project still on target to complete full capital spend by end of 2017/18.
<b>OVERALL TOTAL</b>	<b>1,928</b>	<b>18,615</b>	<b>11,890</b>	<b>(6,725)</b>	<b>(6,225)</b>	<b>(500)</b>	

**Capital Expenditure Monitoring Report - Projects over £4m**

**1 April - 30th June 2017**

Total Project Budget						
Project	Original Budget	Approved Change	Approved Change	Revised Total	Original Completion Date	Revised Completion Date
	£000	£000	£000	£000		
ICT Reprovision	12,200	3,000		<b>15,200</b>	Mar-18	Mar-19

Projected Lifetime Outturn			
Spend To Date	Projected Future Spend	Projected Project Outturn	Projected Lifetime Variance
£000	£000	£000	£000
1,904	13,296	<b>15,200</b>	<b>0</b>