

Agenda Item	8.
Report No	RES/05/18

HIGHLAND COUNCIL

Committee:	Corporate Resources Committee
Date:	28 February 2018
Report Title:	Corporate Resources Service Budget - Capital Monitoring to 31 December 2017
Report By:	Depute Chief Executive / Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 The attached report and appendices show the monitoring position for the Corporate Resources Service 2017/18 capital budget for the period to 31 December 2017.
- 1.2 **Appendix 1** sets out the in-year monitoring position and shows slippage of £13.973m 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 Resources Service, this is a single project, ICT Reprovision now ICT Transition, which has a whole lifecycle budget of £15.2m and current expenditure of £1.904m.

2. Recommendations

- 2.1 Members are asked to:
 - Consider and agree the financial position of the Corporate Resources Service capital budget as at 31 December 2018.

3. Capital Monitoring

- 3.1 **Appendix 1** shows the monitoring position for the Corporate Resources Service capital budget for the second quarter of the 2017/18 financial year. The total budget is £18.615m, with £3.509m 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 £12.473m 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 has been dependent on 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. The slippage has increased significantly compared to last quarter due to delays in the Wipro Transformation Programme and there is a separate report to follow.
- 3.5 The predicted out turn reflects the current rollout plan and shows a slippage of £12.5m 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.
- 3.6 At the Resources committee in November Members' queried why there wasn't forward purchasing for ICT to combat the risks of exchange rate fluctuations. Unfortunately this would result in increased support costs from dual running costs and also the warranty will be effective from date of purchase.

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. An in year virement agreed by the Capital Programme Board from Digital Outreach increases the Budget to £19.9m with a total project spend to date of £7.4m. This was increased by £3m to £15.2m for the whole life (multi-year) project budget but not currently in total budget for 17/18 due to slippage. As referred to in 3.4 the project has significantly slipped and is due to be completed 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: Depute Chief Executive / Director of Corporate Resources

Date: 19 February 2018

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THE HIGHLAND COUNCIL							APPENDIX 1
MONITORING OF CAPITAL EXPENDITURE - 1ST JULY 2017 TO 31ST DECEMBER 2017							
SERVICE: CORPORATE RESOURCES							
Project Description	Actual Net	Revised Net	Year End Estimated Net	Year End Net	(Slippage)/Acceleration	Anticipated Year End	COMMENTS
	Year to Date	Budget	Outturn	Net Variance	Net	(Under)/Over	
	£000	£000	£000	£000	£000	£000	
SWAN THC	14	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	3,451	16,224	3,751	(12,473)	(12,473)		This expenditure covers the costs of the device refresh, the Network refresh, payment of the remaining transition milestone and payment of Retention monies. There is significant slippage due to delays in the overall Wipro Transformation Programme as outlined in a separate report to Corporate Resources Committee.
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	54	329	329	0	0		Project still on target to complete full capital spend by end of 2017/18.
Service Point Improvements Future Years	(10)	16	16	0	0		
OVERALL TOTAL	3,509	18,615	4,142	(14,473)	(13,973)	(500)	

Capital Expenditure Monitoring Report - Projects over £4m
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1 April - 31 December 2017

Total Project Budget						
Project	Original Budget	Approved Change	Approved Change Digital Outreach transfer	Revised Total	Original Completion Date	Revised Completion Date
	£000	£000	£000	£000		
ICT Reprovision (now Tran note: not yet in budget but approved	12,200	3,000	7,700	19,900	Mar-18	Mar-19

Projected Lifetime Outturn			
Spend To Date	Projected Future Spend	Projected Project Outturn	Projected Lifetime Variance
£000	£000	£000	£000
7,427	12,473	19,900	0