

ITEM No ...6.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 7 DECEMBER 2015
REPORT ON: CAPITAL EXPENDITURE MONITORING 2015/16
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 441-2015

1 PURPOSE OF REPORT

1.1 To appraise Elected Members of the latest position regarding the Council's Capital Plan 2016-21.

2 RECOMMENDATION

2.1 It is recommended that the Committee note the latest position regarding the Council's Capital Plan 2016-21.

3 FINANCIAL IMPLICATIONS

3.1 This report shows the latest projections for 2015/16 expenditure and for the projected total cost. An explanation of these major variances is shown in Section 5 of the report.

4 BACKGROUND

4.1 The Special Policy & Resources Committee of 12 February 2015 approved the 2015-18 Capital Plan for General Services. The approved Capital Plan 2015-18 has subsequently been reclassified into the major themes of the Council and updated to reflect the effect of 2014/15 slippage on the 2015/16 Capital Programme, and revisions to projects (both in terms of costs and timescales). This revised Capital Plan 2016-21 was approved at Policy & Resources Committee on 24 August 2015. In addition to monitoring the in year budget i.e. 2015/16, the total projected cost of the project will be monitored against the cost when the tender acceptance was approved at Committee. Furthermore the projected completion date for the project will be monitored against the completion date as anticipated when the tender report was approved. The capital programme is being monitored in conjunction with the asset managers.

The Housing HRA Capital Programme 2015/16 was approved at the Policy & Resources Committee on 26 January 2015. It has subsequently been updated and the revised figures for 2015/16 are included in the updated Capital Plan 2016-21 which was approved at Policy and Resources Committee on 24 August. The Housing HRA Capital Budget reflects information contained in Scottish Housing Quality Standard submission.

4.2 Local Authorities from 1 April 2004 are required, by Regulation, to comply with the Prudential Code under Part 7 of the Local Government Act 2003. The Capital Budget for 2015/16 is being monitored within the framework of the Prudential Code.

4.3 The Capital Monitoring report provides detailed information on individual projects contained within the Capital Budget and the impact of expenditure movements on future financial years.

5 GENERAL SERVICES CURRENT POSITION

5.1 Appendix 2 details the latest projected outturns for each project, both for 2015/16 and for the whole project life-span. In addition the Appendix monitors project timescales. In some instances it is not possible to provide either approved and projected total project costs and timescales due to the project being a block programme containing various smaller projects within it. Appendix 1 summarises the total gross expenditure for 2015/16 and how this expenditure is funded.

5.2 2015/16 Expenditure Variations

Appendix 1 for the position to the end of October shows a revised Projected Outturn for 2015/16 of £97.251m, a decrease of £3.712m since the previous Capital Monitoring Report. The main reasons for this are detailed in points 5.2.1 to 5.2.5 below:

- 5.2.1 Regional Performance Centre (Recreation, Culture, Arts & heritage) – The projected expenditure has reduced by £1.139m. The enabling works are now anticipated to start in February 2016 with the main building works going on-site in Autumn 2016. This expenditure will be required in future years and funded from borrowing and a capital contribution.
- 5.2.2 CCTV Project (Community Safety/Public Protection) – The projected expenditure has reduced by £438,000 in 2015/16. This expenditure will be required in 2016/17 and will be funded from borrowing.
- 5.2.3 New Lock Entrance to Camperdown Dock (Jobs & Regeneration) – The projected expenditure has reduced by £1.675m. The most optimum lock gate solution in terms of both cost and operational effectiveness has yet to be agreed – a decision is anticipated in December after which time further progress can be determined, This expenditure will be required in future years and will be funded from borrowing.
- 5.2.4 Sports Facilities (Recreation, Culture, Arts & Heritage) – The projected expenditure within this programme has reduced by £700,000 in 2015/16. The budget will be required in 2016/17 and will be funded from borrowing.
- 5.2.5 The above reduction in gross expenditure as detailed in paras 5.2.1 to 5.2.4 is partially offset by further vehicle fleet capital receipts and grants enabling additional expenditure on the Council's Vehicle Fleet to be incurred.
- 5.3 Projected capital expenditure as a percentage of projected capital resources is currently standing at 102%. This variance between expenditure and resources will be met by slippage identified within the 2015/16 programme throughout the year.
- 5.4 The table below shows the latest position regarding the funding of the 2015/16 programme:-

	Approved Budget £000	Adjustments £000	Revised Budget £000	Projected Outturn £000	Variance £000
Borrowing	44,675	(863)	43,812	43,812	-
General Capital Grant	18,063	-	18,063	18,063	-
Capital Grants & Contributions	36,380	(4,147)	32,233	32,233	-
Capital Receipts – Sale of Assets	<u>1,000</u>	<u>144</u>	<u>1,144</u>	<u>1,144</u>	-
	<u>100,118</u>	<u>(4,866)</u>	<u>95,252</u>	<u>95,252</u>	=

5.5 Projected Total Cost Variations

There are no projected total cost variations to report

5.6 Completion Date Variations

There are no completion date variations to report.

6 HOUSING HRA - CURRENT POSITION

6.1 2015/16 Expenditure Variations

Appendix 3 details the total gross expenditure for 2015/16 and how this expenditure is funded. The latest capital monitoring statement shows a Projected Outturn of £19.916m, an increase of £278,000 since the previous Capital Expenditure Monitoring Report. The main reasons for this are detailed in points 6.1.2 to 6.1.3.

6.1.2 Energy Efficiency – External Insulation and Cavity Fill projected cost has increased to £8.432m from £8.710m, an increase of £262,000 due to West Kirkton being included in the 2015/16 programme. This location was previously planned for 2014/15 and was rephased into to future years when it was estimated the design work would be finalised.

6.1.3 Heating, Kitchens and Bathrooms - the projected outturn for 2015/16 has increased from £4.285m to £4.714m, an increase of £429,000. This programme has been updated to include St Marys (12th) programme which has been brought forward and reflect the increase in Individual Houses having new Boilers installed.

6.2 The table below shows the latest position regarding the funding of the 2015/16 programme:-

	Approved Budget £000	Adjustments £000	Revised Budget £000	Projected Outturn £000	Variance £000
Borrowing	9,914	-	9,914	9,914	-
Capital Grants & Contributions	3,256	-	3,256	3,256	-
Capital Receipts – Sale of Assets	4,211	-	4,211	4,631	420
Receipts from Owners	<u>400</u>	-	<u>400</u>	<u>400</u>	-
	<u>17,781</u>	=	<u>17,781</u>	<u>18,201</u>	<u>420</u>

6.3 Projected capital expenditure as a percentage of projected capital resources is currently standing at 109%. This variance between expenditure and resources will be met by slippage identified within the 2015/16 programme throughout the year.

7 RISK ASSESSMENT

7.1 There are a number of risks which may have an impact on the Capital Expenditure programme. The main areas of risk are set out below, together with the mechanisms in place to help mitigate these risks.

7.2 Slippage in the Capital programme leads to the need to reschedule projects in the current year and possibly future years, therefore creating problems in delivering the programme on time. For this reason the programme is carefully monitored and any potential slippage identified soon as possible to enable any corrective action to be taken.

7.3 Capital projects can be subject to unforeseen events. Contingencies are built into the budget for each capital project and these will be closely monitored throughout the project.

7.4 The accurate projection of the value and timing of capital receipts from asset sales is difficult in the current economic climate. There is therefore a risk that the level of capital receipts assumed in the financing of the capital programme will not be achieved. In preparing the capital plan the Council has budgeted for a low level of Capital receipts being achieved. The Council has a Capital Fund which can be used to cover any shortfall, in the short-term, in the level of receipts required. Similarly, additional borrowing can be used to cover any temporary shortfalls in capital receipts.

7.5 General Capital Grant is received from Scottish Government via the Local Government Finance Settlement each year. The level of Grant for 2015/16 has been confirmed. The officers are of the view that the projected capital grant assumed within the Capital Plan 2016-21 is prudent.

7.6 Capital projects must be affordable in terms of their impact on the Council's Revenue Budget. The option appraisal process should ensure that the revenue impact of capital projects has been calculated and reflected in future years' Revenue Budgets.

8 **POLICY IMPLICATIONS**

8.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, and Equality Impact Assessment.

There are no major issues.

9 **CONSULTATION**

9.1 The Chief Executive, Head of Legal and Democratic Services and Executive Director of Neighbourhood Services have been consulted in the preparation of this report.

10 **BACKGROUND PAPERS**

10.1 None

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