

Agenda Item	4
Report No	PED 2/12

MONITORING OF CAPITAL EXPENDITURE TO 30 NOVEMBER 2011

Report by Director of Planning and Development

SUMMARY

This report outlines the Expenditure and Income to 30 November 2011 for the 2011/12 Capital Programme.

The Planning and Development Service Capital Programme and use of the Vacant and Derelict Land Fund supports the Council's Single Outcome Agreement commitments to help build a competitive, sustainable and adaptable Highland economy and to help sustain Highland communities.

1. 2011/12 Capital Programme

- 1.1 The Capital Monitoring Statement attached at Appendix 1 shows the position to the end of November 2011. The "Budget" column is that approved by the Highland Council on 12 May 2011 adjusted for 2010/11 underspend carried forward.
- 1.2 Actual gross expenditure to November 30th was £341k. At the time of writing actual expenditure is approximately £362k.
- 1.3 Brief comments within Appendix 1 indicate the current status of all projects in the Core Programme with a forecast gross expenditure to year end in the region of £1.2m. Reasons for the forecast underspend in 2011/12 (Nairn, Visitor Signage and Interpretation, Storr, Inverness City Gateways) remain as previously reported to this Committee in August 2011.
- 1.4 Projects in Ullapool, Fort Augustus, Gairloch, Dornoch and Tarbet Ness are complete and most costs processed. Projects in Beauly, Inverlochy and Dunnet are on site with expenditure on target for the current financial year.
- 1.5 Contracts have been awarded for Dingwall and Ballachulish. Tenders have been issued for Inver, Munlochy, Portree, Tongue/Melness and Rogie Bridge. These projects all have target on site start dates in January and February 2012. Whilst expenditure will be contractually committed early in the New Year, the timetable for implementation and invoicing is clearly tight within the financial year if any unforeseen circumstances arise, including difficult weather conditions.
- 1.6 The Storr Native Woodland project continues to present regulatory and logistical challenges, but harvesting is now expected to commence on site early in January 2012. Completion of restocking and public access improvements will be ongoing into 2012/13. Income through the Scotland Rural Development Programme (SRDP) amounting to nearly £40k has been secured to date and additional funding from the same source is anticipated towards access improvements in due course.

The project will also generate income from timber sales which will be ploughed back into the project and, together with SRDP income, will enable the Service to deliver major improvements at this important visitor attraction.

2. Vacant and Derelict Land Fund

- 2.1 VDLF expenditure up to end September 2011 was £75k. The Council is currently legally committed to £120k of expenditure in 2011/12.
- 2.2 Appendices 2 and 3 offer a detailed update on the individual projects included within the 2011/12 delivery plan.
- 2.3 As agreed at PED Committee on 16 November 2011 the portfolio of substitute projects was submitted to the Scottish Government. This request will require Ministerial approval and at the time of writing the Council had not received a response. A verbal update will be provided.
- 2.4 In respect to the availability of VDLF beyond the current 2011/12 grant; the Local Government Finance Circular No. 11/2011 explains that there is an undistributed VDLF Capital Grant of £8.146m for 2012/13. The precise nature of how this is to be dispersed is unknown at this time. In addition, the recently published Regeneration Strategy also indicates that across Scotland there is to be £7.5m VDLF monies available in 2013/14 and £11m in 2014/15. The Strategy states that the “Scottish Government will work with COSLA to revisit the focus of the VDLF in the future, to provide more flexibility to local authorities to respond to issues with vacant and derelict land and property”. Given the Council’s successful track record in delivering VDLF projects, it is hoped that the Council will be in a positive position when upcoming decisions are made on the future allocation of the VDLF. A verbal update will be provided to Committee if further information is known.
- 2.5 During 2011 the Highland Council Internal Audit team undertook an audit of all VDLF projects contained in the 2008-2011 VDLF Delivery Plan. This exercise was reported and considered at the Audit and Scrutiny Committee on 29 November 2011. The audit concluded that whilst the majority of the objectives were met there were three areas requiring attention (see Appendix 4). Two areas are at priority grade 2 and one at priority grade 3. As all the mitigating actions relate to future awards they will be actioned as required when assessing applications and entering into VDLF legal agreements.

3 Implications

- 3.1 Resource: The Core Projects are funded from the Capital Programme with external funding secured in addition whenever possible. The scope of projects is tailored to the funds available and therefore there are no additional resource implications for the Council. As the VDLF is grant funding from the Scottish Government there are no resource implications for the Council albeit if the full VDLF allocation is not utilised by the end of March 2012, any unspent funds may require to be returned to the Scottish Government.
- 3.2 Legal: There are no legal implications.
- 3.3 Equality: Equality issues are considered for each project as an integral part of the project management process.

- 3.4 Climate Change: Climate Change issues are currently addressed in an ad hoc manner and in the future will be introduced as an integral part of the project management process.
- 3.5 Risk: Risk implications vary due to the wide range of projects undertaken and consideration of risk is an integral part of the project management process. There are no specific concerns regarding current capital programme. As detailed in paragraph 3.1 there is a known financial risk associated with the 2011/12 programme. Paragraphs 2.2 and 2.3 detail mitigating actions in response to this identified risk.

4. RECOMMENDATION

4.1 The Committee is recommended to:

- (i) Note the contents of this report.

Designation: Director of Planning & Development

Date: 21 December 2011

Authors: Ann Hackett, Principal Projects Officer, 01463 702565
Alan Webster, Regeneration Adviser, 01463 702263

THE HIGHLAND COUNCIL
MONITORING OF CAPITAL EXPENDITURE - 1 APRIL 2011 - 30 NOVEMBER 2011

SERVICE: PLANNING, ENVIRONMENT & DEVELOPMENT

Project Description	Project Code	BUDGET			ACTUAL YEAR TO DATE			ESTIMATED OUTTURN			VARIANCE	COMMENTS
		A	B	C	D	E	F	G	H	I	J	K
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure £000	Column I minus Column C	CF = Carry Forward LC = Legally Committed FY = Financial Year ITT / ITQ = Invitation to Tender / Quote
Pan Highland Projects												
Community Woodland	13576	27	-	27	15	-	15	27	-	27	-	Works in Strontian & Ellan complete. Culloden Drive panels to install. Strathpeffer Spa Gardens path upgrade ITQ in prep.
Core Path Network Development	22131	150	-	150	46	1	45	150	-	150	-	Kiltearn Bridge & Lily Loch complete. Rogie Falls ITT issue January.
Village & Small Town Regeneration Projects												
Beaully Square	PD031	239	125	114	-	-	-	233	125	108	(6)	On site. Target completion Jan 2012. Forecast underspend covers likely contract retention payable 2012/13.
Ullapool Environmental Improvements	PD041	(39)	-	(39)	-	37	(37)	1	37	(36)	3	Complete. Leader income received. Contract retention to pay. Minor overspend.
Dingwall High Street Streetscape	PD016	64	-	64	16	-	16	64	-	64	-	Contract awarded. Due on site January 2012.
Fort Augustus Village Enhancements	PD033	5	-	5	2	-	2	5	-	5	-	Complete. Retention to pay. On budget.
Gairloch Village Enhancements	PD035	14	-	14	15	-	15	15	-	15	1	Complete - minor overspend.
Inver Village	PD036	30	-	30	-	-	-	30	-	30	-	ITQ issued. Quotes due Jan 2012. Target on site Feb.
Inverlochy Village Centre Regeneration	PD054	205	-	205	117	-	117	196	-	196	(9)	Main contract near completion. Forecast underspend covers approx. contract retention payable 2012/13. Interpretative sculpture contract awarded.
Munlochy Village	PD038	40	-	40	-	-	-	40	-	40	-	ITQ issued. Quotes due Jan 2012. Target on site Feb.
Nairn High Street	20052	151	-	151	16	-	16	19	-	19	(132)	Phase 3: civic space as identified in Town Centre Development Brief. Detail dependent on outcome of current land sales, which prevents implementation short term.
Portree Regeneration Phase 2	PD040	55	-	55	3	-	3	55	-	55	-	ITQ issued. Quotes due Jan 2012. Target on site Feb.
Tourism Related Projects												
Tongue/Melness parking upgrade		37	-	37	-	-	-	37	-	37	-	ITQ issued. Quotes due Jan 2012. Target on site Feb.
Visitor Signage and Interpretation	13578	115	-	115	45	1	44	76	-	76	(39)	Forecast underspend to cover likely 11/12 ongoing contractual commitments.
Dornoch Mercat Cross Enhancement	PD031	39	-	39	43	-	43	43	-	43	4	Complete. Minor overspend.
Property Upgrading Projects												
Dunnet Pavilion Upgrade	PD002	43	-	43	-	-	-	42	-	42	(1)	On site. Target completion January 2012. Forecast underspend covers approx. contract retention payable 2012/13.
Inclined plane Ballachulish		21	-	21	-	-	-	21	-	21	-	Contract awarded.
Storr Woodland Restructuring and Enhancements	PD004	219	123	96	-	-	-	126	123	3	(93)	Due on site January 2012. SRDP and timber income. Forecast underspend to cover legal restock commitments and public access upgrade on completion of harvesting. Timing constrained due to timber haulage restrictions through Portree.
Tarbat Ness SSSI Environmental Projects	PD056	26	-	26	23	-	23	26	-	26	-	Complete on budget.
Inverness City Developments												
Merkinch Local Nature Reserve	PD036	34	-	34	-	-	-	-	-	-	(34)	Complete. Underspend to Longman City Gateway Project.
Dunain Community Woodland	PD037	30	-	30	-	-	-	-	-	-	(30)	Not now to commence. Underspend to Longman City Gateway Project.
Longman corridor	PD055	50	-	50	-	-	-	-	-	-	(50)	City Gateway Project detail TBC following preparation of City Gateway Strategy.
Muirtown Basin / waterfront	PD038	53	-	53	-	-	-	-	-	-	(53)	Complete. Underspend to Longman City Gateway Project.
Subtotal Core Projects		1,608	248	1,360	341	39	302	1,206	285	921	(439)	

THE HIGHLAND COUNCIL
MONITORING OF CAPITAL EXPENDITURE - 1 APRIL 2011 - 30 NOVEMBER 2011

SERVICE: PLANNING, ENVIRONMENT & DEVELOPMENT

Project Description	Project Code	BUDGET			ACTUAL YEAR TO DATE			ESTIMATED OUTTURN			VARIANCE	COMMENTS
		A	B	C	D	E	F	G	H	I	J	K
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure £000	Column I minus Column C	CF = Carry Forward LC = Legally Committed FY = Financial Year
Vacant & Derelict Land Fund (2011/12 Projects TBC)		1,230	1,230	-	-	-	-	1,230	1,230	-	-	
Carsegate Estate, Inverness	PD043	-	-	-	-	17	(17)	17	17	-	-	Outstanding fees and retention due March 2012.
Former quarry, Harbour Road, Inverness	PD044	-	-	-	-	67	(67)	67	67	-	-	Project essentially complete. Boundary landscaping treatment delayed due to inclement weather. Outstanding fees and retention due March 2012.
Longman Estate, Inverness	PD045	-	-	-	59	214	(155)	214	214	-	-	2008-11 underspend to be used alongside 2011/12 VDLF grant.
Harbour Quay, Wick	PD048	-	-	-	13	15	(2)	15	15	-	-	£2k remaining of the £250k grant to the Highland Housing Alliance. Legally committed and will be drawn down early in 2011/12.
Mill Street, Dingwall	PD060	-	-	-	3	2	1	2	2	-	-	Phase 2 intrusive site investigations complete. These findings will be considered by the Council's Asset Management Project Board together with any other property issues and potential options for the site (noting any expressions of interest in the site) with a view to seeking Board approval to progress the site through the Council's surplus property procedures.
Seabank Tank Farm, Invergordon	PD050	-	-	-	-	2	(2)	2	2	-	-	The Options Appraisal and Remediation Strategy is complete. It is evident that from this work that there is very little appetite in developing this site and what development interest there may be is seriously dampened by the likely remediation required. The Council will continue to work with the landowner and partners in liaison with Ward Members to explore how this problematic site can be progressed in the future.
Former coal yard, Invergordon	PD062	-	-	-	-	1	(1)	1	1	-	-	Phase 2 intrusive site investigations complete. The findings will assist the Council's Housing and Property Services in determining the development potential of the site.
Subtotal Vacant & Derelict Land Fund		1,230	1,230	-	75	318	(243)	1,548	1,548	-	-	
GRAND TOTAL		2,838	1,478	1,360	416	357	59	2,754	1,833	921	(439)	

Appendix 2:

Site Address		Budget 2011-2012	Expenditure to Date 2011-12 (31 March 2012)	Remaining Expenditure to Year End
Inverness	Carsegate Estate	£17,000	£0	£17,000 <i>(£17k committed)</i>
	Harbour Road	£67,000	£0	£67,000 <i>(£67k committed)</i>
	Longman East	£750,000	£61,750	£34,000 <i>(£34k committed)</i>
Dingwall	Mill Street	£2,000	£3,000	£0
Wick	Harbour Quay	£15,000	£13,000	£2,000 <i>(£2k committed)</i>
Ross & Cromarty	Nigg	£700,000	£0	£700,000
Total		£1,551,000	£77,750	£820,000

2011-12 Projected Underspend	£731,000
2008-11 Project grant repayment	£190,000
Total	£921,000

Substitute Projects

Nairn Town Centre	£300,000
Invergordon High Street (CFPA)	£80,000
Jolly Drover Pub	£75,000
Portree Swimming Pool	£200,000
Angus Centre	£150,000
Huntly House	£200,000
Technical Assessments	£50,000
Total	£1,055,000

Appendix 3: Vacant and Derelict Land Fund Project Update

1. Longman (Inverness)

- 1.1 The commercial appraisal study for site B is now complete. Essentially the study considered a variety of market sectors which would appear to offer the most realistic opportunities for developing the site. Given the fact that the Longman Industrial Estate is at near capacity it is not surprising that the consultants (Graham & Sibbald) have indicated that there would be significant interest in this site for general industrial uses. However, they also indicate that much of the over supply of out of town office accommodation has now been absorbed and at present there are relatively low levels of good quality office accommodation available on the open market. However, the perceived remoteness of this site can be seen as a weakness. The consultants also indicate that they are unaware of any long-term significant office requirements and that class 1 retail remains competitive but the size of the site could prove to be an obstacle. Leisure and residential were deemed to be deflated markets and not worthy of consideration. If the site is to be developed it is critical that the capacity issues of the Longman Roundabout are resolved.
- 1.2 The Longman Landfill Transport Appraisal is complete in draft form. The report has demonstrated that signalisation of the existing Longman Roundabout which is proposed to be implemented by Transport Scotland in 2013 is unlikely to provide the level of additional capacity needed to accommodate future development on the former landfill. The AECOM study illustrates that other options exist and offer greater capacity. Such options not only address current capacity issues but also provide the additional capacity required to accommodate potential development on the former landfill. Discussions are ongoing between TECS and Transport Scotland regarding the findings of the study.
- 1.3 The phase 2 intrusive site investigation will be complete early in the New Year and a first draft of the report is anticipated the week commencing Monday 9 January 2012.
- 1.4 When complete, the findings from each of these studies will be considered together in order to determine how best to proceed and whether it will be possible to progress to the preparation of a Development Brief for the site. Reports on progress will be made to future meetings of the Inverness City Committee as well as to the PED Committee.

2. Nigg (Ross & Cromarty)

- 2.1 A VDLF application has been received from Global Energy Nigg Ltd. VDLF financial assistance of £700k is being sought to address the demolition of structures that are surplus to requirements and prevent an obstacle to future development opportunities. The Council is currently assessing this application and continues to work with HIE in respect to state aid implications and the undertaking of financial due diligence.

Appendix 4: Vacant and Derelict Land Fund Internal Audit Action Plan

Description

Prioritisation Classifications

High Likelihood/High Impact - It is considered that the seriousness of the concern identified requires urgent management attention in order to ensure that immediate corrective action is taken.	Grade 1
Low Likelihood/High Impact - It is considered that the concern identified is of sufficient importance to require corrective action by management by an early date.	Grade 2
High Likelihood, Low Impact - It is considered that the concern identified is of sufficient importance to require corrective action by management within a reasonable timescale.	Grade 3
Low Likelihood/Low Impact - Weaknesses have been identified during the review, these will have been addressed with the relevant Client Officer as part of the Management discussion stage of the review process, and improvement actions agreed. As a result these issues would not normally be included in the audit report.	Grade 4

Total recommendations

3

REPORT REF.	AREA OF CONCERN	GRADE	MANAGEMENT AGREED ACTION	IMPLEMENTATION: RESPONSIBLE OFFICER	IMPLEMENTATION: TARGET DATE
5.1.1	Although it is a grant condition that the Council ensures that bodies who receive VDLF grants maintain adequate accounts, there was no evidence to show that this had been communicated to applicants.	3	Ensure that where necessary future VDLF legal agreements include condition pertaining to the requirement to maintain adequate accounts.	Legal Services	All new VDLF projects going forward.
5.2	Housing Association Grant (HAG) benchmark allowances are used to estimate income and non "works" costs, and could differ significantly from the actual income and expenditure. There are insufficient controls in place to allow the Council to recover any overpaid VDLF grants. There are no suitable controls in place to ensure that the Council achieves best value for money in the situation where goods or services are provided by an applicant.	2	Ensure that where necessary all future VDLF legal agreements include appropriate claw back mechanisms. An appropriate independent assessment of the content and value of the works will be carried out.	Legal Services Housing and Property Services / Regeneration Adviser (Planning and Development Service)	All new VDLF projects going forward. All new VDLF projects going forward.
5.3	Where plots of land are sold by privately by a third party, it should be ensured that there are controls in place to prevent the Council suffering any detriment on negotiation.	2	Ensure that projected income detailed in VDLF applications is subject to independent (external and Housing & Property Services as appropriate) scrutiny.	Legal Services/ Regeneration Adviser (Planning and Development Service)	All new VDLF projects going forward.