

The Highland Council
Resources Committee - 25 May 2016

Agenda Item	7
Report No	RES 23/16

Corporate Capital Near Final Monitoring Report for 2015/16

Report by Director of Finance

Summary

The purpose of this report, as the accounts closedown process continues, is to present a near final capital programme expenditure position for the financial year 2015/16.

1. Background

- 1.1 The figures presented in this report include the year end net capital expenditure, net annual budget and budget variance. The figures reported cannot be regarded as final until the accounts close down process is complete. The final position will be reported to the Council meeting on 29 June and detailed out-turn statements at Service level will be presented to the next round of Service Committees.
- 1.2 This report is produced in support of the Council's corporate governance process, which in turn is designed to support the Council's corporate delivery of its obligations in terms of the Single Outcome Agreement.

2. General Fund Capital Programme

- 2.1 **Appendix 1** shows the General Fund actual net expenditure in the year of £117.403m which reflects the Council's commitment to investing in its assets. Incorporated within this total spend figure is a year end overspend of £1.335m.
- 2.2 **Appendix 2** shows the planned capital spend for the year. The initial capital budget for 2015/16 of £133.5m reflects planned 2015/16 expenditure and slippage brought forward from 2014/15. As the year has progressed the annual budget has been adjusted for project acceleration and slippage and at year end £17.4m of expenditure has been rephased into later years.
- 2.3 The funding of the capital plan and adjustments for project slippage or acceleration for a 3 year period are detailed on **Appendix 3**. This annex tracks movement between financial years and makes the required adjustments to the programme's funding arrangements.
- 2.4 Details of major capital projects in the programme are presented to members in a separate agenda item of this committee.

3. Commentary on Service Outturn Positions

- 3.1 The Care and Learning Service has reported capital spend in 2015/16 of £65.602m against a year end budget of £62.751m giving a net variance of £2.851m. The overall variance comprises ongoing projects with spend ahead of schedule including work on the Caol joint campus primary school in Fort

William, Inverness Royal Academy and investments on a number of projects from the schools Life Cycle and Roll Pressures budget heads. That acceleration is partially offset by spend behind schedule on a number of other projects. This net acceleration represents £2.051m of the overall variance reported.

A number of overspends have been reported against completed and ongoing projects and as part of its budget review for 2016/17 the service will need to identify sources of funding to meet those overspends. Projects that are overspent include the extension and refurbishment of Cromarty primary school and the modular accommodation at St Duthus, Tain and St Clements, Dingwall special schools.

- 3.2 The Chief Executive's Service shows a minor year end underspend of £0.008m in the Carbon Clever Community Grant Fund.
- 3.3 Community Services has a net underspend of £0.500m caused by slippage to be carried forward to 2016/17. There are a number of overspends in respect of structural road works and burial grounds and these will be funded by underspends principally from vehicles and plant purchases.
- 3.4 The Corporate Development Service shows a year end underspend of £0.185m. Slippage totalling £0.169m on the SWAN transition project, ICT reprovision, Service Point Improvements and unified communications and chamber refurbishment will be carried forward to financial year 2016/17 leaving a small underspend of £0.016m for the year.
- 3.5 Slippage of £0.125m on Carbon CLEVER has caused an underspend due to delays in identifying suitable projects and gaining committee approval. This will be carried forward to 2016/17.
- 3.6 The Development and Infrastructure Service has a net overspend of £1.927m. The net variance is represented by slippage of £5.739m; accelerated expenditure of £7.107m; and a net overspend on projects of £0.559m. The major overspends are at Stromeferry (£0.514m) for ongoing stabilisation works to the rockface and an anticipated compensation payment due on the South West Inverness Storm Relief Channel (£0.372). Various underspends on completed projects have reduced the overspend to £0.559m. The overall Service capital programme will be adjusted to take account of these net overspends, and will be reported as part of the capital outturn report for 2015/16 to the August Service Committee.

4. Housing Revenue Account (HRA) Capital Programme

- 4.1 The outturn for net expenditure is £55.759m leading to a net underspend of £9.267m. The net variance comprises underspends on both the Scottish Housing Quality Standard (£8.721m) and the Council house building element of the HRA capital programme (£0.546m). The principal reasons for the underspend are unutilised contingency sums in Scape contracts and a fall in the number of required heating installations to properties as a result of tenant opt-outs.
- 4.2 The net underspend on the gross budget in conjunction with additional capital receipts raised has allowed a reduction in borrowing for the HRA of £11.677m.

5. Implications

- 5.1 Resource implications - the capital programme is partially funded through borrowing. Due to the level of slippage in the year the need to borrow to fund capital expenditure has been lower than anticipated. A consequent underspend in the Council's loans charges budget can be seen in the near final revenue outturn report.
- 5.2 There are no legal, risk, equalities, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

Recommendation

Members are invited to consider the Capital Expenditure Monitoring Statement as at 31 March 2016 which shows a near final position of £1.335m overspend and note that the final position will be reported to the Council in June.

Designation: Director of Finance

Date: 20 May 2016

Author: Edward Foster, Head of Corporate Finance

Background Papers: Service monitoring statements

Capital Expenditure Monitoring Report - Service Summary**1 April 2015 - 31 March 2016 (Near Final)**

Table A: General Fund	Annual	Actual	Year End	Variance analysis	
	Net Budget £000	Net Outturn £000	Net Variance £000	Carry Forward/ Back £000	Year End Under/Over £000
General Fund					
Care and Learning	62,751	65,602	2,851	2,051	800
Chief Executive's Office	896	888	(8)	0	(8)
Community Services	13,982	13,482	(500)	(500)	0
Corporate Development	416	231	(185)	(169)	(16)
Development and Infrastructure	35,273	37,200	1,927	1,368	559
Carbon CLEVER	125	0	(125)	(125)	0
Discretionary Fund	901	0	(901)	(901)	0
Total General Fund	114,344	117,403	3,059	1,724	1,335
Funding					
General Capital Grant	37,694	37,694	0	0	0
Capital Receipts	750	440	(310)	0	(310)
Self -Financing Projects	2,000	2,000	0	0	0
Borrowing	73,900	77,269	3,369	1,724	1,645
Total General Fund	114,344	117,403	3,059	1,724	1,335
Table B: Housing Revenue Account	Annual Budget £000	Year End Outturn £000	Year End Variance £000		
Gross Expenditure Budget	65,026	55,759	(9,267)		
Total HRA	65,026	55,759	(9,267)		
Funding					
Sale of Council House Receipts	1,279	1,602	323		
RHI Income	0	292	292		
CFCR	3,770	4,754	984		
Contribution from other Services	0	178	178		
Landbank Contribution	1,260	2,390	1,130		
Sale of LIFT properties	690	854	164		
Borrowing	47,987	36,310	(11,677)		
Government Grant	10,040	9,379	(661)		
Total HRA	65,026	55,759	(9,267)		

Capital Expenditure Monitoring Report - Plan Update
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1 April 2015 - 31 March 2016 (Near Final)
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Capital Plan		2015/16 £000
Approved plan 2015/16		119,247
Net slippage brought forward from 2014/15		<u>14,237</u>
Capital plan at 1 April 2015		133,484
Acceleration/(slippage)		
April - Dec 2015	(19,140)	
Jan - Mar 2016	<u>1,724</u>	
		(17,416)
Capital plan at 31 March 2016		<u><u>116,068</u></u>

	£000
Current Plan total per appendix 1	114,344
Acceleration Jan - Mar 2016 to be c/fwd	1,724
Revised plan per Appendix 3	<u><u>116,068</u></u>

