

Item: 6

Policy and Resources Committee: 24 September 2019.

Capital Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the capital expenditure outturn for financial year 2018 to 2019.

2. Recommendations

The Committee is invited to note:

2.1.

The summary outturn position of capital expenditure incurred against approved programmes for financial year 2018 to 2019, as detailed in section 3.1 of this report.

2.2.

The detailed analysis of capital expenditure, together with project updates in respect of the General Fund and the Non-General Fund capital programmes, for the period 1 April 2018 to 31 March 2019, attached as Appendix 1 to this report.

3. Financial Summary

3.1.

The tables below provide a summary of the re-profiled position as at 31 March 2019, across both General Fund and Non-General Fund capital programmes.

General Fund	Actual Spend £000	Revised Annual Budget £000	Variance £000
Service Committee			
Orkney Health and Care	4,016	3,715	301
Education, Leisure and Housing	536	622	(86)
Development and Infrastructure	2,490	2,955	(465)
Policy and Resources	3,889	3,534	355
Expenditure Totals	10,931	10,826	105

Non-General Fund	Actual Spend £000	Revised Annual Budget £000	Variance £000
Service Committee			
Education, Leisure and Housing	255	285	(30)
Development and Infrastructure	3,897	3,352	545
Expenditure Totals	4,152	3,637	515

Total Capital Programme	15,083	14,463	620
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3.2.

Appendix 1 advises of progress on each project. The accompanying notes have been prepared jointly with Service project leads and indicate the current status of the projects and are intended to highlight whether there are any budget or timescale issues with the projects.

3.3.

The existing five-year capital programmes, in respect of both the General Fund and Non-General Fund, have been re-profiled in order to reflect current timescales for completion of individual projects. This exercise has resulted in £15,784,000 being re-profiled from financial year 2018 to 2019 to the following financial year and onwards. Appendix 1 shows the revised budget for financial year 2018 to 2019 of £14,463,000.

3.4.

It is notable that steps have been taken to improve delivery of the capital programme going forward, including for example programme oversight and development of a project management approach, and a review of the Capital Project Appraisal process which sits in front of the capital programme. Work to improve monitoring and reporting procedures also remains ongoing.

3.5.

A separate report considers the proposed treatment of slippage on the capital programme for financial year 2018 to 2019.

4. Corporate Governance

This report relates to the Council complying with its governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

5. Financial Implications

5.1.

Approval by the Council of the Capital Programme constitutes approval of the individual projects or provisions contained therein.

5.2.

Any requests to incur expenditure outwith the provisions included in the approved capital programme shall be reported to the Policy and Resources Committee for approval, prior to any commitment being made.

5.3.

The Chief Executive and Executive Directors cannot exercise virements within the Capital Programme, except in exceptional circumstances and only after consultation with the Head of Finance. The action taken and reasons for such virement must be reported to the next meeting of the Policy and Resources Committee.

5.4.

Where no contractual commitment exists or will be made in the current or previous financial years for an approved capital project, the relevant programme provision(s) may be redeployed by the Policy and Resources Committee.

5.5.

If the cost is likely to exceed the approved capital programme the shortfall must be reported to the next meeting of the appropriate Service Committee before the project is reconsidered by the Policy and Resources Committee, where additional budget can be allocated or the existing provision redeployed.

6. Legal Aspects

Financial monitoring and reporting helps the Council meet its statutory obligation to secure best value.

7. Contact Officers

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk.

Colin Kemp, Corporate Finance Senior Manager, extension 2106, Email colin.kemp@orkney.gov.uk.

8. Appendix

Appendix 1: Capital Expenditure Monitoring as at 31 March 2019.

		1 Apr 2018 - 31 March 2019			Total Project Summary						
Capital Programme		Actual	Revised	Over/(Under)	Budget	Budget	Spend	Estimated	Project	Over/(Under)	
Service / Project		Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend	Contact
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Planning											
PL6	1	6	40	(34)	151	0	6	191	191	0	Roddy Mackay
PL7	2	110	110	0	141	0	110	312	251	61	Roddy Mackay
		116	150	(34)	292	0	116	503	442	61	
Operational Environmental Services											
OES2	1	34	49	(15)	300	300	202	917	917	0	Darren Richardson
OES3	2	6	2	4	66	0	88	150	150	0	Darren Richardson
OES4	3	281	325	(44)	88	0	368	500	500	0	Darren Richardson
OES5	4	2	2	0	86	0	14	100	100	0	Darren Richardson
		323	378	(55)	540	300	672	1,667	1,667	0	
Roads											
RD5	1	34	30	4	37	0	Annual Programme				Darren Richardson
RD6	2	935	1,378	(443)	1,077	950	Annual Programme				Darren Richardson
RD15	3	55	90	(35)	0	0	2,894	2,894	2,929	(35)	Darren Richardson
RD16	4	190	188	2	0	0	2,141	2,141	2,139	2	Darren Richardson
RD23	5	394	211	183	738	27	394	976	976	0	Darren Richardson
		1,608	1,897	(289)	1,852	977	5,429	6,011	6,044	(33)	
Transportation											
TR8	1	27	119	(92)	46	0	262	355	355	0	Brian Archibald
TR9	2	12	0	12	0	0	956	989	989	0	Brian Archibald
TR14	3	68	114	(46)	0	0	99	99	144	(45)	Brian Archibald
TR15	4	145	182	(37)	33	0	145	145	265	(120)	Brian Archibald
TR16	5	191	115	76	32	0	191	191	147	44	Brian Archibald
		443	530	(87)	111	0	1,653	1,779	1,900	(121)	
Scapa Flow Oil Port											
SF5	1	769	900	(131)	1,336	0	783	2,250	2,250	0	Brian Archibald
SF6	2	645	100	545	8,505	4,515	650	13,125	13,125	0	Brian Archibald
SF7	3	162	150	12	150	150	Annual Programme				Brian Archibald
		1,576	1,150	426	9,991	4,665	1,433	15,375	15,375	0	
Miscellaneous Piers											
MP1	1	636	300	336	300	300	Annual Programme				Brian Archibald
MP11	2	1,615	1,629	(14)	0	0	2,946	3,100	2,960	140	Brian Archibald
MP13	3	9	100	(91)	739	0	9	840	840	0	Brian Archibald
MP14	4	61	173	(112)	187	0	61	360	360	0	Brian Archibald
		2,321	2,202	119	1,226	300	3,016	4,300	4,160	140	

Capital Programme Service / Project	1 Apr 2018 - 31 March 2019			Total Project Summary						Contact
	Actual	Revised	Over/(Under)	Budget	Budget	Spend	Estimated	Project	Over/(Under)	
	Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Project update										
Planning										
PL6	1	Stones of Stenness Car Park								Contact Roddy Mackay
PL7	2	Arcadia Park								Roddy Mackay
Operational Environmental Services										
OES2	1	Burial Grounds - Mainland Extensions								Darren Richardson
OES3	2	Burial Grounds - Mainland Major Improvements								Darren Richardson
OES4	3	Burial Grounds - Island Extensions								Darren Richardson
OES5	4	Burial Grounds - Island Major Improvements								Darren Richardson
Roads										
RD5	1	Cycling, Walking & Safer Routes / 20 mph scheme								Darren Richardson
RD6	2	Roads Asset Replacement Programme								Darren Richardson
RD15	3	Replacement of Tar Plant at Cusiter Quarry								Darren Richardson
RD16	4	Kirkwall flood prevention scheme								Darren Richardson
RD23	5	Kirkwall Places and Spaces								Darren Richardson
Transportation										
TR8	1	Electric vehicle charging infrastructure								Brian Archibald
TR9	2	Airfields Infrastructure								Brian Archibald
TR14	3	Resurfacing of Westray runway								Brian Archibald
TR15	4	Resurfacing of North Ronaldsay runway								Brian Archibald
TR16	5	Resurfacing of Eday runway								Brian Archibald

Capital Programme Service / Project	1 Apr 2018 - 31 March 2019			Total Project Summary						Contact	
	Actual	Revised	Over/(Under)	Budget	Budget	Spend	Estimated	Project	Over/(Under)		
	Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's		
Scapa Flow Oil Port											
SF5	1	Pilot Vessel									Brian Archibald
			The new pilot vessel named "Scapa Pathfinder" was almost complete in financial year 2018-19 with delivery anticipated for August 2019 following sea trials at builders yard in Spain.								
SF6	2	Replacement Tugs									Brian Archibald
			Both hulls for two new tugs are under construction. Detail design work for installation of machinery, equipment and services in final stages. Delivery of first vessel may be delayed by two weeks ie: end of May 2020 instead of mid-May, which is not of concern at this stage.								
SF7	3	Minor Improvements									Brian Archibald
			The annual budget in respect of Minor Capital Improvements to Scapa Flow Oil Port had a small overspend in 2018/19, with the planned works fully completed by 31 March 2019.								
Miscellaneous Piers											
MP1	1	Minor Improvements									Brian Archibald
			Due to exceptional circumstances planned works did not progress as anticipated resulting in the annual budget in respect of Minor Capital Improvements to Piers and Harbours being underspent in 2018/19. In addition to the exceptional circumstances mentioned above, due to operational reasons capital works were carried out in order to ensure that Piers and Harbours continued to provide the service expected by harbour users. The underspend on planned works was offset by the internal purchase of Galt View from the Strategic Reserve Fund at a cost of £450k.								
MP11	2	Gill Pier Refurbishment									Brian Archibald
			Revised Capital Project Appraisal for £2,500,000 to include raising of the deck recommended for approval by Policy and Resources Committee on 29 November 2016, with the budget further increased to £2,960,000 under emergency powers on 9 May 2017, following additional funding to be met by a grant from the European Maritime and Fisheries Fund. Construction start delayed due to contractor's alternative design proposal to use precast concrete for edge beams instead of insitu concrete which has delayed the completion date, however works are now complete. All the designated project contingency has been used up and the final account cost therefore is estimated to be in the region of £140k in excess of project budget.								
MP13	3	Low Carbon Transport and Active Travel Hub									Brian Archibald
			MV Hamnavoe shore power - final fabrication and construction drawings issued to OIC for review, with most items already in fabrication. Works expected to be complete by year end. Cycle hub – Tender process for contract to supply and install cycle hub complete, with completion of this element expected in November. EV charge points - All chargers delivered after delays by supplier, bus charger Civil and electrical works for electric bus charge point complete, awaiting final commissioning in late September. Electric car charge points design finalised with completion of this element expected in November.								

Capital Programme Service / Project	1 Apr 2018 - 31 March 2019			Total Project Summary						Contact		
	Actual	Revised	Over/(Under)	Budget	Budget	Spend	Estimated	Project	Over/(Under)			
	Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend			
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's			
Social Care												
SC9	1	Replacement facilities St Peter's house	3,858	3,600	258	4,002	120	5,236	9,100	9,100	0	Sally Shaw
SC10	2	New Care Facility, Kirkwall	158	115	43	4,266	8,686	502	15,000	15,000	0	Sally Shaw
			<u>4,016</u>	<u>3,715</u>	<u>301</u>	<u>8,268</u>	<u>8,806</u>	<u>5,738</u>	<u>24,100</u>	<u>24,100</u>	<u>0</u>	
Project update												
Social Care												
SC9	1	Replacement facilities St Peter's house	Construction works due to be practically complete this September with furniture to be installed during October with staff training to run concurrently.								Contact Sally Shaw	
SC10	2	New Care Facility, Kirkwall	Design work is ongoing, however there is an issue with the planning application due to Scottish Water constraints on the foul sewer connection. Discussions are ongoing between OIC and Scottish Water to find a solution but at this stage this could effect the outcome of this project.								Sally Shaw	

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Capital Programme		Actual	Revised	Over/(Under)	Budget	Budget	Spend	Estimated	Project	Over/(Under)	
Service / Project		Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend	Contact
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Other Housing											
OH1	1 Housing Loans	281	500	(219)	500	500	Annual Programme				Frances Troup
		281	500	(219)	500	500	0	0	0	0	
Housing Revenue Account											
HRA17	1 Carness	220	250	(30)	2,500	1,415	707	4,736	4,736	0	Frances Troup
		220	250	(30)	2,500	1,415	707	4,736	4,736	0	
Education											
ED11	1 Evie School	108	0	108	0	0	3,460	3,460	2,900	560	James Wylie
ED12	2 Extension to St Andrew's School	85	74	11	1,509	1,243	250	3,232	3,232	0	James Wylie
		193	74	119	1,509	1,243	3,710	6,692	6,132	560	
Leisure & Cultural											
LC9	1 Refurb. improve Scapa Flow Visitor Centre and Museum	62	48	14	1,400	1,600	290	3,696	3,696	0	Peter Diamond
		62	48	14	1,400	1,600	290	3,696	3,696	0	
Orkney College											
OC1	1 Plant & Vehicles	35	35	0	0	0	317	317	263	54	Peter Diamond
		35	35	0	0	0	317	317	263	54	
Project update											
Other Housing											Contact
OH1	1 Housing Loans	Due to the nature of the programme, spend against this year's annual programme will be solely dependent on the number of loan requests received and subsequently approved or not.									Frances Troup
Housing Revenue Account											
HRA17	1 Carness	Work to reduce acoustics has been undertaken and further testing completed. Unfortunately, a number of proposed properties still fail the acoustic requirements for planning. Further discussions are ongoing with Scottish Water with a view to obtaining a compliant solution. A revised planning application has been approved to allow the 14 compliant housing units to be progressed while a final solution is developed for the acoustic issues on the remaining units. Discussions are ongoing with the Scottish Government regarding the funding for the acoustic solution.									Frances Troup
Education											
ED11	1 Evie School	Final certificate has been issued and all works are now complete. The estimated outturn has increased due to unforeseen works to surface water culvert, sprinkler and heating installations, however the Council's contribution to the increase will be significantly reduced due to the additional funding received from the Scottish Futures Trust. A Post Project review to be completed.									James Wylie
ED12	2 Extension to St Andrew's School	Tender documentation is about to commence and planning application has been approved. It is envisaged that tender documents will be issued to contractors late 2019 with construction work commencing in early 2020. Completion of the new build items is expected in late 2020.									James Wylie
Leisure & Cultural											
LC9	1 Refurb. improve Scapa Flow Visitor Centre and Museum	A revised project was approved at full Council in July 2019 to restore the former oil pumping station at the heart of the museum and create a new extension which will house an exhibition space, cafe, toilets and information areas. Repairs to the Romney Hut at Lyness and options for the Oil Tank will be considered at a later date. Construction on-site is to commence September 2019 with the refurbished and extended museum to re-open during the summer of 2021.									Peter Diamond
Orkney College											
OC1	1 Plant & Vehicles	Approved vehicle (tractor and minibus), survey equipment and magnetometers purchases completed.									Peter Diamond

		1 Apr 2018 - 31 March 2019			Total Project Summary						
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Service / Project		Spend	Budget	Spend	2019/20	2020/21	to Date	Outturn	Total	Spend	Contact
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Central Administration and Asset Replacement											
CA2	1	301	420	(119)	420	420			Annual Programme		Hayley Green
CA4	2	1,057	1,200	(143)	1,200	1,200			Annual Programme		Darren Richardson
CA12	3	334	32	302	567	368	334	980	980	0	Hayley Green
CA13	4	0	0	0	420	0	0	0	420	(420)	Hayley Green
CA14	5	13	26	(13)	0	0	120	120	132	(12)	Sally Shaw
CA15	6	7	0	7	0	0	30	30	0	30	Brian Archibald
		1,712	1,678	34	2,607	1,988	484	1,130	1,532	(402)	
Corporate Property Improvements											
#	1	1,741	1,737	4	2,748	1,988			Annual Programme		Darren Richardson
SRF1	2	74	119	(45)	119	119			Annual Programme		Darren Richardson
SRF3	3	362	0	362	0	0			Annual Programme		Darren Richardson
		2,177	1,856	321	2,867	2,107	0	0	0	0	
Project update											
Central Administration and Asset Replacement											
CA2	1	IT replacement programme	A number of initiatives could not be delivered in 2018/19 and were delayed into 2019/20 but certain initiatives, for example desktop replacements, were instead accelerated from 2019/20 into 2018/19.							Contact	Hayley Green
CA4	2	Plant & Vehicle Replacement	The annual budget shown as approved budget for 2018/19 is an equal split of an approved three year programme. The programme is derived to allow some slippage / acceleration within each period dependant on fleet / plant arrival. Unfortunately in 2018/19, a number of non-return tenders, non-compliant tender returns and late delivery has seen the outturn value fall short of it's projection, despite some accelerated purchases from the 2019/20 programme.							Contact	Darren Richardson
CA12	3	Alterations to Garden House, Kirkwall	Project was originally to extend the Kirkwall Travel Centre to provide new premises for VAO, however, a revised Capital Project Appraisal (CPA) was submitted to Policy and Resources Committee on 19 June 2018 and subsequently approved by Council, changing the location to Garden House with work due to commence once the facilities are vacated by NHSO. Design works are progressing with tender documentation about to commence in due course. It is envisaged that tender documents will be issued to contractors late 2019 with construction work commencing in early 2020.							Contact	Hayley Green
CA13	4	Disaster recovery and business continuity suite	Following on from the successful migration of the Council's e-mail to the Microsoft 365 cloud, I.T. have reassessed the approach required to develop an effective Disaster Recovery solution and have worked with Microsoft participating in workshops to develop a plan and architecture of a proof of concept. This has included reviewing arrangements of a similar nature used in other Councils in Scotland – specifically Dumfries & Galloway who we met at a meeting of five Councils. The next stage is for a formal proof of concept to be developed and a Council IT system to be identified as a candidate for trialling this approach. Once this is done, a clearer view of the budgetary requirements can be developed and assessed against the current budget allocation to ensure that the alignment of capital and revenue meets the required approach.							Contact	Hayley Green
CA14	5	Upgrade of PARIS system	This project is now complete.							Contact	Sally Shaw
CA15	6	Scottish Water Vesting	Notional allowance established to allow vesting of assets from existing projects to Scottish Water. Costs to be recovered from Scottish Water through vesting.							Contact	Brian Archibald
Corporate Property Improvements											
#	1	Corporate Improvement Programme	The General Fund Capital Improvement Programme in 2018/19 received additional grant funding during the year which enabled the gross baseline expenditure budget to be increased by £386,400, from £1,351,400 to £1,737,800 in relation to Scotland's Energy Efficiency Programme (Pathfinder Fund) in respect of works to Shapinsay School and from the Scottish Government in respect of Early Learning and Childcare.							Contact	Darren Richardson
SRF1	2	SRF Property Maintenance	Recladding of the Buoy Store, Northern Lighthouse Pier, has been postponed with a planned review in 3 years' time. However, design work for the provision of toilet facilities at the same site are complete, with completion of project planned for 2019/20. Work to upgrade the Grainshore Training Centre was added to the programme of works in 2018/2019 following the identification of a private sector tenant.							Contact	Darren Richardson
SRF3	3	Investment Properties buy /sell	Strategic land purchases funded by the Strategic Reserve Fund.							Contact	Darren Richardson

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	Actual	Annual	Over/(Under)	Budget	Budget	Spend	Project	Over/(Under)
	Spend	Budget	Spend	2019/20	2020/21	to Date	Total	Spend
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Summary								
Other Housing	281	500	(219)	500	500	0	0	0
Social Care	4,016	3,715	301	8,268	8,806	5,738	24,100	(18,362)
Education	193	74	119	1,509	1,243	3,710	6,132	(2,422)
Leisure and Cultural	62	48	14	1,400	1,600	290	3,696	(3,406)
Roads	1,608	1,897	(289)	1,852	977	5,429	6,044	(615)
Transportation	443	530	(87)	111	0	1,653	1,900	(247)
Operational Environmental Services	323	378	(55)	540	300	672	1,667	(995)
Central Administration and Asset Replacement	1,712	1,678	34	2,607	1,988	484	1,532	(1,048)
Corporate Property Improvements	2,177	1,856	321	2,867	2,107	0	0	0
Planning	116	150	(34)	292	0	116	442	(326)
	10,931	10,826	105	19,946	17,521	18,092	45,513	(27,421)
Non-General Fund Summary								
Housing Revenue Account	220	250	(30)	2,500	1,415	707	4,736	(4,029)
Orkney College	35	35	0	0	0	317	263	54
Scapa Flow Oil Port	1,576	1,150	426	9,991	4,665	1,639	15,375	(13,736)
Miscellaneous Piers	2,321	2,202	119	1,226	300	3,016	4,160	(1,144)
	4,152	3,637	515	13,717	6,380	5,679	24,534	(18,855)
Total Capital Programme	15,083	14,463	620	33,663	23,901	23,771	70,047	(46,276)

General Fund	1 Apr 2018 - 31 March 2019			Budget 2019/20 £000	Budget 2020/21 £000
	Actual	Annual	Over/(Under)		
	Spend £000	Budget £000	Spend £000		
Social Care	4,016	3,715	301	8,268	8,806
Orkney Health & Care	4,016	3,715	301	8,268	8,806
Planning	116	150	(34)	292	0
Roads	1,608	1,897	(289)	1,852	977
Operational Environmental Services	323	378	(55)	540	300
Transportation	443	530	(87)	111	0
Development & Infrastructure	2,490	2,955	(465)	2,795	1,277
Education	193	74	119	1,509	1,243
Leisure and Cultural	62	48	14	1,400	1,600
Other Housing	281	500	(219)	500	500
Education, Leisure & Housing	536	622	(86)	3,409	3,343
Central Administration	1,712	1,678	34	2,607	1,988
Corporate Property Improvements	2,177	1,856	321	2,867	2,107
Policy and Resources	3,889	3,534	355	5,474	4,095
Expenditure Totals	10,931	10,826	105	19,946	17,521

Non-General Fund	1 Apr 2018 - 31 March 2019			Budget 2019/20 £000	Budget 2020/21 £000
	Actual	Annual	Over/(Under)		
	Spend £000	Budget £000	Spend £000		
Housing Revenue Account	220	250	(30)	2,500	1,415
Orkney College	35	35	0	0	0
Education, Leisure & Housing	255	285	(30)	2,500	1,415
Scapa Flow Oil Port	1,576	1,150	426	9,991	4,665
Miscellaneous Piers & Harbours	2,321	2,202	119	1,226	300
Development & Infrastructure	3,897	3,352	545	11,217	4,965
Expenditure Totals	4,152	3,637	515	13,717	6,380
Total Capital Programme	15,083	14,463	620	33,663	23,901