

Item: 6

Policy and Resources Committee: 21 September 2021.

Capital Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise on the capital expenditure outturn for financial year 2020/21.

2. Recommendations

The Committee is invited to note:

2.1.

The summary outturn position of capital expenditure incurred for financial year 2020/21 in respect of the General and Non-General Fund capital programmes, as detailed in section 3.1 of this report, indicating a total underspend of £10,709,000 as at 31 March 2021, against approved budgets totalling £27,167,000.

The Committee is invited to scrutinise:

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, attached as Appendix 1 to this report, in order to obtain assurance with regard to significant budget variances and on progress made with delivery of the approved General and Non-General Fund capital programmes.

3. Financial Summary

3.1.

The tables below provide a summary of the re-profiled position as at 31 March 2021, 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	77	974	(897)
Education, Leisure and Housing	1,485	1,925	(440)
Development and Infrastructure	1,736	2,657	(921)
Policy and Resources	3,190	5,441	(2,251)
Expenditure Totals	6,488	10,997	(4,509)

Non-General Fund	Actual Spend £000	Revised Annual Budget £000	Variance £000
Service Committee			
Education, Leisure and Housing	2,359	5,992	(3,633)
Development and Infrastructure	7,611	10,059	(2,448)
Policy and Resources	0	119	(119)
Expenditure Totals	9,970	16,170	(6,200)

Total Capital Programme	16,458	27,167	(10,709)
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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.

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.

3.4.

A separate report considers the proposed treatment of slippage on the capital programme for financial year 2020/21.

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 help the Council meet its statutory obligation to secure best value.

7. Contact Officer

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8. Appendix

Appendix 1: Capital Expenditure Monitoring as at 31 March 2021.

Approved Capital Programme	Project Lead	Financial Year 2020/21			Future Years		Total Project Summary			
		Full year spend £000's	Approved Budget £000's	Over/(Under) Spend £000's	Budget 2021/22 £000's	Budget 2022/23 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Planning										
Stones of Stenness Car Park	Roddy Mackay	250	221	29	0	0	320	291	320	29
Works complete and car park handed over in February 2021. Lining of parking and bus layby placed on hold at request of Historic Environment Scotland who wish to review options to ensure proposals are in keeping with World Heritage site. Project is slightly overspent on completion.										
Arcadia Park	Roddy Mackay	11	29	(18)	0	0	322	340	340	0
Project is complete and has been transferred to Voluntary Action Orkney who will be establishing a group/charity to run the park. The final claim for outstanding grant funding (£16K) was submitted to Sustrans in July 2021.										
Town Centre Fund	Roddy Mackay	0	218	(218)	0	0	0	272	272	0
The total funding of £272K has been committed to a range of town centre projects in Kirkwall and Stromness. Projects need to be completed and funding claimed by the end of September 2021. The projects are as follows: Orkney Research and Innovation Campus outdoor seating area; Kirkwall Travel Centre enhancements; E-bikes for cycle hub in Stromness, Stromness festive lighting; Tankerness House Gardens enhancement; Stromness Information Display Board and windows upgrade work at Orkney Research and Innovation Campus (Charles Clouston Building). All projects on track to be completed by the required deadline.										
Total Planning		261	468	(207)	0	0	642	903	932	29
Operational Environmental Services										
Burial Grounds - Mainland Extensions	David Thomson	55	236	(181)	215	0	521	917	917	0
Three Mainland extensions are now complete. The planning application for St. Olaf's and Finstown Cemeteries have been approved. Contractor started on site at St. Olaf's in May 2021. Finstown cemetery will follow on after St Olaf's Cemetery.										
Burial Grounds - Mainland Major Improvements	David Thomson	2	62	(60)	0	0	90	150	150	0
The list of Major Improvements is substantially complete and now being reviewed. There may be capacity to include works that have arisen during the life of the programme. If not then there may be financial capacity to lower spend expectations for this element.										
Burial Grounds - Island Extensions	David Thomson	5	84	(79)	0	0	421	500	500	0
Sanday and Stronsay extensions are complete. No further spend is therefore expected against this element although transfer to other elements of the Burial Grounds Capital Programme may be required to ensure that the overall programme is complete.										
Burial Grounds - Island Major Improvements	David Thomson	1	86	(85)	0	0	15	100	100	0
The list of Major Improvements is substantially complete and now being reviewed. There may be capacity to include works that have arisen during the life of the programme. If not, then there may be financial capacity to lower spend expectations for this element.										
Total Operational Environmental Services		63	468	(405)	215	0	1,047	1,667	1,667	0

Approved Capital Programme	Project Lead	Financial Year 2020/21			Future Years		Total Project Summary			
		Full year spend £000's	Approved Budget £000's	Over/(Under) Spend £000's	Budget 2021/22 £000's	Budget 2022/23 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Roads										
Cycling, Walking & Safer Routes / 20 mph scheme	David Thomson	64	113	(49)	98	0	Annual Programme			
Programme of works approved and monitored by Development and Infrastructure Committee.										
Roads Asset Replacement Programme	David Thomson	912	950	(38)	950	950	Annual Programme			
Programme of works approved and monitored by Development and Infrastructure Committee.										
Kirkwall Places and Spaces	David Thomson	47	179	(132)	0	0	1,089	1,221	1,163	(58)
Works complete and handed over February 2020. Installation of bench seating, and street furniture including cycle stands, and recycling bins funded by Sustrans completed between January and May 2021.										
Total Roads		1,023	1,242	(219)	1,048	950	1,089	1,221	1,163	(58)
Transportation										
Electric vehicle charging infrastructure	Jim Buck	167	27	140	0	0	582	582	582	0
2019/20 grant project complete. 2020/21 grant offer of £50,000 accrued into financial year 2021/22, with charger installation works due to complete in August/September 2021. Discussions are ongoing with Transport Scotland for further grant of £50,000 for 2021/22, with award letter expected by end of summer. Works are grant funded.										
Golden Mariana Replacement	Jim Buck	222	452	(230)	0	0	1,305	1,535	1,535	0
The replacement vessel has now been certificated and upgraded as required to meet the needs of the route. Crew recruitment is ongoing, along with crew training and induction.										
Total Transportation		389	479	(90)	0	0	1,887	2,117	2,117	0

Approved Capital Programme	Project Lead	Financial Year 2020/21			Future Years		Total Project Summary			
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Scapa Flow Oil Port										
Pilot Vessel	Jim Buck	67	326	(259)	0	0	1,991	2,250	1,991	(259)
Vessel remains in service with guarantee items now fixed. Project was completed under budget.										
Replacement Tugs	Jim Buck	6,276	6,908	(632)	0	0	12,493	13,125	13,125	0
Both vessels delivered and accepted in September 2020. Both put into service within three weeks, although one or two minor problems, nothing major. All defects are being managed in conjunction with the Yard and suppliers. Retention still due on the project.										
Minor Improvements	Jim Buck	182	300	(118)	150	150	Annual Programme			
Programme of works approved and monitored by Harbour Authority Sub-committee.										
Total Scapa Flow Oil Port		6,525	7,534	(1,009)	150	150	14,484	15,375	15,116	(259)
Miscellaneous Piers										
Minor Improvements	Jim Buck	17	805	(788)	300	300	Annual Programme			
Programme of works approved and monitored by Harbour Authority Sub-committee.										
Gill Pier Refurbishment	Jim Buck	2	0	2	0	0	3,037	2,960	3,037	77
Project is now complete.										
Low Carbon Transport and Active Travel Hub	Jim Buck	322	441	(119)	0	0	907	1,026	1,026	0
Request to extend project completion through to end of September 2020/21 was accepted by the grant funders. Completion of shore power civil and electrical works expected in August 2021 with commissioning shortly thereafter.										
Hatston Pier Road Reconstruction	Jim Buck	0	295	(295)	0	0	65	360	360	0
The road resurfacing element of the project was completed in financial year 2019/20 with design of remaining flood lighting scheme and traffic management alterations to marshalling area in final design stage. Rights of way/coastal path issue still to be resolved.										
Hatston Terminal Passenger Walkway	Jim Buck	297	492	(195)	0	0	297	492	492	0
Works completed in May 2021.										
Stromness Terminal Passenger Walkway	Jim Buck	448	492	(44)	0	0	448	492	492	0
Works completed in January 2021.										
Total Miscellaneous Piers		1,086	2,525	(1,439)	300	300	4,754	5,330	5,407	77

Approved Capital Programme	Project Lead	Financial Year 2020/21			Future Years		Total Project Summary			
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Other Housing										
Housing Loans	Frances Troup	365	500	(135)	500	500	Annual Programme			
Due to the nature of the programme, spend against the annual programme will be solely dependent on the number of loan requests received and subsequently approved or not.										
Total Other Housing		365	500	(135)	500	500	0	0	0	0
Housing Revenue Account										
House Purchases	Frances Troup	174	0	174	0	0	617	617	617	0
Two house purchases were actioned during financial year 2020/21 under delegated powers with the purchase part-funded by Scottish Government Grant.										
Carness	Frances Troup	1,784	2,661	(877)	84	0	3,775	4,736	4,900	164
The new house build site was closed for three months, due to COVID-19. The Contractor has returned to site, but with restrictions in place due to social distancing. There was also additional time required on the programme to address planning conditions arising from the original acoustic test results which have now been resolved. Subsequently, this has had a knock-on effect on the programme and completion date. Acoustic alteration works to the adjacent Scottish Water pumping station are now complete, resulting in successful acoustic tests results being provided to discharge the Planning conditions for the entire site under this contract. Currently the landscaping works such as kerbs, footpaths, walls, roads, planting etc are being completed with the 32 houses having a revised completion date of October 2021 which has slipped two months due to the landscaping planning process. Due to additional sound proofing works, COVID-19, phased site handover, the estimated outturn cost could be exceeded.										
Moar Road	Frances Troup	4	260	(256)	342	0	4	602	602	0
The project was tendered and the tenders expired before discussions with the Scottish Government around the funding requirements for the project could be completed. Officers are reviewing how best to proceed with the project taking cognisance of the other projects currently under development.										
Repeater Road	Frances Troup	108	346	(238)	18	0	108	364	364	0
Procured and tender accepted on 10 July 2020. Planning Permission approved on 24 September 2020 and the Building Warrant has also been approved. The project was completed in May 2021 and was within budget.										
McDonald Park	Frances Troup	164	305	(141)	13	0	164	318	318	0
Procured and tender accepted on 29 June 2020. Planning Permission approved on 24 September 2020 and the Building Warrant has also been approved. The project was completed in June 2021 and was within budget.										
Coplands Road, Garson	Frances Troup	120	800	(680)	300	0	120	1,100	1,100	0
Planning Approval agreed. Works are currently on site with a revised completion date from October 2021 to December 2021 due to issues with ground works.										
Design and Build	Frances Troup	5	1,620	(1,615)	1,780	0	5	3,400	3,400	0
Unfortunately, the tenders expired in October/November 2020 and funding models are being investigated. These approvals are outstanding, and the delays have arisen due to post-tender dialogues with the Scottish Government over the overall funding package being below the level required to enable building to be affordable for the Housing Revenue Account. Early discussions with Development and Infrastructure have commenced on re-issuing new tender documents.										
Total Housing Revenue Account		2,359	5,992	(3,633)	2,537	0	4,793	11,137	11,301	164
Education										
Extension to St Andrew's School	James Wylie	94	79	15	3,040	780	446	4,324	4,324	0
Revised Stage 2 Capital Project Appraisal approved at Special General Meeting of Council held on 14 January 2021, revising the project budget to £4.324M. Contractor acceptance issued in January 2021, with start on site on 15 March 2021. Works are progressing with the foundations and sub floors completed for the extensions. Works within the existing building that was planned for the summer holiday period has also been completed. However there are potential delays expected with the supply and delivery of materials now becoming an issue. The project is phased with final completion due in late Summer 2022.										
		94	79	15	3,040	780	446	4,324	4,324	0
Leisure & Cultural										
Refurb. improve Scapa Flow Visitor Centre and Museum	Peter Diamond	1,002	1,186	(184)	2,240	161	1,820	4,405	4,405	0
Works are progressing on site, however contract completion of the construction works has been delayed and now expected in late October 2021 as a result of issues found on site, which has caused some changes to components, along with material supply and delivery delays. Following the construction project there is a fit out contract that is currently out to procurement. It is expected that the fitout will be completed in February 2022.										

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St Magnus Cathedral Doors	Peter Diamond	24	160	(136)	96	0	24	256	256	0
<p>Works on the vestibule and external stone repairs continues. Delays have been encountered with the supply and delivery of glazing to the vestibule. As a result the completion date for the contract will be extended to October 2021.</p> <p>Design works continue on the external access with engagement on going with the statutory authorities to enable an alternative solution to be developed to allow level access to the West door. Once a solution has been developed this will be provided for consultation with all relevant parties.</p>										
Total Leisure & Cultural		1,026	1,346	(320)	2,336	161	1,844	4,661	4,661	0

<i>Approved Capital Programme</i>	<i>Project Lead</i>	<i>Financial Year 2020/21</i>			<i>Future Years</i>		<i>Total Project Summary</i>			
		<i>Full year spend £000's</i>	<i>Approved Budget £000's</i>	<i>Over/(Under) Spend £000's</i>	<i>Budget 2021/22 £000's</i>	<i>Budget 2022/23 £000's</i>	<i>Spend to Date £000's</i>	<i>Project Budget £000's</i>	<i>Estimated Out-turn £000's</i>	<i>Over/(Under) Spend £000's</i>
Social Care										
Replacement facilities St Peter's House	Stephen Brown	41	924	(883)	0	0	8,217	9,100	8,600	(500)
Project complete with retention still due to be paid. Project is anticipated to be completed under budget.										
New Care Facility, Kirkwall	Stephen Brown	36	50	(14)	4,340	5,905	611	12,270	12,270	0
Design work continues to be developed with the contract documents being produced. Tender documents expected to be issued in Autumn with a start on site expected in early 2022.										
Total Social Care		77	974	(897)	4,340	5,905	8,828	21,370	20,870	(500)

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Central Administration and Asset Replacement										
IT replacement programme	Hayley Green	488	462	26	420	420	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.										
Plant & Vehicle Replacement	David Thomson	886	1,356	(470)	1,200	1,200	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.										
Alterations to Garden House	Hayley Green	20	40	(20)	517	0	118	980	980	0
Contract Documents nearing completion, however tender documents will not be released until the issues around the stopping up of Scapa Crescent are completed. It is expected this process will be completed in December 2021, which will allow documents to be released early in the New Year, and allow for a spring start on site.										
Disaster recovery and business continuity suite	Hayley Green	0	260	(260)	0	0	0	260	260	0
The contract to deliver the IT infrastructure for the Disaster recovery and business continuity suite was awarded in early 2021. The supplier has delivered the system which is awaiting installation and testing in School Place. An external facility has been identified and an agreement in principle to host the OIC disaster recovery facilities at the new NHS Balfour Hospital has been reached, and the contractual terms and conditions are being negotiated. To be clear – this is not a merger of IT systems with NHS Orkney, it is an arrangement for co-location hosting of OIC IT systems in the NHS Orkney IT Datacentre. Once the agreement is reached and access granted, work to install and configure the suite will take place. We are reforecasting this to be in September or October 2021.										
Replacement audio-casting equipment	Karen Greaves	0	15	(15)	0	0	16	31	31	0
The replacement audio-casting equipment is in place and working well. Before the project can be marked as complete, further equipment is being considered to maximise the use of the system within the Chamber, including for remote attendance.										
Replacement telephone system	Hayley Green	0	240	(240)	0	0	0	240	240	0
The contract to deliver a new telephone system was awarded in early 2021. The supplier has delivered the system which has been installed and tested and is in the deployment phase as of August 2021. Final invoicing has not yet been completed but committed spend is currently sitting in the region of £220K, which indicates the final project is not expected to exceed the overall budget.										
Scottish Water Vesting	Hayley Green	3	0	3	0	0	35	0	0	0
Project established to allow vesting of assets from existing projects to Scottish Water. Costs to be recovered from Scottish Water through vesting.										
Total Central Administration and Asset Replacement		1,397	2,373	(976)	2,137	1,620	169	1,511	1,511	0
Corporate Property Improvements										
Corporate Improvement Programme	Hayley Green	1,793	3,068	(1,275)	833	805	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.										
SRF Property Maintenance	Hayley Green	0	119	(119)	119	119	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.										
Total Corporate Property Improvements		1,793	3,187	(1,394)	952	924	0	0	0	0

<i>Approved Capital Programme Service Summary</i>	<i>Financial Year 2020/21</i>			<i>Future Years</i>		<i>Total Project Summary</i>			
	<i>Actual Spend £000's</i>	<i>Annual Budget £000's</i>	<i>Over/(Under) Spend £000's</i>	<i>Budget 2021/22 £000's</i>	<i>Budget 2022/23 £000's</i>	<i>Spend to Date £000's</i>	<i>Project Total £000's</i>	<i>Estimated Out-turn £000's</i>	<i>Over/(Under) Spend £000's</i>
General Fund Summary									
Other Housing	365	500	(135)	500	500		Annual Programme		
Social Care	77	974	(897)	4,340	5,905	8,828	21,370	20,870	(500)
Education	94	79	15	3,040	780	446	4,324	4,324	0
Leisure and Cultural	1,026	1,346	(320)	2,336	161	1,844	4,661	4,661	0
Roads	1,023	1,242	(219)	1,048	950	1,089	1,221	1,163	(58)
Transportation	389	479	(90)	0	0	1,887	2,117	2,117	0
Operational Environmental Services	63	468	(405)	215	0	1,047	1,667	1,667	0
Central Administration and Asset Replacement	1,397	2,373	(976)	2,137	1,620	169	1,511	1,511	0
Corporate Property Improvements	1,793	3,068	(1,275)	833	805		Annual Programme		
Planning	261	468	(207)	0	0	642	903	932	29
	6,488	10,997	(4,509)	14,449	10,721	15,952	37,774	37,245	(529)
Non-General Fund Summary									
Housing Revenue Account	2,359	5,992	(3,633)	2,537	0	4,793	11,137	11,301	164
Scapa Flow Oil Port	6,525	7,534	(1,009)	150	150	14,484	15,375	15,116	(259)
Miscellaneous Piers	1,086	2,525	(1,439)	300	300	4,754	5,330	5,407	77
Strategic Reserve Fund	0	119	(119)	119	119		Annual Programme		
	9,970	16,170	(6,200)	3,106	569	24,031	31,842	31,824	(18)
Total Capital Programme	16,458	27,167	(10,709)	17,555	11,290	39,983	69,616	69,069	(547)