
CAPITAL PLAN MONITORING REPORT – 30 SEPTEMBER 2012

1 SUMMARY

1.1 This provides an update on the position with the capital plan as at 30 September 2012. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects. Matters requiring a decision by the Council are referred to in the recommendations section.

1.2 The position on the capital plan can be summarised as set out below:

1.3 Project Delivery:

- Asset Sustainability – Out of 205 projects there are 193 projects (93%) on track, 13 projects (6%) off track and recoverable and 1 project (1%) off track.
- Service Development - Out of 52 projects there are 42 project (81%) on track, 8 projects (15%) off track but recoverable and 2 projects (4%) off track.
- Strategic Change – Out of 26 projects there are 18 projects (70%) on track, 3 projects (10%) off track and recoverable and 5 projects (20%) off track.

1.4 Financial Position:

- Forecast Outturn for 2012-13 – Forecast expenditure for the full financial year is £34,353k compared to an annual budget of £36,593k giving rise to forecast slippage for the year of £2,240k (6.1%).
- Current Year to Date: Actual expenditure to date is £14,655k compared to a budget for the year to date of £16,025k giving rise to an underspend for the year to date of £1,370k (8.5%).
- Total Capital Plan – The forecast total project cost on the total capital plan is £138,055k compared to a total budget for all projects of £136,190k giving rise to a forecast overspend for the overall capital plan of £1,865k (1.4%).

2 RECOMMENDATIONS

2.1 The capital plan monitoring report is noted.

2.2 Budget of £3,638k is transferred from 2012-13 to 2013-14 in respect to Helensburgh Office Project to take account of the delayed start on site.

2.3

Project	Request
Milton Burn/Flood Prevention	Transfer of £95k from Flood Prevention to Milton Burn to cover the extra cost of work at John Street
Consolidated Server Replacement/IT Education	Transfer of £49k from IT Education Project 2012-13 and transfer of £77k from IT Education Project 2013-14 to Server Replacement programme to cover cost of 5 year support package which was not originally budgeted for.
Consolidated Server Replacement/Applications Project	Transfer of £163k to cover expenditure for the server environment

3 DETAIL

3.1 Project Delivery – Summary

3.1.1 In total there are 283 projects in the capital plan. There are 251 projects on track (89%). There are 24 projects off track and recoverable (8%). There are 8 projects off track (3%). Variance explanation sheets are attached for all 8 of the off track projects. The 8 off track projects are as follows:

- North Bute Primary School – See Appendix 1
- Milton Burn Flood Prevention, Dunoon– See Appendix 2
- Consolidated Server Replacement– See Appendix 3
- Primary and Pre5 Campus Dunoon– See Appendix 4
- Oban High School Biomass– See Appendix 5
- Helensburgh Office Project– See Appendix 6
- Kilmory Biomass– See Appendix 7
- Islay High School Biomass– See Appendix 8

3.1.2 The breakdown of projects between on track, off track and recoverable and off track by department is set out below.

	On Track	Off Track & Recoverable	Off Track
Customer Services	204	20	7
Development & Infrastructure	47	4	1
Total	251	24	8

3.2 Project Delivery – Asset Sustainability

3.3 Project Delivery – Service Development

3.3.1 The graph below shows the status of Service Development Projects shown as Complete or On Target, Off Target and Being Recovered or Off Target and a Problem.

As at 30 September the position was:-

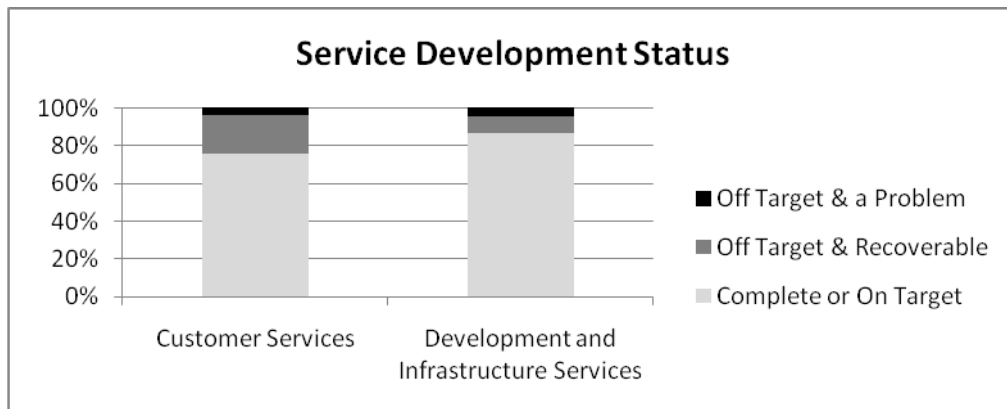
42 Projects shown as On Target

8 Projects shown as Off Target and Recoverable

2 Project shown as Off Target

Milton Burn - Discussions are still ongoing to establish the final sum due for the John Street part of the contact. It is estimated that the final costs will be £785k (subject to the agreement of the Engineer). A report is attached

Consolidated Server Replacement - When purchasing ICT related hardware, it is common practice to procure associated maintenance and support services upfront as a combined hardware and support package. The support element was not included within the original budget made available for the replacement of servers. A report is attached.



3.4 Project Delivery – Strategic Change

3.4.1 The graph below shows the status of Strategic change projects shown as Complete or On Target, Off Target & Being Recovered, or Off Target & a Problem.

At 30 September the position was:-

18 projects shown as On Target

3 projects shown as Off Target & Recoverable

5 projects shown as Off Target

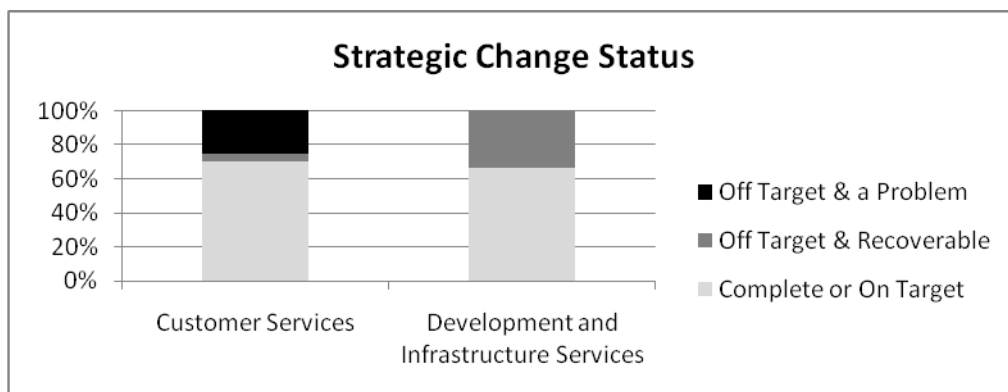
Primary & Pre 5 Joint Campus in Dunoon – Delayed due to investigations into options being commissioned.

Oban High School Biomass - A gas conversion is now being pursued for Oban as the biomass option no longer reflects value for money. Negotiations are ongoing with Scottish Gas Networks to obtain a connection but no firm date has been established for this due to local capacity issues. In view of the foregoing, no spend is anticipated in 2012/13.

Helensburgh Office Project - The Council confirmed in September that the procurement method was to be a traditional route as opposed to via hubco. Therefore only two contract payments likely this financial year, remainder of expenditure likely to occur in 13/14 and 14/15.

Kilmory Biomass - In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.

Islay High School Biomass - In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.



3.5 Financial Performance - Forecast Outturn For 2012-13

3.5.1 Forecast expenditure for the full financial year is £34,353k compared to an annual budget of £36,593k giving rise to forecast slippage for the year of £2,240k (6.1%). Forecast expenditure for the year on asset sustainability is forecast to exceed budget by £2,214k. Forecast expenditure for the year on strategic change projects is forecast to be £4,459k less than budget. In departmental terms Customer Services are forecasting slippage of £3,351k and Development and Infrastructure are forecasting acceleration of £1,111k.

3.5.2 The main project giving rise to the forecast slippage for 2012-13 is noted below:

Project	Variance	Explanation
Helensburgh	£3,638k	The Council confirmed in September that the procurement method was to be a traditional route as opposed to via hubco. Therefore only two contract payments likely this financial year, remainder of expenditure likely to occur in 13/14 and 14/15.
	£3,638k	

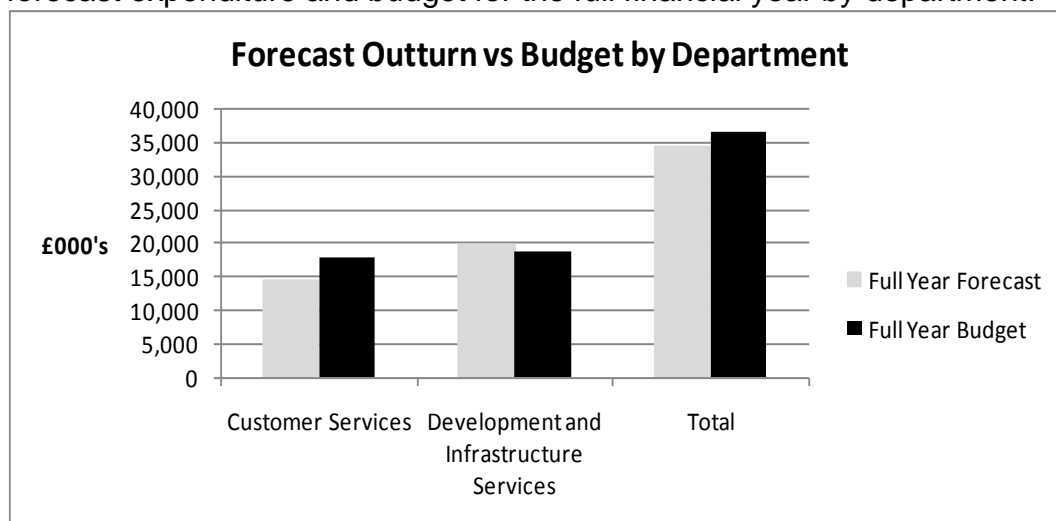
3.5.3 Analysis of Forecast Financial Position By Expenditure – This table compares forecast expenditure and budget for the full financial year across project types.

	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s	Explanation
Asset Sustainability	15,776	17,990	(2,214)	Fleet £1,044 (awaiting lease draw down position) Roads Reconstruction is forecast to be over by £443k. There are various projects within Education also forecast to be over by £823k
Service Development	5,097	5,102	(5)	
Strategic Change	15,270	11,261	4,459	Mainly Helensburgh Office
Total	36,593	34,353	2,240	

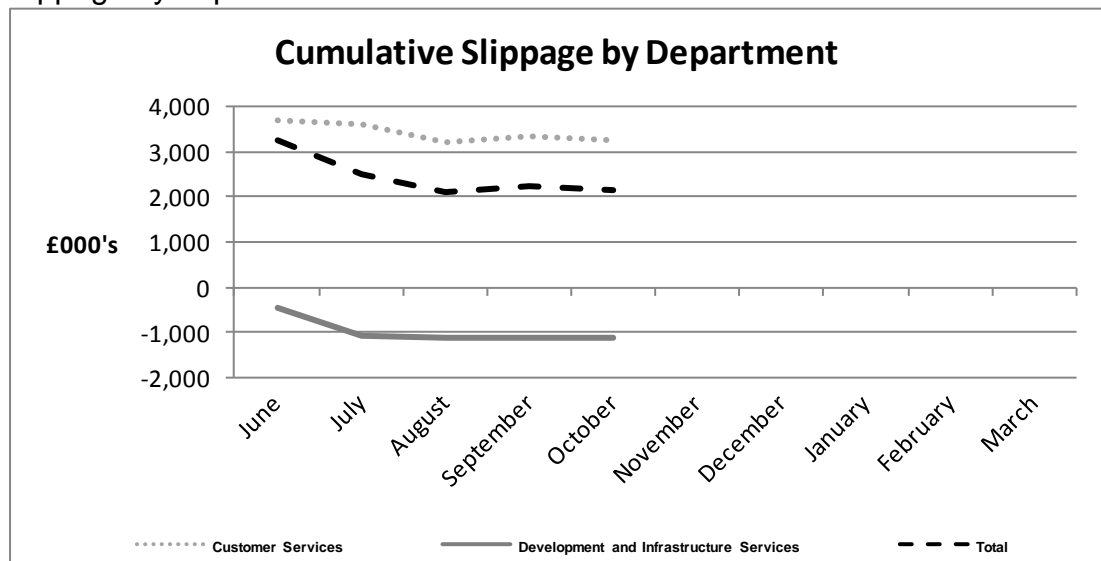
3.5.4 Analysis of Forecast Financial Position By Department - This table compares forecast expenditure and budget for the full financial year across by department.

	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s	Explanation
Customer Services	17,855	14,504	3,351	Mainly Helensburgh Office
Development & Infrastructure	18,738	19,849	(1,111)	Mainly Fleet £1,042 (awaiting lease draw down position)
Total	36,593	34,353	2,240	

3.5.5 Graph – Forecast Outturn V Budget By Department - This graph compares forecast expenditure and budget for the full financial year by department.



3.5.6 Graph - Cumulative Slippage By Dept - This graph shows the trend in slippage by department.



3.6 Financial Performance - Current Year To Date Expenditure

3.6.1 Actual expenditure to date is £14,655k compared to a budget for the year to date of £16,025k giving rise to an underspend for the year to date of £1,370k (8.5%). Year to date expenditure on asset sustainability is £2,185 less than budget. Year to date expenditure on service development projects is £379k more than budget. Year to date expenditure on strategic change projects is £436k more than budget. In departmental terms Customer services expenditure for the year to date is £941k more than budget and Development and Infrastructure expenditure for the year to date is £2,311k less than budget.

3.6.2 The main project giving rise to the year to date under spend is noted below:

Project	Variance	Explanation
Roads Reconstruction	£2,951k	Work progressing – payments to be processed

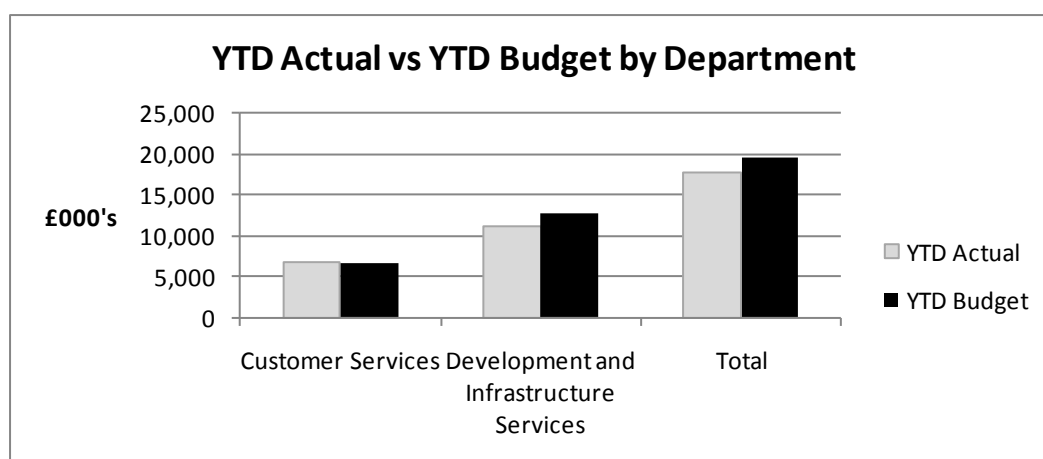
3.6.3 Analysis of YTD Financial Position By Expenditure – This table compares budget and actual expenditure for the year to date across project types.

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Explanation
Asset Sustainability	10,445	8,260	2,185	Mainly Roads Reconstruction
Service Development	3,061	3,440	(379)	
Strategic Change	2,519	2,955	(436)	
Total	16,025	14,655	1,370	

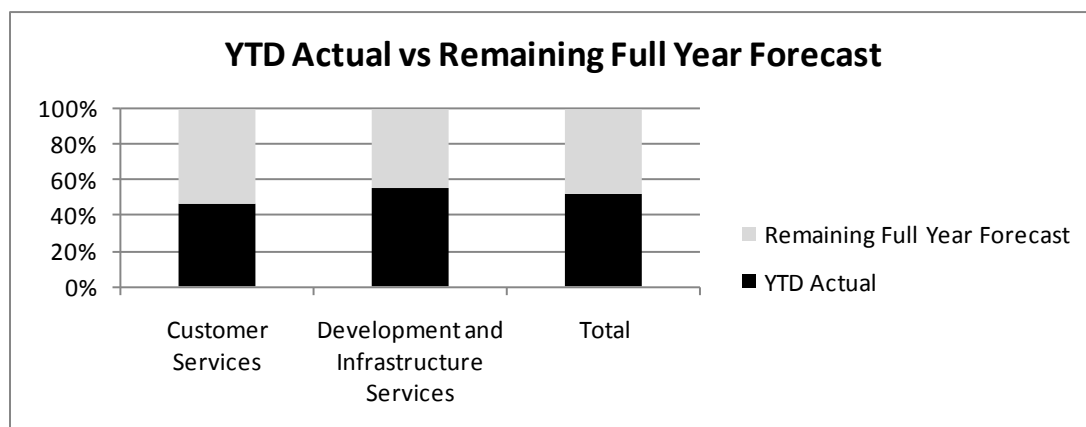
3.6.4 Analysis of YTD Financial Position By Department - This table compares budget and actual expenditure for the year to date by department.

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Explanation
Customer Services	5,283	6,224	(941)	
Development & Infrastructure	10,742	8,431	2,311	Mainly Roads Reconstruction
Total	16,025	14,655	1,370	

3.6.5 Graph – YTD Actual V YTD Budget By Department – This graph compares budget and actual expenditure for the year to date by department.



3.6.6 Graph – Actual YTD V Remaining Full Year Forecast - This graph shows the actual expenditure to date and the amount of the full year forecasts still to be spent by department.



3.7 Total Capital Plan Costs

3.7.1 The forecast total project cost on the total capital plan is £138,055k compared to a total budget for all projects of £136,190k giving rise to a forecast overspend for the overall capital plan of £1,865k (1.4%). Total project costs for asset sustainability are forecast to be £1,683k more than budget. Total project costs for service development are forecast to be £227k more than budget. Total project costs for strategic change are forecast to be £25k less than budget. In departmental terms Customer services total project costs are forecast to be £1,573k more than budget and Development and Infrastructure total project costs are forecast to be £292k more than budget

3.7.2 The main projects giving rise to the forecast overspend on total project costs are noted below:

Project	Variance	Explanation
Fleet Management	£736k	Awaiting lease draw down decision
Islay High School	£130k	Extra works required on site
Colgrain Primary School	£125k	Electrical Tenders came in over budget
Milton Burn	£95K	John Street part of project, higher estimate from Engineer
Lochdonhead Primary School	£65k	Additional expenditure required due to space issues
Rothsay Library	£65k	Further work was found to be necessary when contractor exposed the scheme

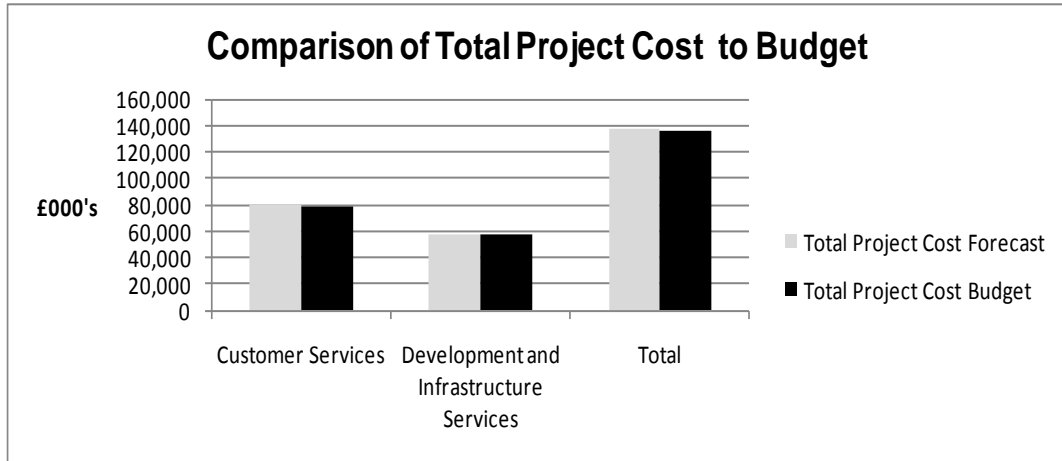
3.7.3 Analysis of Total Project Costs By Expenditure – This table compares budget and actual expenditure for total project costs across project types.

	Total Plan Budget £000s	Total Plan Forecast Actual £000s	Total Plan Variance £000s	Explanation
Asset Sustainability	66,244	67,907	(1,683)	Various Residual Education Projects £788k, 2012-13 and various 2012-13 Education Projects £615k
Service Development	16,685	16,912	(227)	
Strategic Change	53,261	53,236	25	
Total	136,190	138,055	(1,865)	

3.7.4 Analysis of Total Project Costs By Department - This table compares budget and actual expenditure for total project costs by department.

	Total Plan Budget £000s	Total Plan Forecast Actual £000s	Total Plan Variance £000s	Explanation
Customer Services	78,624	80,197	(1,573)	Various Residual Education Projects £788k, 2012-13 and various 2012-13 Education Projects £615k
Development & Infrastructure	57,566	57,858	(292)	
Total	136,190	138,055	(1,865)	

3.7.5 Graph – Comparison of Total Project Costs - This graph shows the forecast total project costs and the budget for total project costs by department.



Bruce West
Head of Strategic Finance
8 November 2012

SUMMARY

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Actual £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s
Asset Sustainability									
Customer Services	4,300	3,325	-975	8,583	7,631	-952	40,869	39,386	-1,483
Development & Infrastructure Services	3,960	7,120	3,160	9,407	8,145	-1,262	27,038	26,858	-180
Asset Sustainability Total	8,260	10,445	2,185	17,990	15,776	-2,214	67,907	66,244	-1,663
Service Development Projects									
Customer Services	1,694	1,758	64	2,706	2,721	15	9,596	9,476	-120
Development & Infrastructure Services	1,746	1,303	-443	2,396	2,376	-20	7,316	7,209	-107
Service Development Total	3,440	3,061	-379	5,102	5,097	-5	16,912	16,685	-227
Strategic Change Projects									
Primary & Pre 5 Joint Campus in Dunoon	2	0	-2	50	240	190	335	375	40
Campbeltown Schools Redevelopment	11	0	-11	75	108	33	275	275	0
Dunoon Office Rationalisation	1	1	0	1	1	0	30	30	0
Energy Efficiency Projects	2	0	-2	65	65	0	150	150	0
Tarbert Academy Oil to Biomass Heating	0	2	2	288	288	0	364	364	0
Lochgilthead NPDO Oil to Biomass Heating	2	2	0	403	403	0	503	503	0
Oil to Gas Heating Conversions	69	89	20	335	335	0	395	395	0
Installation of Photovoltaic Panels	8	8	0	209	209	0	259	259	0
200kw Packaged Oil to Biomass	0	0	0	255	255	0	321	321	0
Wind Turbine Projects	0	0	0	70	70	0	120	120	0
Kilmory Biomass Carbon Management	28	0	-28	455	455	0	486	486	0
Islay HS/Bowmore PS Carbon Management	28	0	-28	485	485	0	515	515	0
Oban HS Biomass Carbon Management	0	0	0	0	457	457	489	489	0
Dalintober PS Carbon Management	0	0	0	2	2	0	53	53	0
New Helensburgh Swimming Pool	0	0	0	0	-10	-10	7,662	7,652	-10
NPDO Capital Requirement - residual payments	0	0	0	100	100	0	6,030	6,030	0
Aqualibrium - residual payments	1	0	-1	10	10	0	6,191	6,191	0
Helensburgh Office Project	78	98	20	372	4,010	3,638	5,284	5,284	0
Mid Argyll Offices Reorganisation	0	0	0	20	20	0	270	270	0
Campbeltown & Rothesay Rationalisation	0	0	0	20	0	-20	0	0	0
OBC for Dunoon Pier	0	0	0	2,023	2,023	0	2,023	2,023	0
Kintyre Renewables Hub	2,713	2,317	-396	5,988	6,188	200	8,162	8,162	0
Bruichladdich Pier	0	0	0	5	5	0	2,088	2,088	0
Rothesay Harbour Ferry Berth Improvements	4	1	-3	8	3	-5	6,431	6,426	-5
Dunoon Pier	7	0	-7	7	-32	-39	987	987	0
Port Askaig Pier	1	1	0	15	30	15	3,813	3,813	0
Strategic Change Total	2,955	2,519	-436	11,261	15,720	4,459	53,236	53,261	25
Total for all Departments	14,655	16,025	1,370	34,353	36,593	2,240	138,055	136,190	-1,865

Year to date expenditure is £14,655k compared to the year to date budget of £16,025k, resulting in a variance of £1,370k. The forecast for the whole of 2012/13 is for expenditure of £36,927k compared to the budget of £36,593k, giving a variance of £2,240k. In terms of total project costs, these are currently forecast to exceed the budget by £1,865k.

Appendix 1

Project Name – North Bute Primary School

First Added to Capital Plan – 2009/10

Project Manager – A S Redpath

What project?

North Bute Primary School

How is this project funded?

From the Education Capital Programme

Why is the project classified as Off Target

The forecast expenditure in 2012/13 is £50,000

The approved budget in 2012/13 is £228,000

A package of improvements designed to keep the school safe and operational over the next 2 years is now nearing completion. These works have cost an estimated £50k which has been met from the originally allocated sum

What has caused the issue outlined above?

Decisions in respect of the balance of allocated funding will follow the update of the Education estate strategy as informed by the recommendations of the Commission on Rural Education.

What action will be taken to rectify this issue?

Once a decision has been made funding will be allocated as appropriate.

In the interim a request shall be made through the Strategic Asset Management Board to reprofile the budget.

What are the implications of the action proposed?

The remaining budget will be secured pending the decision referred to above.

Appendix 2

Project Name – Milton Burn, Dunoon – Flood Prevention Scheme					
First Added to Capital Plan – 2000					
Project Manger: Arthur McCulloch					
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan:	John St.	John St.	John St.	John St.	
Gross Exp	Mar 11.	April 11.	May 11.	Dec 11.	2,486,000
Income	Milton	Milton	Milton	Milton Burn	0
Net Exp	Burn	Burn	Burn	Sept 12	2,486,000
	Oct 11	Nov 11	Jan 12		
Current Forecast:	John St.	John St.	John St.	John St.	
Gross Exp	Mar 11.	April 11.	June 11.	Feb 12.	2,581,000
Income	Milton	Milton	Milton	Milton Burn	0
Net Exp	Burn	Burn	Burn	June12.	2,581,000
	Oct 11	Nov 11	Jan 12		
Variance:	None	None	John	John Street	
Gross Exp			Street 1	2 months;	95,000
Income			month;	Milton Burn	0
Net Exp			Milton	3 months	95,000
			Burn	early.	
			none.		
Contractor	Storie (Argyll) Ltd for first phase completed in 2009. George Leslie Ltd for John Street and for Milton Burn works.				
What is this project?					
Flood alleviation measures for the Milton Burn in Dunoon.					
How is this Project Funded?					
Council's Capital Budget					
Why is this project classified as red?					
Predicted overall increase in expenditure in this financial year.					
What has caused the issue outlined above?					
Unforeseen ground conditions were encountered in the sewer diversion for the John Street works. This has necessitated a change to the contractor's method of working, causing delays and disruption to his programme which has resulted in a claim for additional costs to be reimbursed.					
What action will be taken to rectify this issue?					
The contractor and Engineer's staff worked closely together to facilitate an engineering solution to provide the sewer diversion given the unstable nature of the running sand encountered and change in vibration limits imposed on the works. This resulted in an auger drilling method being used to install the sewer rather than the trench construction envisaged. The sewer is 4 metres below ground just a few metres in front of a tenement building so caution was exercised with the works at this location. The sewer was completed in November and discussions have been held with the contractor to establish the final sum due. The anticipated additional budget necessary (£95,000) for Milton Burn could be vired from Flood Prevention.					
What are the implications of the action proposed?					
The actions above allowed the next phase of the project (The Burn Works) to be progressed in line with the programme. The John street contract was completed on 24 February 2012. Also, the budget for flooding projects overall can be fully utilised on flooding projects including Milton Burn.					

Appendix 3

Project Name – Consolidated Server Replacement

First Added to Capital Plan –2011/12

Project Manager – S MacKenzie / D Bailey

What project?

Server Replacement Project

How is this project funded?

Capital Funding

Why are projects classified as red?

An overspend over £125k is predicated against the original £700k budget.

What has caused the issue outlined above?

When purchasing ICT related hardware, it is common practice to procure associated maintenance and support services upfront as a combined hardware and support package. The support element was not included within the original budget made available for the replacement of servers.

What action will be taken to rectify this issue?

A substantial saving has emerged within the Applications Development service development budget. It is very likely that vehicle tracking devices will be acquired on a lease basis rather than outright purchase. Part of this saving will be used to offset the overspend in the Consolidated Server Replacement budget.

What are the implications of the action proposed?

This action will remove the predicted overspend against the Server Consolidation project. The revised total spend in 2011/12 will be £825k, an increase of £125k. The spend for Applications development will be reduced by £125k.

Project Name – Primary & Pre 5 Joint Campus in Dunoon

First Added to Capital Plan – 2010/11

Project Manager – A S Redpath

What project?

Primary & Pre 5 Joint Campus in Dunoon

How is this project funded?

From the Education Capital Programme

Why is the project classified as Off Target

This project is delayed due to investigations now being carried out into a wide range of options for the future provision of Primary Education within Dunoon. These options include the refurbishment of existing schools, and possible alternate sites for new build options.

The current forecast of expenditure in 2012/13 is £50,000

The approved budget in 2012/13 is £240,000

What has caused the issue outlined above?

Concerns raised by members of the public (local residents and parents) over the proposals to build a new shared primary campus on the site of the existing Kirn Primary School. To address these concerns the new administration instructed the commissioning of a comprehensive investigation into the future provision of Primary education within Dunoon. This has put the current new build scheme on hold and the planning application and associated work has been postponed.

In addition, the government's decision to adopt a revenue funding stream and NPDO delivery model for new schools projects has reduced the requirement for capital funding on such projects.

What action will be taken to rectify this issue?

The spending profile on this project will be reviewed as will the current capital budget requirements. This will allow the budget to be reprofiled as necessary with any surplus amount being vired to other projects.

What are the implications of the action proposed?

The Strategic Asset Management Board will be requested to approve the reprofiling of the budget.

Project Name – Oban High School Biomass
First Added to Capital Plan – June 2010
Project Manager – Property Services Manager

What project?

The conversion of the heating from oil supplied to biomass

How is this project funded?

Prudential Borrowing

Why is the project classified as Off Target

Development of the design indicated that the original concept design no longer represented value for money. This has resulted in additional options to be investigated with an associated impact on the project timeline.

In the interim, the Scottish Government has announced funding for the replacement of Oban High School. Tenders received from West Highland Housing Association will be evaluated in this revised context prior to seeking further instruction from Community Services.

What has caused the issue outlined above?

The consideration of the following has impacted on the project timeline

1. A potential for biomass conversion is still being considered for Oban High School as a joint venture with West Highland Housing Association.
2. Investigations are also progressing for a gas conversion which includes consultation with Scottish Gas Networks.
3. No firm date has been given by SGN for a gas connection due to local capacity issues.

What action will be taken to rectify this issue?

The Joint Venture is currently being tendered by WHHA to allow financial modelling for a business case.

The potential to convert the site's domestic hot water from oil to gas using the limited existing gas supply at the school is being pursued.

What are the implications of the action proposed?

In view of the foregoing, no spend is anticipated in 2012/13.

<p>Project Name – Helensburgh Office Project First Added to Capital Plan – Aug 2005 as a Business Case Project Manager – Consultant (Faithful + Gould)</p>
<p>What project?</p> <p>Helensburgh Office Project</p>
<p>How is this project funded?</p> <p>From the above mentioned Programmes</p>
<p>Why is the project classified as Off Target</p> <p>Procurement of this project was delayed by 4 months to allow investigation of delivery via the Northern Territory hubco. Following completion of this exercise, the Council agreed in September that a traditional procurement route was to be followed.</p>
<p>What has caused the issue outlined above?</p> <p>This was as a result of the need to investigate delivery of the Project via the SFT/Northern Territory Hubco as opposed to using traditional procurement route as had been identified in the Outline Business Case</p>
<p>What action will be taken to rectify this issue?</p> <p>Project has been re-programmed and now progressing in line with revised programme, no further action necessary.</p> <p>The capital monitoring will be reconciled to reflect the new programme.</p>
<p>What are the implications of the action proposed?</p> <p>Revised programme indicates Tender issue on 30th November and commencement of work on site in April 2013.</p>

Appendix 7

Project Name – Kilmory Biomass
First Added to Capital Plan – June 2010
Project Manager – Property Services Manager

What project?

The conversion of the heating from oil supplied to biomass at Kilmory

How is this project funded?

Prudential Borrowing

Why is the project classified as Off Target

In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted

What has caused the issue outlined above?

The tender returns were substantially above the estimated cost for the works indicated in the tender package.

What action will be taken to rectify this issue?

The works will be re-tendered.

What are the implications of the action proposed?

The works will now take place later than anticipated to take account of the re-tendering process.

Appendix 8

Project Name – Islay High School Biomass
First Added to Capital Plan – June 2010
Project Manager – Property Services Manager

What project?

The conversion of the heating from oil supplied to biomass at Islay High School and Bowmore Primary School

How is this project funded?

Prudential Borrowing

Why is the project classified as Off Target

In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.

What has caused the issue outlined above?

There was only one tender return which was substantially above the estimated cost for the works indicated in the tender package.

What action will be taken to rectify this issue?

The works will be re-tendered.

What are the implications of the action proposed?

The works will now take place later than anticipated to take account of the re-tendering process.