ABSTRACT
This report updates members on the discussions which have taken place over recent weeks involving both members and officers regarding the strategic direction, affordability and sustainability of the General Fund capital programme, and provides an update in respect of the priority projects for the period 2012/13 to 2016/17 which are being progressed within the budget setting process.

1. RECOMMENDATION(S)
1.1 It is recommended that the Council:

1.1.1 note the discussions that have taken place which for the first time in the council have involved Administration and Non Administration members and officers with regard to the strategic direction, affordability and sustainability of the General Fund capital programme;

1.1.2 note that the projects detailed in Appendix A have been split between those that are classified as ‘Priority – Progress’ and ‘Lesser Priority – Defer’, reflecting the outcome of the aforementioned discussions between members and officers;

1.1.3 note the priority projects for the period 2012/13 to 2016/17 as detailed under the heading ‘Priority – Progress’ in Appendix A which are being progressed within the budget setting process;

1.1.4 note that the projects detailed under the heading ‘Lesser Priority – Defer’ will essentially form a reserve list, only to be considered for progression should availability of resources / headroom permit; and

1.1.5 note the process to review, refine and finalise the list of priority projects that will continue throughout the remainder of the budget setting process as detailed at Section 5 of this report.

2. BACKGROUND

2.1 Reference is made to report 369/12 to the Corporate Services Committee of 21 June 2012 which highlighted the main stages of the budget cycle and approved the approach to the revenue and capital budget preparation for 2013/14. One of the key early stages in relation to capital is the August meeting of the Capital Budget Sub Group (CBSG), where the Group plans for the next financial year and beyond.

2.2 The oversubscription of the General Fund capital programme going forward has been an ongoing concern for the CBSG and has been highlighted to a wider audience over recent years through the long term affordability report that is presented annually to the Special Budget Meeting of Angus Council. The CBSG noted at their August meeting that the situation had been brought to a head with the number of high value projects in development, including those with no allowance in the current 2011/2015 Financial Plan such as the replacement of Forfar Academy / Community Campus and future statutory Zero Waste requirements.

2.3 The Group agreed to delay the issue of the Financial Plan Preparation Guidance to allow further discussions to be undertaken with the member and officer Policy and Budget Strategy Group (PBSG) with a view to reducing the level of oversubscription and establishing a list of priority projects for taking forward over the medium term.
3. CAPITAL PROJECT PRIORITY MEETINGS

3.1 A series of supplementary budget group meetings involving members and officers took place over September / October concerning the strategic direction, affordability and sustainability of the capital programme. These meetings for the first time in the council involved Administration and Non Administration members. Discussions at these meetings centred on a paper prepared by the Head of Finance demonstrating the extent to which the Council’s capital programme is oversubscribed over the next 5 years (2012/13 to 2016/17). Essentially the ultimate aim of the meetings was to establish a pared down list of priority projects upon which to base the 2012/2017 Financial Plan, as well as the 2013/14 capital budget.

3.2 The key meetings that informed this process were:

- 1 October 2012 – officers attended separate meetings of Administration and Non Administration members to discuss and agree the projects which members consider to be of highest priority and therefore wish to see progressed over the next 5 years.
- 4 October 2012 – based on the outcome of these political meetings, the PBSG agreed the list of priority projects, thereby achieving a reduction in the oversubscription in the capital programme from circa 49% to a more manageable circa 12%.

3.3 It was noted by both the Administration and Non Administration members that the Forfar Academy / Community Campus project was pivotal to the prioritisation exercise. It was recognised that taking this project forward would result in a number of relatively lower value projects not being able to be progressed over the five year time frame of 2012/13 to 2016/17. However, the significant Scottish Government supplementary funding which could be accessed by taking forward the Forfar Academy / Community Campus would allow both educational and leisure issues to be jointly addressed in Forfar at the Academy locality which would not otherwise be possible for the foreseeable future.

3.4 In light of the above, both the Administration and Non Administration members have agreed that the capital project priorities should include the Forfar Academy / Community Campus project. In addition to setting aside provisions for statutory obligations relating to waste collection / disposal, core roads / property maintenance and the already established key priority projects (Brechin High School Replacement / Community Campus, Arbroath Schools Project, etc.), this has necessitated the deferral of a significant number of projects into 2017/18 and beyond.

3.5 The list of priority projects agreed by the PBSG is attached at Appendix A and is split between those that are classified as ‘Priority – Progress’ (‘above the line’) and ‘Lesser Priority – Defer’ (‘below the line’). The projects shown ‘above the line’ are now being progressed within the budget setting process as those proposed to be taken forward over the 5 year period 2012/13 to 2016/17.

4. CAPITAL BUDGET GUIDANCE

4.1 As noted above, the list of priority projects which are to be undertaken over the next five years are detailed ‘above the line’ within Appendix A. The 2012/2017 Financial Plan will cover the five years 2012/13 to 2016/17 – this is a move away from the four year financial plans that have been prepared previously – and departments have reflected these priority projects, phased as appropriate over the 5 years, in their departmental Financial Plan returns which will be considered by the CBSG on 14 December 2012.

4.2 All other projects reflected ‘below the line’ in Appendix A, will require at this stage to be reflected solely in the ‘later years’ column of departmental capital programmes. These deferred lesser priority projects will essentially form a reserve list which can be drawn on should availability of resources / headroom allow.

4.3 The prioritisation exercise thus far has reduced the level of oversubscription on the capital programme from circa 49% to a more manageable circa 12%. A number of areas of potential funding flexibility over the five years have been identified however, giving a level of comfort to go forward with this reduced level of oversubscription.
4.4 In order to commence the capital budget process proper and inform the upcoming budget meetings, Financial Plan guidance was issued on the basis of the list at Appendix A. An amended capital budget process timetable is attached at Appendix B for information.

5. **FINALISATION OF THE LIST OF PRIORITY PROJECTS**

5.1 Members are asked to note that the initial capital project priority review was conducted as a snapshot in time exercise which by necessity contained many assumptions regarding both resources and expenditure levels with some expenditure estimates being very much indicative only. Members and officers therefore very much viewed the initial exercise as the first step of an iterative process wherein the list of priority projects, assumptions and indicative estimates would be reviewed, refined and shaped over the course of the budget setting process.

5.2 To this end, officers have already reviewed the commitment status of a number of relatively small value projects that may carry a disproportionate cost burden for the council to exit at this time. From a value for money perspective this has already resulted in a few small value ‘below the line’ projects that were at an advanced stage of development being allowed to progress and these are now reflected ‘above the line’ in Appendix A.

5.3 The review and refinement work will continue throughout the remainder of the budget setting process and will encompass the following steps:

5.3.1 Review and refine the assumptions, budget figures and indicative estimates for each capital project included ‘above the line’ - this will include full consideration of any ongoing revenue consequences;

5.3.2 Review and update the affordability assessment to inform the final analysis of what can be afforded over the 5 year period - this will be informed by the 2013/14 Finance Settlement update and will cover the affordability of both the cost of borrowing and any ongoing revenue consequences; and

5.3.3 Give consideration to the overall impact of cancelling / deferring those projects shown ‘below the line’ - this will include service as well as financial impacts.

5.4 It is considered likely that the steps highlighted above will identify scope to review where the ‘cut off line’ is drawn and accordingly some projects presently shown ‘below the line’ may move ‘above the line’ to be deemed priority projects. The list of projects in Appendix A currently shown ‘above the line’ effectively therefore represents an updated snapshot reflecting the original discussions amended as per paragraph 5.2 above.

5.5 Essentially the review and refinement process is seeking to prioritise as many projects as the Council can afford, taking into account the Single Outcome Agreement priorities and aspirations, subject to the ongoing update and review process noted at section 6 below.

5.6 As noted at paragraph 2.2 above, the Council’s long term capital affordability assessment is updated annually and presented to the Special Budget Setting Meeting of the Council in February. The outcome of the above review and refinement process will therefore be used to inform this update ahead of the next such meeting in February 2013.

6. **FINANCIAL PLANNING PROCESS GOING FORWARD**

6.1 In recognition that changes will arise and that the Council’s capital plans / priorities may change as well, it is intended that this five year affordability assessment will be updated annually (on a rolling basis) as part of future budget processes. It is also proposed that the PBSG will meet quarterly to look at the Council’s capital expenditure priorities, including what compromises, project scope reviews, etc. may be necessary to address what will be a fluid situation.

7. **RISKS**

7.1 This report does not require any specific risk issues to be addressed.
8. **FINANCIAL IMPLICATIONS**

8.1 There are no financial implications arising from this report beyond those outlined in the main body of the report and Appendix A.

9. **HUMAN RIGHTS IMPLICATIONS**

9.1 There are no human rights implications arising as a result of this report.

10. **EQUALITIES IMPLICATIONS**

10.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An Equalities Impact Assessment is not required.

11. **ANGUS COMMUNITY PLAN AND SINGLE OUTCOME AGREEMENT**

11.1 The priority capital projects set out in this report will be assessed for their impact on the achievement of the Council’s corporate priorities and the specific targets and objectives within the single outcome agreement as part of the wider revenue and capital budget process.

12. **CONSULTATION**

12.1 The Chief Executive and Head of Law and Administration have been consulted in the preparation of this report.

13. **CONCLUSION**

13.1 Following discussions between members and officers regarding the strategic direction, affordability and sustainability of the General Fund capital programme, a list of agreed priority projects to be taken forward over the years 2012/13 to 2016/17 has been established. This exercise has achieved a reduction in the oversubscription in the capital programme from circa 49% to a more manageable circa 12%.

**COLIN McMAHON, DIRECTOR OF CORPORATE SERVICES**

**IAN LORIMER, HEAD OF FINANCE**

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.
<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTION</th>
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<tbody>
<tr>
<td>14 August</td>
<td>Capital Budget Sub Group (CBSG) met to plan for 2013/14 and beyond. The Group agreed to delay the issue of the Financial Plan guidance / targets until a meeting could be arranged between senior officers and members of the Policy &amp; Budget Strategy Group (PBSG) to discuss the capital position over the next 5 years.</td>
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<tr>
<td>6 September</td>
<td>PBSG meeting considered a paper setting out the potential call on capital resources up to 2016/17 and agreed further meetings would take place with a wider group of members, not only to highlight the situation, but to collectively establish their capital priorities.</td>
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<tr>
<td>18 September</td>
<td>Financial plan workshop took place with all PBSG members to consider capital budget priorities.</td>
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<tr>
<td>1 October</td>
<td>Separate meetings of Administration and non Administration groups took place to discuss outcome of previous PBSG / capital workshop meetings and determine capital budget priorities.</td>
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<tr>
<td>4 October</td>
<td>Further meeting of the PBSG to confirm capital budget strategy and priority projects up to 2016/17, based on outcome of meetings on 1 October with politicians.</td>
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<tr>
<td>w/c 29 October</td>
<td>Head of Finance issues guidance to all chief officers on the preparation of departmental financial plan submissions.</td>
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<tr>
<td>29 October</td>
<td>CBSG meet to consider implications of established priorities, including overall affordability and associated risks.</td>
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<tr>
<td>8 November</td>
<td>PBSG updated on CBSG discussions at its October meeting.</td>
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<tr>
<td>21 &amp; 23 November</td>
<td>Budget Review Group (BRG) meetings will not be presented with departmental financial plans, but may wish to consider and discuss the wider implications of the capital priorities and how it affects their own area.</td>
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<tr>
<td>23 November</td>
<td>Financial plan submissions to be returned by chief officers to the Head of Finance.</td>
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<tr>
<td>14 December</td>
<td>CBSG meet to review latest position on financial plan and available resources (if 2013/14 Financial Settlement has been announced).</td>
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<tr>
<td>9 &amp; 11 January</td>
<td>Member / Officer Group (MOG) meetings held to finalise 2013/14 departmental capital budgets.</td>
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<tr>
<td>15 January</td>
<td>Further update to PBSG on capital budget position following December CBSG and MOG meetings.</td>
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<tr>
<td>Mid to Late January</td>
<td>Finance officers calculate prudential indicators and assess the long term affordability of the capital programme based on the 2012/2017 Provisional Capital Budget Volume.</td>
</tr>
<tr>
<td>14 February (tbc)</td>
<td>Provisional capital budgets considered by Special Service Committees. Prudential indicators and long term affordability implications presented to Special Meeting of Angus Council.</td>
</tr>
<tr>
<td>June / July / August</td>
<td>Finance division co-ordinate the preparation of 2013/14 Final Capital Budget Volume (incorporating departmental capital monitoring budgets for 2013/14) on availability of final actuals for 2012/13.</td>
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