
MONITORING OF THE CAPITAL FINANCIAL PLAN 2016/17

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

16 August 2016

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2016/17 Capital Financial Plan, seeks approval for projected outturns and associated virements, and the reallocation of funds.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 30 June 2016. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a projected net variance of £1.671m against the approved budget.
- 1.4 The net in-year budget increase of £4.695m is primarily due to the reconfiguration of the ICT Programme budgets to reflect the new CGI contract and new ICT Transformation programme, confirmation of the 2016/17 grant made available by Scottish Government to support the Hawick Flood Protection scheme and the inclusion of budget to reflect the Scottish Government grant for Early Learning and Childcare.
- 1.5 The net budget timing movements to future years amount to £3.024m, primarily due to the reprofiling of Broomlands Primary School. Appendix 3 contains a summarised list of timing and budget movements within the 2016/17 Capital Plan.
- 1.6 Appendix 1 also contains a list of adjustments to the 2016/17 Capital Plan approved under delegated authority by the Service Director Assets & Infrastructure and Chief Financial Officer consistent with the Financial Regulations approved in June 2016.
- 1.7 Appendix 2 contains a list of the block allocations approved for this year and the various approved and proposed projects to be allocated from them within the 2016/17 Capital Plan.
- 1.8 Appendix 4 contains a list of estimated whole project capital costs for single projects which will not be completed in the current financial year.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive Committee:**

- (a) Agrees the projected outturns and associated virements as identified in Appendix 1 as the revised capital budget;**
- (b) Notes the budget virements previously approved by the Chief Financial Officer and Service Director Assets & Infrastructure detailed in Appendix 1 under delegated authority;**
- (c) Notes the list of block allocations detailed in Appendix 2;**
- (d) Notes the list of budget adjustments detailed in Appendix 3; and**
- (e) Notes the confirmed 80% funding (£1.342m in 2016/17) for the Hawick Flood Protection scheme covering projected spend and previous years spend to date.**

3 BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2016/17 to 2025/26 on 11 February 2016, which has subsequently been updated to reflect budget adjustments, associated timing movements and other approvals. The movements to the total available budget since the Council meeting is as follows:

	£000s	£000s
Capital Plan 2016/17 as approved at Council on 11 February 2016		56,796
Timing movements to date:		
Net timing movements –		
Executive Committee 17 November 2015	6,154	
Net timing movements –		
Executive Committee 16 February 2016	3,161	
Hawick Flood Protection –		
Executive Committee – 19 April 2016	150	
Net timing movements –		
Executive Committee 7 June 2016	2,184	
Synthetic Pitches –		
Executive Committee 7 June 2016	(1,526)	
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Timing Movements to date		10,121
In Year Budget Movements/Technical Adjustments:		
Engineering Minor Works –		
Executive Committee 19/01/16	20	
Engineering Minor Works –		
Executive Committee 16/02/16	26	
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In Year Budget Movements to date		46
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Latest Approved Capital Plan 2016/17 at 30 June 2016		66,962

- 3.2 The presentation of the monitoring tables in Appendix 1 focuses on the three year Operational Plan of the approved 10 year Capital Financial Plan. The first section of the tables in Appendix 1 focuses in detail on the 2016/17 position and then there are three columns each for 2017/18 and 2018/19. For 2016/17 the variance between the latest approved budget and the projected outturn is analysed between timing movements between financial years and absolute changes in costs (budget movements). For 2017/18 and 2018/19 the table presents the impact of the total variance projected between the latest approved budget and projected outturn. Below the tables, a narrative is provided where appropriate.
- 3.3 This report is the first monitoring report in the planned reporting schedule for 2016/17.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 June 2016 is shown together with the projected outturn for the full financial year and where appropriate contains an explanation of budget movements. Appendix 1 also contains budget and

timing movements approved by the Chief Financial Officer and Services Director Assets & Infrastructure under the Financial Regulations approved in June 2016.

- 4.2 The actual expenditure to 30 June 2016 has been adjusted for any credit balances for accrued expenses from 2015/16 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2016/17 Capital Plan of approved and proposed proposals for various projects and programmes.
- 4.4 Appendix 3 contains a summary of budget virements and timing movements proposed for 2016/17 as part of this report.
- 4.5 Appendix 4 contains a list of estimated whole project capital costs for single projects where the project will not be completed in the current financial year.

5 SPECIFIC ISSUES

- 5.1 The following sections identify the other key areas of note within the Appendix 1 tables.

5.2 Plant & Vehicle Replacement - P&V Fund

The projection for 2016/17 has been revised by £0.320m to reflect the current projected purchases for items anticipated to be delivered this financial year. The budget has also been grossed down by £0.025m to reverse additional funding from revenue no longer required. The projected purchases are being fully funded from the Plant & Vehicle Replacement Fund.

5.3 Place – Road & Transport Infrastructure

Roads & Bridges - including RAMP and Winter Damage/Slopes

The budget for 2016/17 has been grossed up by £0.077m to reflect grant income from SUSTrans. The allocation of this funding and adjustments to the allocation within the block is detailed in Appendix 2.

5.4 Place – Flood Protection Infrastructure

(a) Hawick Flood Protection

- (i) In order to provide short term measures, a virement of £0.077m from the General Flood Protection Block allocation for 2017/18 (£0.046m) and 2018/19 (£0.036m) is required. A timing movement of £0.150m to 2016/17 was previously approved by Executive in April 2016 and is reflected in the Latest Approved Budget.
- (ii) Additional ground investigation works need to be carried out in 2016/17 which requires a timing movement from 2018/19 (£0.140m) which will increase certainty and reduce risk on structure conditions over the linear project distance prior to the formal approval process.
- (iii) Following a national review of the future arrangements for the distribution of Flood funding which included SBC representation, Scottish Government has now confirmed funding for 40 priority

schemes across Scotland covering the six year period commencing 2016/17.

(iv) Hawick Flood Protection scheme has been successful in obtaining funding and the first tranche of £1.342m has now been notified. Overall project costs are estimated at £36.432m with grant from Government expected of £29.2m. This grant will reimburse 80% of costs spent to date and 80% of £0.693m of the 2016/17 projected spend. It is anticipated that final grant funding for the full project will be fixed at 80% of eligible costs when scheme costs are confirmed after tender acceptance.

(b) **General Flood Protection Block**

A timing movement and virement are required to provide short term measures in Hawick. This is being funded from the Block allocation for 2017/18 (£0.046m) and 2018/19 (£0.036m).

(c) **Flood Scheme Preparation**

The budget for 2016/17 has been grossed up by £0.205m to reflect the Council's share of the 20% flood capital grant distribution to be used for flood studies in 2016/17. The allocation of this funding is detailed in Appendix 2.

5.5 **Place – Waste Management**

Easter Langlee Cell Provision

Timing movement of £0.081m to 2018/19 required to reflect re-profile of budget to match the timescales for the closure of the landfill site.

5.6 **Place – Land and Property Infrastructure**

(a) **Wilton Lodge Park**

Gross up of budget to reflect £0.100m of additional SUSTrans funding awarded for the creation of an illuminated cycleway within the park.

(b) **Energy Efficiency Works**

Gross up of budget to reflect match funding interest free borrowing available from Salix in 2016/17 and 2017/18, comprising £0.300m in each year.

5.7 **People – School Infrastructure**

(a) **Kelso High School**

The budget has been grossed down by £0.250m to reflect the risk of reduced SportScotland fund following the receipt of the formal grant offer for the 3G only pitch. Officers will continue to appeal the adjustment to the offer previously made by SportScotland. In the event that the original funding is approved this will enhance the overall resources available to support the capital programme.

(b) **Langlee Primary School**

A reduction in level of contingency held for the project has resulted in £0.050m being released. Virement requested to Residential Care Home Sluice Works project. A separate report is being presented to the meeting regarding project timescales, timing movements and virement to Broomlands Primary School.

(c) **Broomlands Primary School**

A reduction in level of contingency held for the project has resulted in £0.050m being released. Virement of £0.050m requested to Residential Care Home Sluice Works project. A separate report is being presented to the meeting regarding project timescales, timing movements and virement from Langlee Primary School.

(d) **School Health & Safety Block**

Projects at Wilton Primary School and Parkside Nursery are not being progressed at this time. Reallocation of block to project at Hawick High School for classroom refurbishment including window replacements as detailed in Appendix 2.

(e) **Early Learning & Childcare Block**

The budget for 2016/17 has been grossed up by £0.703m to reflect the Council's share of the 2016/17 Scottish Government funding allocation. This is being allocated to a number of new projects as detailed in Appendix 2.

5.8 **People – Social Care Infrastructure**

Residential Care Home Sluice Works

Sluice works required at St. Ronans, Grove House and Deanfield in order to comply with Care Inspectorate requirements. This has been funded by virements from Emergency and Unplanned Schemes £0.072m, Langlee Primary School £0.050m, Broomlands Primary School £0.050m and Fire Compartments £0.037m.

5.9 **Chief Executive – Other**

ICT Programme and ICT Transformation

The budget allocation as approved at Council in February 2016 has been revised to reflect the CGI contract and the ICT Transformation programme. This has increased the total budget allocation in 2016/17 by £3.779m as a result of the timescales for programme delivery. The budgets in 2017/18 and 2018/19 have been reduced by £1.711m and £1.686m.

5.10 **Emergency & Unplanned Schemes**

The table below provides an update on the projected position of the Emergency & Unplanned Schemes:

	£000s
Budget as Approved at Council 12 February 2016	100
Allocation to Residential Care Home Sluice Works	(72)
Increase in General Capital Grant (net of allocation to General Flood Protection Block)	11
Projected Balance	39

5.11 **Capital Funding**

As a result of the £1.671m in year net timing and budget movement identified in the programme (see Appendix 1), the estimated borrowing element of the capital financing for 2016/17 has been decreased in the current year.

6 IMPLICATIONS

6.1 Financial

- (a) There are no financial implications beyond those contained in the report and appendices.
- (b) Any capital borrowing requirements associated with these changes will be managed in line with the approved Treasury Strategy from approved budgets. The principal part of the capital financial plan is funded by long term loans and the resultant loan charges are reported within the revenue monitoring reports.

6.2 Risk and Mitigations

- (a) At the end of June 2016, actual expenditure totalled £5.413million which represents 8% of the projected outturn, excluding the impact of large accruals. There is a risk of timing movements this financial year some of which has already been highlighted in narrative in Appendix 1. It is vital that capital budgets continue to be monitored carefully through the Project Managers and that their outturn projections are as accurate as possible.
- (b) Key risks associated with individual projects have been identified within the narrative and the individual project managers are undertaking the appropriate work to manage these.

6.3 Equalities

No Equalities Impact Assessment has been carried out in relation to the Capital Monitoring report; it is, however, expected that for individual projects this work will have been undertaken by the relevant project manager/budget holder prior to budget being approved.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report although there may be within individual projects and these will be identified and addressed as appropriate as part of their specific governance arrangements.

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this monitoring report; however, there may be within individual projects and these will be identified and addressed as appropriate as part of their specific governance arrangements.

6.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Delegation are required as a result of this report.

7 CONSULTATION

- 7.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted in the preparation of this report and any comments received incorporated into the report.
- 7.2 The Service Director Assets & Infrastructure has been consulted in the preparation of this report and the content of the detailed appendices and any comments incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers: None

Previous Minute Reference: None

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