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## **MONITORING OF THE CAPITAL FINANCIAL PLAN 2016/17**

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**14 February 2017**

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#### **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 31 December 2016. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a projected net variance of £3.006m against the approved budget.
- 1.4 The net in-year budget increase of £0.544m is primarily due to an increase in the projection for the Plant and Vehicle Replacement of £0.366m, fully funded from the P&V Fund which the remainder being additional external funding secured for a number of projects.
- 1.5 The net budget timing movements to future years amount to £3.535m, the most significant of which are £0.790m for Roads and Bridges, £0.225m for Wilton Lodge Park, £0.500m for Energy Efficiency Works and £0.463m for School Refurbishment and Capacity. Appendix 3 contains a summarised list of timing and budget movements within the 2016/17 Capital Plan.
- 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 in Appendix 1 as the revised capital budget; and Approves the virements as detailed in Appendix 3**
- (b) Notes the budget virements previously approved by the Chief Financial Officer and Service Director Assets & Infrastructure detailed in Appendix 2 under delegated authority;**
- (c) Notes the list of block allocations detailed in Appendix 2; and**
- (d) Notes the list of whole project costs detailed in Appendix 4**

### 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:

	<b>£000s</b>	<b>£000s</b>
<b>Capital Plan 2016/17 as approved at Executive 15 November 2016</b>		<b>67,579</b>
<b>In Year Budget Movements/Technical Adjustments:</b>		
Council 22 December 2016	(5,375)	
<b>In Year Budget Movements</b>		<b><u>(5,375)</u></b>
<b>Latest Approved Capital Plan 2016/17 at 31 December 2016</b>		<b><u><u>62,204</u></u></b>

- 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 third 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 31 December 2016 is shown together with the projected outturn for the full financial year and where appropriate contains an explanation of budget movements. Appendix 2 also contains any budget and timing movements approved by the Chief Financial Officer and Service Director Assets & Infrastructure under the Financial Regulations approved in June 2016.
- 4.2 The actual expenditure to 31 December 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 £0.366m to reflect the current projected purchases for items anticipated to be delivered this financial year. The projected purchases are being fully funded from the Plant & Vehicle Replacement Fund.

### **5.3 Place – Road & Transport Infrastructure**

#### **(a) Roads & Bridges - including RAMP and Winter Damage/Slopes**

A timing movement of £0.790m is required to 2018/19 to reflect the updated programme of works which are circulated to elected members on a quarterly basis.

#### **(b) Innerleithen to Walkerburn – Shared Access Route**

The budget is being grossed up by £0.100m to reflect an award of funding from SUSTrans. Works will be undertaken in the current financial year.

### **5.4 Flood and Coastal Protection**

#### **Flood Studies**

The successful tenderer for the studies was appointed in late January after a thorough procurement process. These flood studies are a type of project never before undertaken by the Council under the new Flood Act and required significant preparation of the project scope before tendering could commence. This has resulted in a timing movement of £0.120m to 2017/18.

### **5.5 Place – Land and Property Infrastructure**

#### **(a) Wilton Lodge Park**

The new destination play park will be completed in February 2017. The new café is well underway, however construction will now not be completed until May 2017. The Gilbert Fountain landscaping will be completed this financial year, but the fountain refurbishment will be in 2017/18. These delays have resulted in a timing movement of £0.225m to 2017/18, the majority of which is externally funded.

#### **(b) Combined Depot Enhancements**

Works on projects continuing, however a timing movement of £0.171m is required to 2017/18 as detailed solutions for depot security have still to be finalised before works can be instructed.

#### **(c) Demolition and Site Preparation Block**

The current year allocation of this block has been revised, mainly due to demolition works in Eyemouth being put on hold until the outcomes of the Eyemouth Masterplan are confirmed. A timing movement of £0.157m to 2017/18 is required. The detail of the

changes in the block allocation is shown in Appendix 2.

(d) **Energy Efficiency Works**

The LED lighting replacement project is continuing, with schools and the HQ campus the priority to achieve revenue savings as quickly as possible. The Energy Officer will be in post in April 2017 and will be progressing further LED projects and projects to install solar panels, requiring reprofiling of £0.500m from 2016/17 to 2017/18. The Salix match funded capital works for the year will be completed.

5.6 **People – School Infrastructure**

**School Refurbishment and Capacity Block**

Due to works at Hawick High School to refurbish classrooms and replace windows starting later than originally planned, a timing movement of £0.130m is required. Budget of £0.260m is being allocated to re-orientate classrooms on the Galashiels Academy campus, as the main works will be undertaken in 2017/18, a timing movement of £0.250m is required. The remaining budget of £0.083m is to be carried forward to be allocated to projects in 2017/18.

5.7 **People – Social Care Infrastructure**

**Residential Care Home Upgrade Block**

The works at Saltgreens are complete. The major refurbishment works at Waverly are progressing well, however a timing movement of £0.185m is required to align with the contractors remaining works profile.

5.8 **Emergency & Unplanned Schemes**

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

	<b>£000s</b>
Budget as Approved at Executive 15 November 2016	<b>48</b>
Underspend for Railway Black Path	18
Underspend for Tweedbank Traffic Calming	22
<b>Projected Balance</b>	<b>88</b>

5.9 **Capital Funding**

As a result of the £3.006m 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 December 2016, actual expenditure totalled £31.627million which represents 53% 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 .....**

**Author(s)**

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**Background Papers:** None

**Previous Minute Reference:** None

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Capital & Investment Team can also give information on other language translations as well as providing additional copies.

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