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## **MONITORING OF THE CAPITAL FINANCIAL PLAN 2017/18**

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**14 February 2018**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report updates the Executive Committee on the progress of the 2017/18 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 2017. Key issues identified in these tables are summarised within the main report. The tables identify a projected net variance of £12.951m against the approved budget.
- 1.3 The most significant items for the variance are budget timing movements to future years of £12.909m, with the majority of the movement relating to £5.022m for the Easter Langlee Waste Transfer Station, £2.5m for the Central Borders Business Park and £2.554m for the Hawick Regeneration project.
- 1.4 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 2017/18 Capital Plan.
- 1.5 Appendix 3 contains a summarised list of timing and budget movements within the 2017/18 Capital Plan.
- 1.6 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;**
  - (b) Notes any 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;**
  - (d) Approves the virements as detailed in Appendix 3; 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 2017/18 to 2026/27 on 9 February 2017, 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
<b>Latest Approved Capital Plan 2017/18 at Executive, 21 November 2017</b>		<b>56,764</b>
Executive 21 November 2017 – Street Lighting Energy Efficiency Project	(865)	
Technical adjustment – Assets & Infrastructure	(12)	
<b>In Year Budget Movements</b>		<b>(877)</b>
<b>Latest Approved Capital Plan 2017/18 at 31 December 2017</b>		<b>55,888</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 2017/18 position, there are three columns each for 2018/19 and 2019/20 and then three columns for the 7 year strategic plan 2020/21 to 2026/27. Below the tables, a narrative is provided where appropriate.
- 3.3 As highlighted in the previous monitoring report, some areas of system functionality in Business World have not yet been fully developed. For this reason the existing methodology of agreeing financial projections with managers has continued in compiling these statements.
- 3.4 This report is the third monitoring report in the planned reporting schedule for 2017/18.

### 4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 31 December 2017 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 2017 has been adjusted for any credit balances for accrued expenses from 2016/17 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2017/18 Capital Plan of approved and proposed proposals for various projects and programmes.
- 4.4 Appendix 3 contains a summary of variances analysed between budget virements and timing movements proposed for 2017/18 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 **Asset Rationalisation**

A timing movement is required for £1.133m to 2018/19 to reflect the timescales for the delivery of projects.

5.3 **Roads & Bridges -inc. RAMP, Winter Damage & Slopes**

A timing movement is required for £0.726m which relates to Lowood Bridge works originally scheduled for Summer 2018 being undertaken early and an acceleration in the programme of scheduled capital works originally budgeted for in 2018/19.

5.4 **New Easter Langlee Waste Transfer Station**

A timing movement is required for £5.013m to 2018/19 and £0.009m to 2019/20 to reflect the latest works programme in where advanced works are scheduled to commence in February 2018 with the main works to start in April 2018.

5.5 **Early Learning and Childcare**

A timing movement is required for £1.781m to 2018/19 to reflect the delivery programme for projects identified where delivery will be in the following financial year and will enhance the early years provision capacity.

5.6 **Jim Clark Museum**

A timing movement is required for £0.918m to 2018/19 and £0.005m to 2019/20 to reflect the reprofiling of the project budget to match the latest project programme. The detailed design stage and preparation for procurement continue and following tender award works on site are anticipated to commence in Summer 2018.

5.7 **Great Tapestry of Scotland - Building**

The project remains overall on budget, however a timing movement between 2017/18, 2018//19 and 2019/20 is required to reflect the latest project programme. The project assumes external contributions totalling £3.2m. Any variation in the amount of Town Centre Regeneration Fund grant award would have an impact on the project. The outcome of the award process is expected in early March.

5.8 **Central Borders Business Park**

A timing movement of £2.5m is required to 2018/19 to reflect the latest anticipated spend profile for the project.

5.9 **Hawick Regeneration**

The detailed delivery programme for town centre office development has identified that planning, procurement and construction will take place in 2018/19 resulting in timing movement from 2017/18 of £2.554m reprofiled between 2018/19 and 2019/20.

5.10 **Planned Programme Adjustments**

A number of timing movements due to be funded from Council borrowing are being offset against this budget which reduces it to zero in all years of the operational plan.

5.11 **IT installation in new schools**

Kelso High School, Duns, Broomlands and Langlee Primary schools are now

open. A pressure of £355k has arisen due to the installation of new IT equipment rather than the re-use of existing resources. The machines have been reused in other locations, this will reduce costs of the planned refreshed programme.

## 5.12 **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 21 November 2017	<b>0</b>
Executive – 1 November 2017 – Street Lighting Energy Efficiency Project	409
Underspend on Telecare project	83
IT installation in new schools pressure	(355)
<b>Projected Balance</b>	<b>137</b>

## **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 2017, actual expenditure totalled £21.656m which represents 49% 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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