
MONITORING OF THE CAPITAL FINANCIAL PLAN 2016/17

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

15 November 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 September 2016. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a projected net variance of £2.179m against the approved budget.
- 1.4 The net in-year budget increase of £1.162m is primarily due to a gross up of external funding received from SCOTS of £0.503m for Roads and Bridges and an increase in the projection for the Plant and Vehicle Replacement, fully funded from the P&V Fund.
- 1.5 The net budget timing movements to future years amount to £3.341m, the most significant of which are £0.6m for the Street Lighting Energy Efficiency Project, £0.485m for Selkirk Flood Protection and £1.475m for Early Learning and Childcare. 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:

	£000s	£000s
Capital Plan 2016/17 as approved at Executive 16 August 2016		68,663
In Year Budget Movements/Technical Adjustments:		
Synthetic Pitch Replacement Fund – Executive 6 September 2016	94	
Reallocation of 2016/17, 2017/18 and 2018/19 budgets 6 Month Review of 2016/17 - 2025/26 Capital Plan – Scottish Borders Council 29 September 2016		
– Roads and Bridges	2,400	
– Cemetery Land Acquisition and Development	(820)	
– Kelso High School	(833)	
– Asset Rationalisation	250	
In Year Budget Movements		<u>1,091</u>
Latest Approved Capital Plan 2016/17 at 30 September 2016		<u>69,754</u>

- 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 second 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 September 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 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 September 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 £0.456m 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 Other Fleet

Gross up of budget for Electric Vehicle Charging Points to £0.091m which is fully funded by Scottish Government.

5.4 Place – Road & Transport Infrastructure

(a) Galashiels Developments – GIRR5

A timing movement is required of £0.140m to 2017/18 and £0.005m to 2018/19 in order to reflect the anticipated programming of works around Cornmill Square and for maintenance period costs.

(b) Roads & Bridges - including RAMP and Winter Damage/Slopes

A number of projects originally assessed to fall under the Bellwin scheme were later deemed to be capital works and therefore not eligible for Bellwin. A bid was made to SCOTS to fund these works resulting in an award of £0.503m. The allocation to projects is detailed in Appendix 2.

(c) Street Lighting Energy Efficiency Project

A timing movement of £0.600m to 2017/18 is required for officers to evaluate the possible extension of the programme as a result of savings made in the current works programme due to a reduction in the cost of lanterns.

5.5 Place – Flood and Coastal Protection

Selkirk Flood Protection

A timing movement of £0.485m is required to 2017/18 for the finishing works contract, finalisation of land transactions and for project management and support both during these concurrent phases and during the contract maintenance period and project closedown.

5.6 Place – Waste Management

New Easter Langlee Waste Transfer Station

The original budget profile was set on the basis of the works commencing on site in December 2016 with a completion date of December 2017. The development of the preferred site layout commenced later than programmed due to other priorities and ran for longer to ensure the optimum configuration was taken forward into the design development process. The detailed design and public consultation are progressing with the anticipated submission of the Planning application by the end of November 2016. The planning process will run in parallel with the contractor procurement and building warrant process to allow a construction start date of May 2017 with a completion date of May 2018. A timing movement of £0.357m to 2017/18 is therefore required.

5.7 People – School Infrastructure

(a) **Kelso High School**

Kelso HS construction scheduled for completion November 2017 therefore, a £0.200m timing movement required to 2017/18 to fund project office, clerk of works and decant costs.

(b) **Earlston MUGA**

New project to reinstate an outdoor sports facility which was lost following the transfer of land related to the new high school construction. This multi-use games area will be used by the primary school, the complex needs centre and local community sports groups. The project is being funded by contributions from the school DSM budget, parent council, matched with SportScotland funding and a saving which has been identified in the Complex Needs project as shown in the table below.

Funding Source	£m
CFCR from Revenue (DSM and Parent Council)	£0.038m
SportScotland Funding	£0.046m
Virement from Complex Needs project	£0.026m
Total	£0.110m

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

The design for facilities at Lilliesleaf and Stow will be complete in the current year with construction planned for 2017/18, resulting in timing movements of £0.560m and £0.565m. Due to the timing of the notification of additional funding from Scottish Government, projects cannot be all be fully scoped, designed, procured and constructed in the current financial year, resulting in an additional timing movement of £0.350m to 2017/18.

5.8 People – Social Care Infrastructure

Residential Care Home Upgrade Block

The refurbishment works at Waverly Residential Home are being extended to incorporate refurbishment of the ground floor bedrooms to the same standard as the upstairs providing the long term residents with en suite facilities. This further phase of works has recently been authorised by officers, in consultation with the Council Leader and the portfolio holder for Social Care. These works costing £0.452m are permissible under the original contract and have been authorised by the Chief Financial Officer under a “non-competitive action.” This approach releases savings of £0.052m from the current Waverly budget allocation and savings of £0.050m have also been identified at Saltgreens. The remaining £0.350m will be funded by acceleration of the 2017/18 Structural/H&S Works block and will require the block to be replenished in setting the 2017/18 budget. Works undertaken by the on-site contractor will save time and the additional expense of retendering, while ensuring inconvenience and distress to residents and their relatives is avoided. The works will ensure the whole Waverly residential home is fit for purpose, rather than simply upgrading the upper floor which caters for short term stay residents.

5.9 People – Culture and Heritage

Sir Walter Scott Court House – Phase 1

This project is now being managed by the Major Projects team. Following a review of the overall programme the steeple masonry repairs will now be carried out in Spring/Summer 2017/18 due to seasonal restrictions, resulting in a timing movement of £0.280m.

5.10 Chief Executive – Sports Infrastructure

Hawick 3G Synthetic Pitch

As a result of junction improvements required as part of the planning consent for the project, a number of car parking spaces were lost. The project scope is proposed to be extended in order to both reinstate and increase the number of car park spaces in the adjacent car park and to improve adjacent footways. These works would extend into 2017/18 resulting in a timing movement of £0.035m.

5.11 Emergency & Unplanned Schemes

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

	£000s
Budget as Approved at Executive 16 August 2016	39
Allocation to Selkirk Wall (Executive 20 September 2016)	(8)
Underspend for Kelso Town Traffic Management Scheme	8
Underspend for Sir Walter Scott Courtroom Interpretation	9
Projected Balance	48

5.12 **Capital Funding**

As a result of the £2.179m 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.
- (b) The reinstatement of the MUGA at Earlston will result in a revenue consequence for the maintenance and replacement of surfaces. This will be included in the revenue financial plan as a contribution to the Synthetic Pitch Replacement Fund.

6.2 **Risk and Mitigations**

- (a) At the end of September 2016, actual expenditure totalled £16.870million which represents 25% 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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