
MONITORING OF THE CAPITAL FINANCIAL PLAN 2019/20

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

20 August 2019

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2019/20 Capital Financial Plan, seeks approval for virements and the reallocation of funds.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 30 June 2019. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a projected net variance of £0.077m against the approved budget. The net in year budget decrease of £0.077m is primarily due to £2.602m additional external funding secured to fund projects, including the Strategic Timber Transport Scheme where the Council has been awarded an additional £0.699m for roads investment, Scottish Government Town Centre Fund £1.421m and Scottish Rugby Union funding towards the Costs of the Melrose 3G Pitch totalling £0.400m. This is offset by net budget timing movements to future years of £1.620m, the most significant of which are Hawick Flood Protection £1.200m and ICT Transformation £1.249m which have required budgets to be brought forward to 2019/20. This is offset by adjustments to the Asset Rationalisation £1.164m and Hawick Regeneration Blocks £1.897m with project timing movements now requiring budget to be deferred to 2020/21. The final significant adjustment is associated with the Digital Learning Transformation following optimisation of the funding model for the Inspire Learning Programme (£1.059m).
- 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 2019/20 Capital Plan.
- 1.5 Appendix 3 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 required;**
 - (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 3.**

3 BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2019/20 to 2028/29 on 28 February 2019, 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
Capital Plan 2019/20 as approved at Council 28 February 2019	52,524
Timing movements reported at February 2019 Executive	2,727
Timing movements and budget adjustments reported at June 2019 Executive	16,520
Latest Approved Capital Plan 2019/20 at 30 June 2019	71,771

- 3.2 The most significant timing movements reported to the Executive in February and June 2019 related to the following projects: Early Learning & Childcare £3.530m; School Estate Block £2.983m; Jedburgh Learning Campus £1.382m; ICT Transformation £1.267m; Great Tapestry of Scotland Building £0.972m; New Easter Langlee Waste Transfer Station £0.903m.
- 3.3 A review of the Capital Programme will be under taken as part of the 2020/21 Financial Planning process. The review, which has been previously highlighted to Members but delayed due to work load will look at the efficiency of spending within the blocks. This will allow the Council to better profile spend within the blocks, which in turn will optimise available funding for specific projects within the Capital Financial Plan.
- 3.4 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 2019/20 position, there are three columns each for 2020/21 and 2021/22 and then three columns for the 7 year strategic plan 2022/23 to 2028/29. For 2019/20 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 2020/21 and 2021/22 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.
- 3.5 This report is the first monitoring report in the planned reporting schedule for 2019/20.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 June 2019 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 November 2018.
- 4.2 The actual expenditure to 30 June 2019 has been adjusted for any credit balances for accrued expenses from 2018/19 which have not yet been invoiced.

- 4.3 Appendix 2 contains a summary for each block allocation within the 2019/20 Capital Plan of approved and proposed proposals for various projects and programmes.
- 4.4 Appendix 3 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 **Hawick Flood Protection Scheme**
Timing movement from 2020/21 of £1.200m with budget brought forward to cover advanced works and the costs of land purchase required in advance to deliver the scheme.
- 5.3 **Asset Rationalisation**
Timing movement of £1.164m for Council HQ agile working, Hawick Town Hall and Paton Street, Galashiels to tie in with property rationalisation project delivery timescales.
- 5.4 **Roads & Bridges - including RAMP and Winter Damage/Slopes**
Additional funding confirmed for investment in the roads network from the Strategic Timber Transport Scheme (STTS) of £0.699m. The allocation of these funds are detailed within Appendix 2.
- 5.5 **ICT Transformation**
Timing movements to reflect the CGI contract, with an associated reduction in the total capital funding required.
- 5.6 **Digital Learning Transformation**
Funding model for Inspire Learning Programme has now been optimised to reflect capital and revenue requirements. The project has to date deployed over 500 iPads to teaching staff in secondary schools. Surveys of the Wi-Fi capability in schools has completed and work to ensure appropriate wireless access coverage is available throughout school buildings is now progressing. The project is on track and the roll out to secondary pupils will commence as planned in the new academic session commencing with Selkirk High school.
- 5.7 **Melrose 3G Pitch**
Addition of Scottish Rugby Union funding £0.400m and £0.100m allocation from the Play Areas and Community Spaces block is now reflected in the budget. The funding application to **sportscotland** has now been submitted.
- 5.8 **Borders Town Centre Regeneration block**
Addition of Scottish Government Town Centre Grant towards town centre regeneration in Hawick, Selkirk, Galashiels, Eyemouth and Jedburgh.
- 5.9 **Hawick Regeneration**
£1.897m timing movement has been required to 2019/20. Demolition works are due to commence Autumn 2019 with the main contractor expected on site from Spring 2020.

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 28 February 2019	300
Previous Year Timing Movement	(148)
Combined Depot Enhancements, return budget	297
New Easter Langlee Waste Transfer Station	(135)
Hawick 3G synthetic pitch	5
Projected Balance	319

- 5.11 Timing movements are an ongoing feature of the delivery of the capital plan. Officers are now progressing with a review of the capital planning processes benchmarking this against the recommendations set out in the Audit Scotland best practice guidance. This project has been delayed due to capacity and will now be reported to Executive Committee in November in advance of the budget process in 2020/21. This report will contain recommendations seeking approval for actions to address any deficiencies identified in current practice.

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 loans charges are reported within the revenue monitoring reports.

6.2 Risk and Mitigations

- (a) At the end of June 2019, actual expenditure totalled £4.666m which represents 6.5% of the projected outturn, excluding the impact of year end 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. This is important as optimism bias by managers with respect to spend profiles may result in the council borrowing in advance of need and thereby incurring the cost of carrying surplus funds.
- (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

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