



## MONITORING OF THE CAPITAL FINANCIAL PLAN 2019/20

### Report by Chief Financial Officer EXECUTIVE COMMITTEE

**19 November 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 September 2019. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a net budget variance of £8.224m, which is made up of timing movements into 2020/21 of £10.268m. The most significant of which are Land & Property of £1.6m (including £0.710m asset rationalisation and £0.329m building upgrades), School Estate Block, £1.3m, Dementia Care, £0.4m, Culture & Sport, £0.5m, Great Tapestry of Scotland £2.7m, Borders Innovation Park £2.5m and Regeneration projects, £1m. This timing movement is offset by CFCR for IT equipment, £0.2m and Digital Learning £1.8m expenditure fully funded by capital receipt.
- 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 STATUS OF REPORT

- 2.1 Appendix 4 of this report is being presented in private due to expenditure proposed to be incurred by the authority for the acquisition of property and terms proposed by or to the authority in the course of negotiations for a contract for the acquisition of property.

#### 3 RECOMMENDATIONS

- 3.1 **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;**
  - (d) **Notes the list of whole project costs detailed in Appendix 3; and;**

- (e) Notes the update in private at Appendix 4 on the priority regeneration actions and agrees the reallocation of Scottish Government Town Centre Funds in year.**

## **4 BACKGROUND**

- 4.1 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:

	<b>£000s</b>
<b>Capital Plan 2019/20 as approved at Council 28 February 2019</b>	<b>52,524</b>
Timing movements reported at February 2019 Executive	2,727
Timing movements and budget adjustments reported at June 2019 Executive	16,520
Timing movements and budget adjustments reported at August 2019 Executive	(78)
Deanfield Council reported approved in September 2019	200
<b>Latest Approved Capital Plan 2019/20 at 30 September 2019</b>	<b>71,893</b>

- 4.2 A review of the Capital Programme will be undertaken as part of the 2020/21 Financial Planning process. The review 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.
- 4.3 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.
- 4.4 This report is the second monitoring report in the planned reporting schedule for 2019/20.

## **5 MONITORING THE PLAN**

- 5.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 September 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.
- 5.2 The actual expenditure to 30 September 2019 has been adjusted for any credit balances for accrued expenses from 2018/19 which have not yet been invoiced.
- 5.3 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.

- 5.4 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.

## **6 SPECIFIC POINTS OF NOTE**

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

### **6.2 Land & Property Infrastructure**

The delay in relocating the Council HQ staff restaurant and main reception has caused a re-programme of the capital block. The demolition of Old Canteen building will now take place in Spring 2020 the impact of this being the progress of agile working at Council HQ, Galashiels and Hawick has been delayed. The programme for delivering building standards block requires a re-profile of the capital block therefore a timing moment has been sought line with this.

### **6.3 School Estate Block**

The change in the profile of the capital programme has arisen because of delays to delivering programmed works in schools to improve toilet provision and to improve the facilities for pupils with additional support needs. There is also an allocation in the capital budget for emergency and unplanned works that may occur as an outcome of school inspections, to date none of this has been required so a request is sought to re-profile to 2020/21.

### **6.4 Great Tapestry of Scotland**

The capital project is on site, is progressing well, and is forecast to be delivered within the approved budget. Commencement of the construction period was deferred as a consequence of the financial due diligence undertaken as part of the procurement process and the requirement to undertake value engineering to ensure the project can be delivered within budget. Completion of the building works will now be in September 2020, with building handover and Tapestry fit-out commencing immediately on conclusion. Considerable work has been undertaken to assess the ideal opening date for the new visitor attraction which is Spring 2021 in order to take advantage of the peak tourist season and maximise revenue opportunities. Optimal use will be made of the marketing opportunity presented between September 2020 and March 2021, including the positive experience of opening the Jim Clark Museum during 2019. Capital and revenue budget has therefore been moved to 2020/21 to reflect the delivery programme.

### **6.5 Galashiels Regeneration**

First phase of the works has been completed including the installation of the Coulter Candy statues. However, the plaza works require to be in line with the opening of the Great Tapestry of Scotland opening and therefore the capital budget needs re-profiled in line with this.

### **6.6 Eyemouth Regeneration**

Capital budget requires to be moved to 2020/21 due to the fact that a decision is anticipated from Scottish Government on match funding for the project. Specifically £250k from Scottish Government Regeneration Capital Grant for the Former Fishmarket and Museum Redevelopment. The additional £250k will be spent in 2020/21 for Off-shore Operations and Maintenance.

### **6.7 Borders Innovation Park**

Phase 1 Access road and enabling works are now complete but a timing variance is required to reflect delay in start of construction of building works. This is linked to the delay in the prospective tenant agreeing the

terms of the proposed lease. Timing movement to 2020/21 reflects a 5 month delay in starting construction works.

## 6.8 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	<b>300</b>
Previous Year Timing Movement	(148)
Combined Depot Enhancements, return budget	297
New Easter Langlee Waste Transfer Station	(135)
Hawick 3G synthetic pitch	5
CRC bulky waste adjustments	(32)
<b>Projected Balance</b>	<b>287</b>

- 6.9 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 report will contain recommendations seeking approval for actions to address any deficiencies identified in current practice.

## 7 IMPLICATIONS

### 7.1 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.

### 7.2 Risk and Mitigations

- (a) At the end of September 2019, actual expenditure totalled £18.950m which represents 30% 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.

### 7.3 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.

### 7.4 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.

#### **7.5 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.

#### **7.6 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.

#### **7.7 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.

### **8 CONSULTATION**

- 8.1 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.
- 8.2 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)**

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 X 5881

**Background Papers:** None

**Previous Minute Reference:** None

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