
MONITORING OF THE CAPITAL FINANCIAL PLAN 2015/16

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

18 August 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2015/16 Capital Financial Plan and 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 June 2015. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a net variance of £14.922m against the approved budget.
- 1.4 The net in-year budget reduction of £17.529m is primarily due to a budget change of £14.531m relating to the funding model for Kelso High School and the revised presentation of £4.2m for Next Generation Broadband (BDUK).
- 1.5 The net budget timing movements amount to £2.606m, of which the most significant are the forward timing movements of £1.0m for General Roads and Bridges Block, £2.0m for Selkirk Flood Protection and £0.849m for Langlee and Broomlands Primary Schools, partly offset by a timing movement of £0.836m to 2016/17 for Complex Needs – Central Education Base. Appendix 3 contains a summarised list of timing and budget movements within the 2015/16 Capital Plan.
- 1.6 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 2015/16 Capital Plan.
- 1.7 At this stage in the year it is estimated that these adjustments will allow an element of reprioritisation of the capital programme and it is suggested that members use this flexibility to bring forward investment in the roads network and energy efficiency projects to help the Council's revenue position and carbon commitments.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive Committee:**
 - (a) **Agrees the projected outturns and associated virements as identified in Appendix 1 as the revised capital budget;**
 - (b) **Notes the adjustments made to the budget for Kelso High School to reflect its status as a fully funded revenue project and agrees to maintain a £1m budget contingency within**

- capital while discussions continue with SFT to finalise the project delivery arrangements and determine the start date;**
- (c) Notes the change to the Kelso High School funding model and clarification of allowable costs has allowed the reallocation of £0.375m from Kelso High School and agrees to reallocate this funding to Energy Efficiency Projects across the Council School Estate resulting in reduced revenue costs for these properties;**
 - (d) Agrees the acceleration of £1.0m from 2018/19 Road Block to augment the roads budget for 2015/16 to allow improvements to key areas of the roads network;**
 - (e) Agrees the list of block allocations detailed in Appendix 2; and**
 - (f) Instructs project managers and budget holders to ensure that robust arrangements are in place to achieve the projected out-turns.**

3 BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2015/16 to 2024/25 on 12 February 2015, 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 2015/16 as approved at Council on 12 February 2015 | 58,429 |
| Timing movements b/fwd from 2014/15 | 16,045 |
| Duns Primary School reprofile, approved at Executive on 25 June 2015 | (1,919) |
| Easter Langlee Cell Provision - budget movement from 2016/17, Emergency Powers report approved 2 July 2015 | 80 |
| Borders Railway Stations adjustment, approved at Council 2 April 2015 | (50) |
| Technical adjustment – Sunnybrae, Walkerburn | 10 |
| Latest Approved Capital Plan 2014/15 at 2 July 2015 | 72,595 |

- 3.2 The presentation of the monitoring tables in Appendix 1 focuses on the 3 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 2015/16 position and then there are 3 columns each for 2016/17 and 2017/18. For 2015/16 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 2016/17 and 2017/18 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 first monitoring report in the planned reporting schedule for 2015/16.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 June 2015 is shown together with the projected outturn for the full financial year and where appropriate contains an explanation of budget movements.
- 4.2 The actual expenditure to 30 June 2015 has been adjusted for any credit balances for accrued expenses from 2014/15 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2015/16 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 2015/16 as part of this report.

5 SPECIFIC ISSUES

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

5.2 Looking after the Borders Place – Road & Bridge Infrastructure:

(a) General Roads and Bridges Block

A budget acceleration of £1.0m from 2018/19, to augment the roads budget for 2015/16 to allow improvements to key areas of the roads network to be undertaken. Details of the actual work planned is explained in a separate report to the meeting.

(b) A72 Neidpath Corner – Traffic Management

An exercise was undertaken following the Executive meeting on 26 May 2015, which established that it was feasible to carry out works earlier than originally planned, resulting in a timing movement of £0.156m from 2016/17.

5.3 Looking after the Borders Place – Lighting Infrastructure

Energy Efficient Street Lighting

A separate project update report is being considered at this meeting which gives details of project progress, resulting in a forward timing movement of £0.5m to 2015/16.

5.4 Looking after the Borders Place – Flood Protection Infrastructure

Selkirk Flood Protection

The main works contractor is progressing construction very well, with river conditions allowing works within the watercourse to progress. The latest cost profile indicates that a number of major expenditure activities will be completed this financial year, resulting in a timing movement of £2.0m forward to 2015/16.

5.5 Looking after the Borders People – School Infrastructure

(a) Kelso High School

The funding position of Kelso High School has now been reviewed following clarification from SFT of the revised arrangements at the end of May. The clarification has confirmed the inclusion of offsite works and furniture and fittings into eligible costs and the removal of External Consultant and Project Office costs. The figures shown in Appendix 1 now reflect the move to 100% funding of the DBFM contract via a revenue grant to match the unitary charge leaving only those costs that the Council is required to fund outwith the contract. This has required adjustments to be made to both the capital expenditure budget and the associated grant income. It is proposed at this juncture given ongoing uncertainty on the Kelso Project to leave £1m with the capital project as a contingency and release £0.375m to fund energy efficiency improvement projects in school and other council buildings.

(b) **Langlee and Broomlands Primary Schools**

Since the Executive approval for further investment in school infrastructure in October 2014, progress has been made to achieve an opening of Broomlands Primary School by March 2017. To achieve this, a site start early 2016 will be necessary. This will require a revised budget profile. Significant progress on Langlee Primary School has also taken place with the design process running in parallel with Broomlands Primary School. This will realise efficiencies within the projects on the basis of the same design team and project management for both schools. In addition, additional classroom capacity is being proposed to be included within both schools so as to future proof any possible school estate rationalisation in the Galashiels and Kelso catchment areas. This has placed a budget pressure on the Broomlands Primary School project in particular given the smaller budget allocation agreed in October 2014. It is proposed to consider both schools as a bundle and request a virement of £0.386m from Langlee to Broomlands to better reflect the repetitive size of the buildings.

(c) **School Refurbishment & Capacity Block**

Works at Chirnside are expected to be complete in Autumn 2015 and latest estimate is less than budget allocation by £0.175m. It is proposed to transfer this to the School Health & Safety Block

(d) **Complex Needs – Central Education Base**

Construction is now due to start in November 2015 and not be completed until into the next financial year, resulting in a requirement for a timing movement of £0.872m to 2016/17. The latest cost report indicates a budget pressure for this project which may occur in 2016/17, but until tenders are returned and evaluated this cannot be quantified.

5.6 **Looking after the Borders**
Chief Executive – Heritage & Cultural Infrastructure

Wilton Lodge Park

The timing movement has arisen due to Planning requiring further bat/bird surveys prior to approving the demolition work necessary to enable the new build café to commence. While the surveys have confirmed that there are no bat roosts or bird nests in the original café, the new build programme will now extend into 2016/17 requiring a timing movement of £0.300m.

5.7 **Business Process Transformation**
Place – Property Asset Programme

Energy Efficiency Projects

It is proposed to make a budget allocation of £0.375m to energy efficiency projects across the Council estate which will result in reduced revenue costs for the properties.

5.8 **Business Process Transformation**
Chief Executive - IT Infrastructure
Next Generation Broadband (BDUK)

The Scottish Government will pay direct all costs to the supplier. The Council's contribution has therefore been top sliced from the General Capital Grant. The project is therefore being removed from the Council's Capital Plan.

5.9 Emergency & Unplanned Schemes

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

| | £000s |
|---|--------------|
| Budget as Approved at Council 12 February 2015 | 300 |
| Allocation to Bongate Mill Industrial Area (Roads) approved 24 February 2015 | (19) |
| Allocation to Stow Primary School Accommodation Works approved 24 February 2015 | (72) |
| Carry forward of funds not used in 2014/15 | 189 |
| Allocation to Neidpath Wall approved at Executive 26 May 2015 | (150) |
| Allocation to General Flood Protection Block (for Bakehouse Burn Culvert) – Emergency Powers approved 2 July 2015 | (60) |
| Allocation to Railway Black Path – Emergency Powers approved 2 July 2015 | (65) |
| Allocation to Kelso Recycling Centre | (40) |
| Allocation to Jedburgh Flood Protection | (40) |
| Projected Balance | 43 |

5.10 Capital Funding

- (a) With the recent clarification on Kelso High School as mentioned in para 5.5(a) £0.375m of Capital has been realised. It is proposed this is reallocated to Energy Efficiency Projects across the Councils Estate which will result in reduced revenue costs for the properties
- (b) As a result of the £14.923m in year net timing and budget movement identified in the programme (see Appendix 1), the estimated borrowing element of the capital financing for 2015/16 has been reduced.

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 June 2015, actual expenditure totalled £5.630million which represents 9.9% of the projected outturn, excluding the impact of large accruals. There is still 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.

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 Service Director Strategy and Policy, 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 on the report have been incorporated into the report.

7.2 The Service Director Capital Projects and the Service Director Commercial Services have been consulted in the preparation of this report and the content of the appendices and any comments incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

| Name | Designation and Contact Number |
|----------------|---|
| Kirsty Robb | Capital and Investment Manager, 01835 825349 |
| Doreen Pringle | Senior Finance Officer - Capital, 01835 824000 Ext 5961 |

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.

Contact us at Capital & Investment Team, Council HQ, Newtown St. Boswells
treasuryteam@scotborders.gov.uk 01835 825249

