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## **MONITORING OF THE CAPITAL FINANCIAL PLAN 2019/20**

**Report by Executive Director, Finance and Regulatory Services**

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### **EXECUTIVE COMMITTEE**

**11 February 2020**

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#### **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 31 December 2019. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a net budget variance of £13.138m, which is made up of timing movements of £13.883m to future years, the most significant of which are movements into 2020/21 for Early Learning and Childcare £4.053m, Extra Care Housing £1.45m, Borders Innovation Park £2.424m and Energy Efficiency works £0.9m.
- 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;**
  - (d) **Notes the list of whole project costs detailed in Appendix 3; and;**
  - (e) **Note the action proposed by the Corporate Management Team in Appendix 4 regarding capital slippage.**

### 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:

	<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	<b>2,727</b>
Timing movements and budget adjustments reported at June 2019 Executive	<b>16,520</b>
Timing movements and budget adjustments reported at August 2019 Executive	<b>122</b>
Timing movements and budget adjustments reported at November 2019 Executive	<b>(8,224)</b>
<b>Latest Approved Capital Plan 2019/20 at 31 December 2019</b>	<b>63,669</b>

- 3.2 A review of the Capital Programme is being undertaken as part of the 2020/21 Financial Planning process. The review is looking 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.
- 3.3 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.
- 3.4 This report is the third 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 31 December 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 31 December 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 POINTS OF NOTE**

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

### **5.2 Early Learning & Childcare**

Early Learning and Childcare projects, fully funded by Scottish Government grant, are on site at Priorsford and St Ronan's Primary Schools and are due for completion in Summer 2021 requiring £4m budget to be transferred into 2020/21.

### **5.3 Extra Care Housing**

Extra Care Housing projects are progressing with a timing movement required to reflect the planned draw down of funding for partners.

### **5.4 Energy Efficiency**

A timing movement (£0.9m) for Low Carbon Infrastructure Transition (LCIT) programme smart grid project which is match funded by Scottish Government is required to reflect that the project will now be delivered in 2020/21.

### **5.5 Borders Innovation Park**

A delay in construction works at the Borders Innovation Park require budget to be transferred for delivery in 2020/21.

### **5.6 ICT outwith CGI scope**

A Capital Financed from Current Revenue (CFCR) of £0.564m is being actioned to reflect the beneficial option to buy hardware through capital rather than lease through revenue.

### **5.7 Pitch Floodlighting**

The Council understands that in order to retain their accreditation within the football league structure, 2 clubs who lease pitches in Council ownership, require these facilities to be upgraded to include the provision of floodlighting. These clubs are Vale of Leithen and Coldstream. It is proposed therefore to earmark £155k as the present estimated cost, from the Emergency & Unplanned budget to deliver energy efficient lighting at both these sites. The ongoing maintenance of these structures will be the responsibility of the clubs under revisions that will require to be made to their lease agreements.

### **5.8 Great Tapestry of Scotland**

As part of the budget monitoring report approved by Executive Committee on 19<sup>th</sup> November it was noted that the project was on budget but all the available contingency funds had been allocated. Subsequently costs have been identified that require an allocation of £97k capital in 2020/21, this has been addressed in section 5.8 through the use of Emergency and Unplanned budget.

## 5.9 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 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)
Peebles HS option appraisal	(100)
Underspend in Dirtpot corner	78
Kelso to Sprouston cycle route	(13)
Tapestry building construction	(97)
Pitch Floodlighting	(155)
<b>Projected Balance</b>	<b>0</b>

- 5.10 Timing movements from the current year into 2020/21 now total £25.77m representing 35.9% of the base budget following out-turn 2018/19. A review of the capital planning processes has been carried out with Officers benchmarking the Council's current approach against the recommendations set out in the Audit Scotland best practice guidance. The resultant areas for consideration and proposed actions are outlined in Appendix 4 to this report.

## 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 December 2019, actual expenditure totalled £29.267m which represents 58% 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**

**Executive Director, Finance and Regulatory Services**

**Signature .....**

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**Background Papers:** None

**Previous Minute Reference:** None

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