
CAPITAL BUDGET REVIEW 2020/21

Report by Executive Director, Finance & Regulatory

SCOTTISH BORDERS COUNCIL

5 November 2020

1 PURPOSE AND SUMMARY

- 1.1 This report updates Council on the current 2020/21 Capital Plan and reflects a re-alignment of the capital budget taking into account all known COVID-19 impacts. An in-year exercise to review capital budgets has been undertaken by the Corporate Management Team (CMT) based on the second quarter (September 2020 month end) position as reflected in Appendix 1.**
- 1.2 The approach to the review of the capital budget has focussed on assessing the impact of the national “lockdown” of the construction industry and the associated inevitable delays in current and planned programmes of work. The overall impact on the capital plan is that net £29.637m of budget within the Capital Plan requires to be moved as a timing movement to future years along with adjustments to budgets in the current year of £0.915m. Taken together these adjustments reduce the capital budget of £96.953m down to £68.231m. This revised position is based on a review of deliverability of projects within the plan with revised budgets now representing best estimates of budgetary spend by managers during the remainder of 2020/21.

2 RECOMMENDATIONS

- 2.1 It is recommended that Council:**
- a) agree the revisions to the capital budgets for 2020/21 as set out in Appendix 1 and note that these will be included within the Executive Committee monitoring report on 17th November 2020;**
 - b) note that future monitoring reports will be presented to the Executive Committee as part of the financial monitoring processes.**

3 CAPITAL BUDGET REVIEW

3.1 COVID 19 has had a significant impact on the delivery of the Council's capital plan in financial year 2020/21. Many projects have commenced late or been delayed and this has required substantive revisions to be made to the profile of capital budgets and the overall costs of projects. The review of the capital budget has focussed on assessing the impact of the national "lockdown" of the construction industry and the associated inevitable delays in current projects and programmes of work. Based on a review undertaken at the September 2020 month end a revised Capital Plan is shown in Appendix 1. This includes the following key points:

- As at the September month end a total of £16.909m had been spent within the Capital Plan which represents 24.78% of the revised projected outturn spend of £68.231m for the year – this demonstrates the level of overall delay being experienced, although it should be noted that spend in the second quarter of the year was significantly higher than the first.
- An initial estimate of net £29.637m required timing movement to carry forward budgets from 2020/21 into future years has been identified.
- Part of the review of the capital plan has allowed £0.360m to be added to the Emergency & Unplanned budget through the reassessment of planned works in order to support additional COVID-19 costs which may emerge within projects elsewhere in the plan. The revised budget of £0.572m is being held within Emergency & Unplanned while an assessment is made on whether this is required to support project budgets impacted adversely by COVID-19.
- The revised capital plan now therefore includes budget provision for £5.7m representing the initial tranche of IT transformation investment to be undertaken with CGI in the current year as agreed by Council on the 25 September. As previously reported the forthcoming revenue and capital budget process will address the remaining £28.3m investment requirement in IT transformation from 2021/22, providing the total of £34m which was approved by Council as part of the extension of the CGI contract.

3.2 The timing movements identified to date of £29.637m are broken down as follows and are detailed in Appendix 2:

Capital Investment Projects	Total Timing Movement 2020/21 £'000
Flood & Coastal Protection	(6,733)
Land & Property Infrastructure	(2,120)
Road & Transport Infrastructure	(854)
Waste Management	(240)
ICT transformation	4,376
Learning Estate	(15,086)
Culture, Heritage & Sport	(120)

Economic Regeneration	(8,810)
Housing Strategy & Services	(50)
Total net timing movement	29.637

- 3.5 The 2021/22 financial planning process has now commenced with a particular focus on ensuring the plan is robust, deliverable and that it can be funded within available resources.
- 3.4 Officers are currently reviewing projects within the capital plan to ensure that the projects are still deliverable, remain top priorities for the Council and that the solutions proposed provide best value. Slippage remains a key feature of the capital plan with the timing movement of £29.637m highlighted above now increasing the delivery pressure on 2021/22. This review will therefore result in amendments to the capital plan to deliver a more realistic plan going forward.
- 3.5 Considering the scale of timing movement from 2020/21 into future years of the plan summarised in section 3.2 of this report, the financial planning process will also assess deliverability of future years of the Capital Plan. The operational phase (first 3 years of the plan) is now more than double the amount which was spent in the previous 3 financial years. It is therefore crucial to ensure that the plan remains deliverable, with phasing of projects appropriate and manageable, as well as ensuring the planned level of investment can be funded within available resources.

4 IMPLICATIONS

4.1 Financial

There are no further costs attached to any of the recommendations contained in this report other than those outlined in the body of the report.

4.2 Risk and Mitigations

There is a risk that the full service and financial implications of the current pandemic are not yet clear which may lead to further impacts on the Capital Plan materialising. This is being mitigated through on-going monitoring processes which are reported to CMT on a monthly basis along with very close working relationships between finance and project managers to ensure any changes in assumptions are captured as soon as possible.

4.3 Integrated Impact Assessment (IIA)

Given the nature of the report summarising the financial implications of the activities of the Council in relation to COVID-19 an IIA is not required.

4.4 Acting Sustainably

There are no additional economic, social or environmental effects other than those covered specifically within the report.

4.5 Carbon Management

Impact on the Council's carbon emissions relating to the closure of many Council buildings for a prolonged period this financial year is being considered as part of the ongoing COVID-19 monitoring processes.

4.6 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes required to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals in this report.

5 **CONSULTATION**

5.1 The Chief Legal and Monitoring Officer, , the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson

Executive Director – Finance & Regulatory Signature

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Background Papers: Scottish Borders Council meeting - 25 June 2020

Previous Minute Reference:

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