
MONITORING OF THE CAPITAL FINANCIAL PLAN 2020/21

Report by Executive Director, Finance & Regulatory

EXECUTIVE COMMITTEE

17 November 2020

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2020/21 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 2020. Key issues identified in these tables are summarised within the main report.
- 1.3 The review of the capital budget, in light of financial implications of COVID-19 approved by Council on 27 August 2020, focused 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 assessment of COVID-19 impacts has continued during the second quarter of the year with a net budget variance of £1.878m now being identified. This is made up of net timing movements from 2020/21 of £3.610m. The most significant of which are Hawick Flood Protection Scheme £6.487m, Jedburgh High Street Building £0.500m, Play Areas and Outdoor Community Spaces £0.540m and a timing movement to bring budget forward from future years into 2020/21 for IT Transformation £4.376m.
- 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 2020/21 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 Executive Director, Finance & Regulatory 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 2020/21 to 2029/30 on 26 February 2020, 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 2020/21 as approved at Council 26 February 2020	86,266
Cycling, walking, safer streets additional funding as part of settlement	318
Gross up Hawick Flood Protection Scheme following Council on 26 th February 2020	5,044
Transfer of Extra Care housing to Revenue budget	(3,023)
Timing movements and budget adjustments reported as part of out-turn 2019/20	8,348
Timing movements to future years at 30 June 2020	(26,855)
Gross up Hawick Walled Garden Glasshouse	11
Latest Approved Capital Plan 2020/21 at 30 September 2020	70,109

- 3.2 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 2020/21 position, there are three columns each for 2021/22 and 2022/23 and then three columns for the 7 year strategic plan 2023/24 to 2029/30. For 2020/21 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 2021/22 and 2022/23 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 second monitoring report in the planned reporting schedule for 2020/21.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 September 2020 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 Executive Director, Finance & Regulatory and Service Director Assets & Infrastructure under the Financial Regulations approved in November 2018.
- 4.2 The actual expenditure to 30 September 2020 has been adjusted for any credit balances for accrued expenses from 2019/20 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2020/21 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

Following the easing of COVID-19 lockdown restrictions, works on site commenced for the Hawick Flood Protection Scheme during the summer of 2020 and progress in the town has commenced with a focus around Hawick High School to the western part of the town and on the A7 trunk road at Commercial Road. Steady progress has been seen with the installation of steel sheet piling at the High School/Common Haugh but the late start during summer 2020 has seen works in the river now being drawn to a close to recognise the environmental constraints placed on the contractor. While works in other parts of the town are being considered during Autumn/Winter 2020/21 to mitigate impact, a timing movement to future years is being sought to reflect current progress.

5.3 Jedburgh High Street Building

Timing movement from 2020/21 of £0.500m due to delays in securing ownership of the building.

5.4 ICT Transformation

Following approval of the extension of the CGI contract at the Council meeting on the 25th September 2020, capital budget of £4.376m has been accelerated into 2020/21 to fund agreed digital transformation investments between 1st October 2020 and 31st March 2021.

5.5 Inspire Learning

A Capital Financed from Current Revenue (CFCR) of £1.071m is being actioned to reflect the beneficial option to buy hardware through capital rather than lease through revenue.

5.6 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 2020	220
Timing Movement as part of out-turn 2019/20	
General Flood Protection Block	(8)
Building Upgrades Block	83
Energy Efficiency Works	98
Netherdale Spectator Stand	139
CRC – Improved Skip Infrastructure	44
	(4)
Projected Balance	572

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 September 2020, actual expenditure totalled £16.909m which represents 24.78% 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 Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal 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.
- 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 & Regulatory

Signature

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Background Papers:

Previous Minute Reference: None

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