
MONITORING OF THE CAPITAL FINANCIAL PLAN 2020/21

Report by Executive Director, Finance & Regulatory

EXECUTIVE COMMITTEE

9 February 2021

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 31 December 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 5 November 2020, 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 assessment of COVID-19 impacts has continued during the third quarter of the year with a net budget variance of £4.033m now being identified. This includes net timing movements from 2020/21 of £4.143m. The most significant of which are Coldstream Cemetery development £0.528m, Borders Town Centre regeneration block £0.653m, Residential Care Home upgrades £0.685m and Residential Care Home Tweedbank £0.500m.
- 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
Net timing movements to future years at 30 September 2020	(1,758)
Latest Approved Capital Plan 2020/21 at 31 December 2020	68,351

- 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 third 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 31 December 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 31 December 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 **Coldstream Cemetery development**

Delay in utility diversions resulting in a timing movement of £528k to 2021/22. Contract drawings and documents have been designed and priced, archaeological investigation to be undertaken prior to the main work commencing.

5.3 **Borders Town Centre regeneration block**

The Port House Jedburgh project, which equates to £457k of the requested timing movement, is currently on-site and is making good progress, but has experienced delays primarily due to Covid-19 restrictions. The project is funded through the Scottish Government's Town Centre Fund. The balance of the timing movement within the block is in line with revised project timescales which have been impacted by Covid-19.

5.4 **Residential Care Home upgrades**

The Covid-19 pandemic has resulted in increased service activity and service pressure within Social Care. Additionally, the Covid-restrictions have impacted on the capacity and the practicality of undertaking capital works – particularly in the Council-owned care homes. Following the relaxation of Covid-restrictions towards the end of 2020, plans were put in place to undertake the external works (identified in the care home condition surveys) between January 2021 and March 2021, but this has again been further delayed by the new 'lockdown'. However some of the external works are still scheduled for the 2020/21 financial year, and the remainder will be completed early in the 2021/22 financial year. In regard to the internal works (which is the bulk of the capital provision), these works are fully dependent on Covid-restrictions being lifted.

5.5 **Residential Care Home Tweedbank**

Due to the COVID-19 pandemic, plans and work have been paused on the two Residential care Home projects in Hawick and Tweedbank.

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
	44

CRC – Improved Skip Infrastructure	(4)
Roads investment	(120)
Netherdale Spectator Stand (phase 2)	(50)
Tapestry	(316)
Borders Innovation Park	(86)

Projected Balance **0**

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 2020, actual expenditure totalled £34.4m which represents 53.49% 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 Integrated Impact Assessment

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

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/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications will be consulted and any comments received will be 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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