
MONITORING OF THE CAPITAL FINANCIAL PLAN 2021/22

Report by Director, Finance & Corporate Governance EXECUTIVE COMMITTEE

16 November 2021

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2021/22 Capital Financial Plan and seeks approval for virements and the reallocation of funds.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 30 September 2021. Key issues and highlights identified in these tables are summarised within this report.
- 1.3 The September month end position reflects a projected outturn of £84.229m with a net budget variance of £16.445m. This includes net timing movements from 2021/22 of £19.407m. Further timing movements from 2021/22 are likely as the year progresses and there is further clarity on timing of major projects. Significant expenditure is anticipated in Hawick Flood Protection scheme £23.4m and £12m IT investment during 2021/22.
- 1.4 There are a number of macro-economic factors affecting the Capital Plan. Construction materials supply chain has been subject to unprecedented disruption in recent months. A surge in demand coupled with constraints on supply has led to price increases, shortages and longer lead times. The impact of this on tender prices for major projects and the wider Capital Plan continues to be assessed.
- 1.5 Current legally committed projects have a small risk of impact and block programmes of work can operate within a cash constrained budget and are considered lower risk. The most significant risk therefore lies in the small number of contracts being tendered this year which may result in a budget pressure. Any financial implications from these market conditions will be reported through the regular budget monitoring cycle with any longer term impacts reflected in the financial planning process.
- 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 2021/22 Capital Plan.
- 1.7 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 outturn in Appendix 1 as the revised capital budget and approves the virements required;**
- (b) Notes the budget virements previously approved by the Director Finance & Corporate Governance and Director Infrastructure & Environment 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 2021/22 to 2030/31 on 19 March 2021, which has subsequently been updated to reflect budget adjustments, associated timing movements and other approvals.
- 3.2 The table below shows the movements in the resources of the Capital Plan through 2021/22:

| | £000s |
|--|----------------|
| Capital Plan 2021/22 as approved at Council 19 March 2021 | 87.441 |
| Timing movements and budget adjustments reported as part of out-turn 2020/21 | 12.329 |
| June Executive Committee timing movements and budget adjustments | (0.008) |
| Executive Committee 5 th October – Place Based investment | 0.912 |
| Revised Capital Plan 2021/22 | 100.674 |

- 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 2021/22 position, there are three columns each for 2022/23 and 2023/24 and then three columns for the 7 year strategic plan 2024/25 to 2030/31. For 2021/22 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 2022/23 and 2023/24 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 second monitoring report in the planned reporting schedule for 2021/22.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 September 2021 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 Director, Finance & Corporate Governance and Director Infrastructure & Environment under the Financial Regulations approved in November 2018.
- 4.2 The actual expenditure to 30 September 2021 has been adjusted for any credit balances for accrued expenses from 2020/21 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2021/22 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 HIGHLIGHTS

- 5.1 As reflected in Appendix 1, there are some timing movements with regards to the funding and expenditure associated with projects and they remain in overall healthy positions with regard to service delivery.

5.2 Key highlights from variances in Appendix 1 are:

a) Hawick Flood Protection

Good overall progress has been made within the first full year of construction. Some work sections have, however, had to be re-arranged to allow for local site conditions and/or summer working within the river corridor. This has resulted in a re-profile of the project including a timing movement into 2022/23 of £5.365m.

b) Eddleston Water path

Gross up funding of £2.173m from Sustrans and South of Scotland Enterprise to fund creation of Eddleston Water path.

c) Galashiels and Peebles Secondary Schools

Timing movement of £1.123m for Galashiels Academy into 2021/22 to allow for the extended community engagement undertaken during 2021 in preparation for the full planning application. Timing movement of £771k to 2022/23 for Peebles High School to recognise that early enabling works are now forecast for 2022/23 after completion of the planning process.

d) Borders Innovation Park

Timing movement of £1.562m into 2022/23 to align with the delivery approach reported to Council on 23 September 2021.

e) Residential Care Home upgrades

External works have been delivered and internal works identified as priorities are being progressed. Delays have been experienced due to Covid-19 restrictions and are now being delayed further by availability of contractors and materials.

f) New Residential Care Homes

Timing movement of £7.794m to recognise programme challenges associated with business case development. It is understood that a report on the delivery of the new care facilities being planned at Tweedbank and Hawick is planned for Council in November 2021.

5.3 **Emergency & Unplanned Schemes**

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

| | £000s |
|---|--------------|
| Budget as Approved at Council 19 March 2021 | 0.175 |
| Underspend from Private Sector Housing grant adaptations due to COVID-19 delays | 0.100 |
| Current balance | 0.275 |

6 IMPLICATIONS

6.1 Financial

There are no financial implications beyond those contained in the report and Appendices 1-3.

6.2 Risk and Mitigations

At the end of September 2021, actual expenditure totalled £24.889m which represents 29.5% 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.

6.3 Integrated Impact Assessment

No Equalities Impact Assessment has been carried out in relation to the contents of this 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 Sustainable Development Goals

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 Climate Change

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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

6.8 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 have been consulted and comments have been incorporated into this final report.
- 7.2 The Director Infrastructure & Environment has been consulted in the preparation of this report and the content of the detailed appendices.

Approved by

David Robertson
Director Finance & Corporate Governance

Author(s)

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Background Papers: n/a

Previous Minute Reference: n/a

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