
MONITORING OF THE CAPITAL FINANCIAL PLAN 2021/22

Report by Director, Finance & Corporate Governance

EXECUTIVE COMMITTEE

8 February 2022

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 31 December 2021. Key issues and highlights identified in these tables are summarised within this report.
- 1.3 The December month end position reflects a projected outturn of £66.171m with a net budget variance of £18.058m. This includes net timing movements from 2021/22 of £18.192m. Past expenditure trends indicate that delivering the remaining expenditure of £26.9m in the final quarter of 2021/22 will be challenging, potentially leading to further slippage at year end.
- 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
September Executive Committee timing movements and budget adjustments	(16.445)
Revised Capital Plan 2021/22	84.229

- 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 third 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 31 December 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 31 December 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

The main works contract is now in year 2 of 3 with progress overall being made in multiple locations within the town. The programme of these work zones has altered during year 1 and a revised forecast is in place. A timing movement is required to reflect the revised work locations and stages.

b) IT transformation

Timing movement required into 2022/23 for IT transformation, to reflect ongoing programme planning work with CGI to outline, prioritise and deliver SBC's digital transformation programme with a focus on digitally enabling the frontline workforce, enabling data driven decision making and process automation.

c) Early Years expansion

Funding from Scottish Government for the expansion of 1140 hours, which was due to be spent by 31 March 2022, has been extended for a further year as a result of the Covid-19 pandemic. There are planned discussions with Scottish Government to maximise the potential for utilising the available funds.

d) Netherdale Spectator stand

The contract for the concrete repairs to the spectator stand was awarded in January 2022 after a procurement exercise. This will allow works to commence early 2022. A timing movement is required to allow for the programmed contract period.

e) Hawick regeneration

The procurement of a works contractor for the construction of the Business Centre has not been completed as forecast and works on site are not now intended to commence until later in 2022/23 financial year. A timing movement to allow for this is required.

5.3 Emergency & Unplanned Schemes

The table below provides an update on the position for Emergency & Unplanned Schemes. The project to replace the Union Chain Bridge, jointly funded with Northumberland Council, is progressing. The works required on the bridge, now that the historic 200 year old structure has been dismantled and subject to a full engineering inspection, are more extensive than originally anticipated. It is understood that more sections of the bridge have had to be replaced due to their age and condition than was hoped would be the case and this, along with the impact of the pandemic, has delayed the bridge re-opening in 2022. Officers are in dialogue with Officials of Northumberland to understand the cost implications which are expected to increase.

It is proposed that any confirmed cost increase will be funded from within the capital programme and it is therefore recommended the Emergency and unplanned budget (EAUB) is slipped into financial year 2022/23 for this purpose. If additional funding is not required the (EAUB) will be released back into the capital programme:

	£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
Underspends identified at December month end including Sir Walter House Courthouse and Private Sector Housing grant adaptations	0.228
Current balance	0.503

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 December 2021, actual expenditure totalled £39.291m which represents 59.4% of the projected outturn, excluding the impact of year end accruals. There is a risk of further 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

Signature

Director Finance & Corporate Governance

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Background Papers: n/a

Previous Minute Reference: n/a

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