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## **MONITORING OF THE CAPITAL FINANCIAL PLAN 2022/23**

**Report by Acting Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**14 February 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report updates the Executive Committee on the progress of the 2022/23 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 2022. 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 £75.119m with a net budget variance of £22.892m. This includes net timing movements from 2022/23 of £25.596m. The current forecasts continue to present challenging delivery timescales therefore there may be further slippage at year end.
- 1.4 A number of macro-economic factors continue to affect the Capital Plan in 2022/23. Unprecedented levels of inflation along with disruption in the construction materials supply chain continues to impact on the wider economy and consequently the Council. 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, however would impact on the scale of project delivery from the blocks. The most significant risk therefore lies in the contracts being tendered this year which may result in a budget pressure. Any financial implications from these market conditions will continue to be reported through the regular budget monitoring cycle with any longer term impacts reflected in the financial planning process. In anticipation of inflationary pressures an inflation contingency of £1.253m was established at the 2021/22 year end to support potential budget pressures. This contingency was increased by £0.496m at the first two quarters and is being increased by a further £1.752m in this third quarterly monitoring, giving a revised contingency of £3.501m which a timing movement is being requested for into 2023/24 to support the 2023/24-2032/33 Capital Investment Plan.
- 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 2022/23 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 list of block allocations detailed in Appendix 2; and**
- (c) Notes the list of whole project costs detailed in Appendix 3.**

### 3 BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2022/23 to 2031/32 on 22 February 2022, this 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 2022/23:

	<b>£000s</b>
<b>Capital Plan 2022/23 as approved at Council 22 February 2022</b>	<b>103.318</b>
Netherdale pitch replacement – Executive Committee 1 <sup>st</sup> March 2022	0.425
Land at Easter Langlee, Galashiels – Executive Committee 22 <sup>nd</sup> March 2022	0.132
Timing movements and budget adjustments reported as part of out-turn 2021/22	8.973
June Executive Committee timing movements and budget adjustments	0.342
Executive Committee 13 <sup>th</sup> September – High Street/Market Place, Jedburgh	0.200
<b>September Executive Committee timing movement and budget adjustments</b>	<b>(15.379)</b>
<b>Revised Capital Plan 2022/23</b>	<b>98.011</b>

- 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 2022/23 position, there are three columns each for 2023/24 and 2024/25 and then three columns for the 7 year strategic plan 2025/26 to 2031/32. For 2022/23 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 2023/24 and 2024/25 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 2022/23.

### 4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 31 December 2022 is shown together with the projected outturn for the full financial year and where appropriate contains an explanation of budget variances, for which virements are required. Appendix 2 also contains any budget and timing movements approved by Directors under the Financial Regulations approved in January 2022.
- 4.2 The actual expenditure to 31 December 2022 has been adjusted for any credit balances for accrued expenses from 2021/22 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2022/23 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.

- 5.2 Key highlights from variances in Appendix 1 are:

### a) Plant & Vehicle Replacement

Procurement of new plant and vehicle is progressing well with an additional £2.2m being drawn down from the replacement fund to fund a forecast spend in the current year of £4.2m based on current manufacturers delivery timescales.

### b) Digital Transformation

Timing movement of £4.488m to 2023/24 to align with revised delivery of IT Transformation programme.

### c) Early Years Expansion

Market conditions for planned nursery projects in Lilliesleaf and Newcastleton as well as at Burgh Primary School in Galashiels have resulted in delays. Scoping is underway to establish the enhancements required to provide facilities for 2 year olds in hubs. Condition surveys of Early Years estate are due to take place, at least 2 modular units are expected to require replacement in future years. The above have combined to require timing movements into 2023/24, 2024/25 and 2025/26.

### d) Earlston Primary School

Demolition works have been proceeding as planned. The new build part of the project is in the final stages of the procurement process, this has taken longer than anticipated as a result of market conditions. Works are planned to commence for the new build in early 2023/24 and the timing movement of £2.4m into 2023/24 and £4.6m into 2024/25 reflects the updated spend profile for the project.

### e) Peebles High School

Works have commenced for the enabling works associated with the 3G pitch and games hall extension. The construction of the new build part of the project will commence early 2023/24. A timing movement is required to reflect the updated spend profile.

### f) Borderlands

Work is being undertaken with project leads and the Accountable body to revise project timescales for three Borderlands projects which are progressing through outline and final business case approvals, for Destination Tweed, Borders Railway and Natural Capital projects. A timing movement into 2023/24 is being reflected whilst this work is undertaken. These projects are funded by income from the Borderland Deals by Scottish Government and UK Government.

### 5.3 Emergency & Unplanned Schemes

The table below provides an update on the position for Emergency & Unplanned Schemes showing a timing movement to 2023/24.

<b>Emergency &amp; Unplanned</b>	<b>£000s</b>
Budget as Approved at Council 22 February 2022	0.175
Timing movement to 2023/24	(0.057)
<b>Current balance</b>	<b>0.118</b>

## **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 2022, actual expenditure totalled £40.280m which represents 54% 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 the 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 are being consulted and comments will be incorporated into the 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**

**Suzy Douglas**  
**Acting Chief Financial Officer**

**Signature .....**

**Author(s)**

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**Background Papers:** n/a

**Previous Minute Reference:** n/a

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