
MONITORING OF THE CAPITAL FINANCIAL PLAN 2023/24

Report by Director of Finance & Procurement

EXECUTIVE COMMITTEE

15 August 2023

1 PURPOSE AND SUMMARY

- 1.1 This report updates the Executive Committee on the progress of the 2023/24 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 June 2023. Key issues and highlights identified in these tables are summarised within this report.
- 1.3 The June month end position reflects a projected outturn of £130.365m with a net budget variance of £4.827m. This includes net timing movements from 2023/24 of £7.881m. Further, more significant, timing movements from 2023/24 are likely as the year progresses and there is further clarity on the timing of major projects. The construction materials supply chain has continued to experience disruption in recent months which is likely to cause delays in sourcing essential materials and therefore impact on project timelines and as such, spend projections should only be viewed as indicative at this point. Recent experience has demonstrated significant slippage at outturn when compared to initial budgetary estimates by managers.
- 1.4 A number of macro-economic factors continue to affect the Capital Plan in 2023/24. 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, it 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 as has been highlighted through reports taken to Scottish Borders Council in May and June in respect of Earlston Primary School and Galashiels Academy. 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. In anticipation of inflationary pressures an inflation contingency was established at the 2021/22 year end to support potential budget pressures.
- 1.6 During the 2023/24 budget setting process a Planned Programming Adjustment budget line was added to the Financial Plan. This is offset where unspent project budgets became available through the year. The remaining balance to address in 2023/24 remains £0.833m. Identified pressures in new

build projects at Earlston Primary School and Galashiels Academy have increased the Planned Programming Adjustment in future years of the plan. The funding of these pressures will be considered as part of the 2024/25 financial planning process.

- 1.7 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 2023/24 Capital Plan.
- 1.8 Appendix 3 contains a list of estimated whole project capital costs for single projects which will not be completed in the current financial year.
- 1.9 The latest version of the CIPFA Prudential Code, published in December 2021, requires from financial year 2023/24 onwards that quarterly monitoring of prudential indicators should be reported by Councils. To meet this, quarters 2 and 4 of each financial year will continue to be reported through our existing treasury management reports. Quarters 1 and 3, which were not previously reported, will now be included in this report and as such the first monitoring is shown at Appendix 4 providing an updated position on key treasury indicators as at the 30th June 2023 quarter end. The info provided is a snapshot at the end of quarter 1, there are no concerns to highlight at this point in the 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 Directors, detailed in Appendix 2, under delegated authority;**
- (c) Notes the list of block allocations detailed in Appendix 2;**
- (d) Notes the list of whole project costs detailed in Appendix 3; and**
- (e) Notes the update on key Treasury indicators at the 30th June 2023 detailed in Appendix 4.**

3 BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2023/24 to 2032/33 on 23 February 2023, 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 2023/24:

	£000s
Capital Plan 2023/24 as approved at Council 23 February 2023	123,705
Timing movements and budget adjustments reported as part of out-turn 2022/23	11,427
Revised Capital Plan 2023/24	135,132

- 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 2023/24 position, there are three columns each for 2024/25 and 2025/26 and then three columns for the 7 year strategic plan 2026/27 to 2032/33. For 2023/24 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 2024/25 and 2025/26 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 first monitoring report in the planned reporting schedule for 2023/24.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 30 June 2023 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 Directors under the Financial Regulations approved in January 2022.
- 4.2 The actual expenditure to 30 June 2023 has been adjusted for any credit balances for accrued expenses from 2023/24 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2023/24 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) Nature Restoration Fund

Create budgets to reflect additional grant from Scottish Government of £0.328m for the purpose of supporting new or enhancing existing approaches to biodiversity and creating nature networks.

b) Cycling Walking & Safer Routes

Create budgets to reflect additional grant from Scottish Government of £0.334m for the purpose of undertaking works for local cycling, walking and safer routes projects.

c) Eddleston Water Path

Create budgets to reflect grant funding from Transport Scotland for Active Travel Transformation of £0.6m for construction of new path connecting Eddleston and Peebles.

d) Earlston Primary School

Timing movement of £8.060m into 2023/24 from 2024/25 to align with the projected project timescales. As approved by Scottish Borders Council on the 25th May 2023, the forecast spend has been increased by £4.288m. As this pressure will materialise in future financial years, the implications will be considered as part of the 2024/25 financial planning process.

e) Galashiels Academy

Timing movement of £1.066m into 2023/24 from 2024/25 to align with the projected project timescales. As approved by Scottish Borders Council on the 29th June 2023, the forecast spend has been increased by £4.345m. As this pressure will materialise in future financial years, the implications will be considered as part of the 2024/25 financial planning process.

f) Borders Innovation Park

Timing movement of £4.394m into 2024/25 to reflect planned works for phase 3 road infrastructure in 2024/25.

g) Care Villages

Volatile inflation has impacted on the full business case for Tweedbank Care Village with additional design work being required resulting in a timing movement of £6.454m into 2024/25. The optional assessment process has affected the development of the outline business case for Hawick Care Village resulting in a timing movement of £6.159m into 2024/25.

5.3 **Emergency & Unplanned Schemes**

The table below provides an update on the position for Emergency & Unplanned Schemes showing no movement from the budget approved in February 2023.

Emergency & Unplanned	£000s
Budget as Approved at Council 23 February 2023	175
Current balance	175

- 5.4 During the 2023/24 budget setting process a Planned Programming Adjustment budget line was added to the Financial Plan. This is offset where unspent project budgets became available through the year. The remaining balance to address in 2023/24 remains £0.833m. Identified pressures in new build projects at Earlston Primary School and Galashiels Academy have increased the Planned Programming Adjustment in future years of the plan. The funding of these pressures will be considered as part of the 2024/25 financial planning process.
- 5.5 The latest version of the CIPFA Prudential Code, published in December 2021, requires from financial year 2023/24 onwards that quarterly monitoring of prudential indicators should be reported by Councils. To meet this, quarters 2 and 4 of each financial year will continue to be reported through our existing treasury management reports. Quarters 1 and 3, which were not previously reported, will now be included in this report and as such the first monitoring is shown at Appendix 4 providing an updated position on key treasury indicators as at the 30th June 2023 quarter end. The info provided is a snapshot at the end of quarter 1, there are no concerns to highlight at this point in the year.

6 IMPLICATIONS

6.1 Financial

There are no financial implications beyond those contained in the report and Appendices 1-4.

6.2 Risk and Mitigations

At the end of June 2023, actual expenditure totalled £11.582m which represents 9% 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 Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People, Performance & Change, the Clerk to the Council and Corporate Communications are being consulted and comments will be reported to the meeting.
- 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
Director of Finance & Procurement

Signature

Author(s)

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Background Papers: n/a

Previous Minute Reference: n/a

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