
MONITORING OF THE CAPITAL FINANCIAL PLAN 2015/16

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

16 February 2016

1 PURPOSE AND SUMMARY

- 1.1 **This report updates the Executive Committee on the progress of the 2015/16 Capital Financial Plan and seeks approval for projected outturns and associated virements, and the reallocation of funds.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 31 December 2015. Key issues identified in these tables are summarised within the main report.
- 1.3 The tables identify a net variance of £3.101m against the approved budget.
- 1.4 The net in-year budget increase of £0.062m is primarily due to a number of items due to be delivered for the Plant & Vehicle fleet totalling £0.275m, fully funded from the Plant & Vehicle Replacement Fund, offset by a saving identified for Galashiels Flood Protection.
- 1.5 The net budget timing movements to future years amount to £3.163m of which the most significant are £0.682m for Duns Primary School, £0.8m for Kelso High School, £0.604m for Langlee Primary School and £0.678m for Residential Care Home Upgrade Block partly offset by a £2.08m forward timing movement for Selkirk Flood Protection. Appendix 3 contains a summarised list of timing and budget movements within the 2015/16 Capital 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 2015/16 Capital Plan.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive Committee:**
 - (a) **Agrees the projected outturns and associated virements as identified in Appendix 1 as the revised capital budget; and**
 - (b) **Notes the list of block allocations detailed in Appendix 2**

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BACKGROUND

- 3.1 The Council approved the Capital Plan for the period 2015/16 to 2024/25 on 12 February 2015, 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 | £000s |
|---|----------------|-----------------------------|
| Capital Plan 2015/16 as approved at Council on 12 February 2015 | | 58,429 |
| Timing movements to date: | | |
| Brought forward from 2014/15 | 15,968 | |
| Duns Primary School budget re-profile (Executive Committee 25 June 2015) | (1,919) | |
| Easter Langlee Cell Provision budget re-profile (Emergency Powers 2 July 2015) | 80 | |
| Borders Railway Stations adjustment (Council 2 April 2015) | (50) | |
| Net timing movements - Executive Committee 18 August 2015 | 2,606 | |
| Waste Transfer Station budget re-profile (Council 24 September 2015) | 121 | |
| Net timing movements - Executive Committee 17 November 2015 | <u>(7,474)</u> | |
| Timing Movements to date | | 9,332 |
| In Year Budget Movements/Technical Adjustments: | | |
| Sunnybrae, Walkerburn | 10 | |
| Net budget movements - Executive Committee 18 August 2015 | (17,529) | |
| Net budget movements - Executive Committee 17 November 2015 | <u>672</u> | |
| In Year Budget Movements to date | | <u>(16,847)</u> |
| Latest Approved Capital Plan 2015/16 at 31 December 2015 | | <u><u>50,914</u></u> |

- 3.2 The presentation of the monitoring tables in Appendix 1 focuses on the 3 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 2015/16 position and then there are 3 columns each for 2016/17 and 2017/18. For 2015/16 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 2016/17 and 2017/18 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 2015/16.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report contains the budget monitoring tables. The actual expenditure to 31 December 2015 is shown together with the projected outturn for the full financial year and where appropriate contains an explanation of budget movements.
- 4.2 The actual expenditure to 31 December 2015 has been adjusted for any credit balances for accrued expenses from 2014/15 which have not yet been invoiced.
- 4.3 Appendix 2 contains a summary for each block allocation within the 2015/16 Capital Plan of approved and proposed proposals for various projects and programmes.
- 4.4 Appendix 3 contains a summary of budget virements and timing movements proposed for 2015/16 as part of this report.

5 SPECIFIC ISSUES

- 5.1 The following sections identify the other key areas of note within the Appendix 1 tables.

- 5.2 **Looking after the Borders**
Place – Flood Protection Infrastructure

- (a) **Galashiels Flood Protection**

- Although the scheme is operational, some works are still to be completed as they could not be undertaken until the railway was operational. Additional contingency budget of £0.175m previously allocated to the project is no longer required, resulting in a budget saving in year and this will be used to offset the overall funding costs of the capital programme. There is no effect on the Scottish Government funding for the project.

- (b) **Selkirk Flood Protection**

- The scheme is progressing well with the main contractor ahead of the anticipated in year programme, despite the December storms. The in year budget is not sufficient for the revised in year spend estimate, requiring a forward timing movement of £2.080m, 80% funded by the Scottish Government.

- 5.3 **Looking after the Borders**
Place – Other

- HQ Main Office Block**

- The contract is now awarded, however the physical installation of replacement windows has been delayed and will commence in March 2016 with works extending into late Spring 2016 requiring a timing movement of £0.300m to 2016/17.

- 5.4 **Business Process Transformation**
Place – Other Property

- Office Accommodation Transformation Block**

- Design of accommodation and parking for Galashiels office moves still need to be finalised, delaying the project until the next financial year, resulting in a timing movement of £0.144m to 2016/17.

5.5 **Business Process Transformation**
Place – Investment in Plant and Vehicles

Plant and Vehicle Replacement – P&V Fund

The budget requires to be increased by £0.274m, fully funded from the Plant and Vehicle Fund to reflect the increased projection for purchases for the financial year. These include 2 gully emptiers for Neighbourhood Roads.

5.6 **Looking after the Borders**
People – School Infrastructure

(a) **Duns Primary School**

The contractor spend on site has not matched the forecast, resulting in a reprofile of £0.682m to 2016/17.

(b) **Kelso High School**

The funding issue at a national level has been resolved enabling the project to progress, financial close is estimated as March 2016. A contingency budget of £0.800m held in 2015/16 is being transferred to the following financial year.

(c) **Langlee and Broomlands Primary Schools**

An extension to the tender period for these projects will result in tender analysis and award being later than profiled, resulting in a timing movement of £0.604m for Langlee and £0.347m for Broomlands to 2016/17. Tenders for both schools have been received and are currently being evaluated.

(d) **Complex Needs – Central Education Base**

Construction started in January 2016 and practical completion expected in September for handover in October 2016. This has resulted in a requirement to reprofile £0.387m to 2016/17.

5.7 **Looking after the Borders**
People – Social Care Infrastructure

Residential Care Home Upgrade Block

Works at Waverly have been delayed due to the temporary relocation of residents from Peebles due to the late December 2015 storms. These works are now scheduled to start in late February 2016, resulting in a timing movement of £0.678m. The budget allocation to Waverly in the Fire Compartments in Care Homes block of £0.133m requires to be transferred to the Residential Care Home Upgrade Block as the works will now be taken forward as a single works contract.

5.8 **Looking after the Borders**
Chief Executive – Heritage & Cultural Infrastructure

(a) **Wilton Lodge Park**

The tender for the new build café and bridge has not yet been awarded due to a value engineering requirements. The budget is being reprofiled by £0.200m between 2015/16 and 2016/17.

(b) **Great Tapestry of Scotland – Building**

Progression with advanced design works has resulted in a requirement for a forward timing movement of £0.205m to 2015/16.

5.9 **Looking after the Borders**
Chief Executive – Sports Facility Infrastructure

Sports Trusts – Plant & Services Block

As funding from Sports Scotland has not yet been secured for works at Selkirk Leisure Centre, this project has been delayed until 2016/17 resulting in a timing movement of £0.174m to 2016/17.

5.10 **Business Process Transformation**
Chief Executive – IT Infrastructure

The Passenger Transport MIS and the Confirm Mobile Implementation projects are delayed pending the IT Review, requiring a timing movement of £0.172m to 2016/17. The project manager for the Corporate Applications Suite will not now be appointed until the next financial year, requiring a timing movement to 2016/17 of £0.100m.

5.11 **Emergency & Unplanned Schemes**

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

| | £000s |
|---|--------------|
| Budget as Approved at Council 12 February 2015 | 300 |
| Allocation to Bongate Mill Industrial Area (Roads) approved at Executive Committee 24 February 2015 | (19) |
| Allocation to Stow Primary School Accommodation Works approved at Executive Committee 24 February 2015 | (72) |
| Carry forward of funds not used in 2014/15 | 189 |
| Allocation to Neidpath Wall approved at Executive Committee 26 May 2015 | (150) |
| Allocation to General Flood Protection Block (for Bakehouse Burn Culvert) – Emergency Powers approved 2 July 2015 | (60) |
| Allocation to Kelso Recycling Centre approved at Executive Committee 18 August 2015 | (40) |
| Allocation to Jedburgh Flood Protection approved at Executive Committee 18 August 2015 | (40) |
| Easter Langlee Leachate Management Facility – in-year saving | 40 |
| Allocation to General Roads and Bridges Block | 23 |
| Projected Balance | 125 |

5.12 **Capital Funding**

- (a) As a result of the £3.101m in year net timing and budget movement identified in the programme (see Appendix 1), the estimated borrowing element of the capital financing for 2015/16 has been reduced.

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 loan charges are reported within the revenue monitoring reports.

6.2 Risk and Mitigations

- (a) At the end of December 2015, actual expenditure totalled £31.058million which represents 65% of the projected outturn, excluding the impact of large accruals. There is still 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.
- (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 Equalities

No Equalities Impact Assessment has been carried out in relation to the Capital Monitoring 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 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, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted in the preparation of this report and any comments received on the report have been incorporated into the report.
- 7.2 The Service Director Commercial Services has been consulted in the preparation of this report and the content of the appendices and any comments incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

| Name | Designation and Contact Number |
|----------------|---|
| Kirsty Robb | Capital and Investment Manager, 01835 825249 |
| Doreen Pringle | Senior Finance Officer - Capital, 01835 824000 Ext 5961 |

Background Papers: None

Previous Minute Reference: None

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Contact us at Capital & Investment Team, Council HQ, Newtown St. Boswells
treasuryteam@scotborders.gov.uk 01835 825249