
MONITORING OF THE CAPITAL FINANCIAL PLAN 2023/24

Report by Director of Finance & Procurement

EXECUTIVE COMMITTEE

14 November 2023

1 PURPOSE AND SUMMARY

- 1.1 This report updates the Executive Committee on the progress of the delivery of the 2023/24 Capital Financial Plan and seeks approval for the virements and reallocation of funds required following the review of funding and forecasts as at the September Month end.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 30 September 2023 and the key issues and highlights identified in these numbers are summarised within this report.
- 1.3 The September month end position reflects a projected outturn of £116.6m against a budget of £130.4m, giving a net budget variance of £13.8m. This budget variance includes net timing movements from 2023/24 into future years of £17.0m offset by funding increases of £3.2m. Further timing movements from 2023/24 are likely as the year progresses and the delivery timescales of major projects becomes clearer. The construction materials supply chain continues to experience disruption which is causing delays in sourcing essential materials and impacting on project timelines, therefore spend projections should be viewed as indicative at this time and may change materially. However, experience has demonstrated we are likely to experience significant slippage at the year end compared to initial budgetary estimates which will offset pressures in year but delay them into future years.
- 1.4 A number of macro-economic factors continue to affect the Capital Plan in 2023/24. Recent 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, material shortages and longer lead times. The impact on tender prices for major projects and the wider Capital Plan continues to be assessed and built into forecast costs as they are identified.
- 1.5 Current legally committed projects have a smaller risk of impact and block programmes of work can operate within a cash constrained budget and are considered lower risk; although it is likely to impact on the scale of project delivery within the blocks. The most significant risk therefore lies in the contracts that are being tendered this year, including Galashiels Academy, Peebles High School and Tweedbank Care Home, which will result in budget pressures in future years - as has been highlighted through reports taken to Council during the first 6 months of the year. The financial implications from these unfavourable market conditions will continue to be reported through the regular budget monitoring cycle with the longer term impacts reflected in the financial planning process.

- 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 balance to address in 2023/24 remains at £0.833m as no further budget has been identified as available since the Q1 report was completed. As highlighted to Council through separate reports, pressures in new build projects at Earlston Primary School, Galashiels Academy, Peebles High School and Tweedbank Care Village have increased the Planned Programming Adjustment in future years of the plan by £19.8.5m. 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 funding allocations currently approved for this year as well as the approved projects, actual spend to the end of September and the movement requiring virements within the blocks.
- 1.8 Appendix 3 contains a list of estimated whole project capital costs for projects which in the main 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 approve the required virements;**
 - (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 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 so far:

	£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
Executive Committee 13 th June – Peebles Swimming Pool	40
June Executive Committee timing movements and budget adjustments	(4,767)
Revised Capital Plan 2023/24 as at 30th June 2023	130,405
September virements proposed within the report	(13,847)
Proposed Revised Capital Plan 2023/24	116,558

- 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 with the following 7 years amalgamated for presentation purposes. 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). Of the total £13.847m, £17.053m is due to timing movements offset by £3.206m cost increases. Of this £1.921m is because additional external funding has been received. For 2024/25 and 2025/26 the table presents the total variance projected between the latest approved budget and the current projected outturn. Below the tables for each service, explanatory narrative is provided where appropriate.
- 3.4 This report is the second quarterly monitoring report in the Capital reporting schedule for 2023/24.

4 MONITORING THE PLAN

- 4.1 Appendix 1 to this report shows the current financial position of each Capital project. The actual expenditure to 30 September 2023 is shown together with the projected outturn for the full financial year and where appropriate an explanation of budget movements is included.
- 4.2 Appendix 2 contains detail of each block allocation within the 2023/24 Capital Plan of approved and proposed budget movements for various projects and programmes.
- 4.3 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, this represents the latest approved budgetary position before the virements requested today.

5 HIGHLIGHTS

5.1 Key highlights from variances in Appendix 1 are:

a) Plant & Vehicle Replacement

Continued procurement of new plant and vehicle is progressing well with an additional £1.754m being drawn down from the replacement fund to meet forecast spend in the current year of £5.754m based on current manufacturer delivery timescales.

b) Play Areas & Outdoor Community Spaces

The creation of budgets to reflect additional funding of £1.172m from Scottish Government for the Play Park Renewal Programme across financial years 2023/24, 2024/25 and 2025/26.

c) Jedburgh High Street Building

Timing movement of £632k into 2024/25 to align with procurement timelines. Tender award profiled for early 2024.

d) Road Safety Improvement Fund

The creation of budgets to reflect additional funding from Scottish Government of £322k for the Road Safety Improvement Fund which supports the delivery of Scotland's Road Safety Framework to 2030.

e) Community Bus Fund

The creation of budgets to reflect additional funding from Scottish Government of £243k. Options for spend are currently being explored by the service but include vehicle and real time information screen purchases.

f) Roads & Bridges Block

The creation of budgets to reflect additional funding of £515k from the Strategic Timber Transport Scheme (STTS) to undertake works at B6357 Lawston to Longrow and B709 Berrybush.

g) Roundabout at Easter Langlee, Galashiels

Planned contribution from the Roads & Bridges Block (£250k) and budget transfer from Emergency & Unplanned Schemes (£285k) to cover increased costs due to high inflation and the increased costs of public utility diversion works.

h) Eyemouth Primary School

Timing movement of £3.171m to reflect revised project timescales due to the project being on hold whilst feasibility options for location and build are investigated.

i) Earlston Primary School

Timing movement of £4.237m to reflect revised project timescales resulting from a three month delay to allow for financial close, value engineering and confirmation of material variation for planning.

j) Peebles High School

As noted by Council on the 31st August 2023, the forecast spend for this project has increased by £10.858m as a result of continued high inflation affecting the construction industry, the pressure has currently been included within the Planned Programming adjustments pending consideration through the 2024/25 financial planning process.

k) Borders Town Centre Regeneration

Create budgets to reflect an additional grant from Scottish Government of £552k for the 2023/24 Place Based Investment

Programme. Detailed project plans will be presented to Members at a future date.

I) Care Village Tweedbank

Continued high inflation affecting the construction industry has resulted in identified pressures of £4.606m which were noted by Council on the 28th September 2023. The pressure has currently been included within the Planned Programming adjustments pending consideration through the 2024/25 financial planning process.

5.2 Emergency & Unplanned Schemes

The table below provides an update on the position for Emergency & Unplanned Schemes showing the movement from the budget approved in February 2023.

Emergency & Unplanned	£000s
Budget as Approved at Council 23 February 2023	0.175
Available budget from Energy Efficiency Works	0.220
Transfer budget to Easter Langlee Roundabout, Galashiels	(0.285)
Transfer of budget to Asset Rationalisation & Demolition for demolition of Gunsgreen Hill Squash Courts, Eyemouth	(0.100)
Current balance	0.010

5.3 Future Years

During the 2023/24 budget setting process a Planned Programming Adjustment budget line was added to the Financial Plan which is offset throughout the year where unspent project budgets become available. The remaining balance to address in 2023/24 remains £0.833m. Identified pressures in new build projects at Earlston Primary School, Galashiels Academy, Peebles High School and the Tweedbank Care Village have increased the Planned Programming Adjustment in future years of the plan from £16.140m to £31.604m. The funding of these pressures will be considered as part of the 2024/25 financial planning process.

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 2023, actual expenditure totalled £30.8m which represents 26% 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)

Name	Designation and Contact Number
Lizzie Turner	Chief Officer - Finance & Procurement

Background Papers: n/a

Previous Minute Reference: n/a

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Suzy Douglas can also give information on other language translations as well as providing additional copies.

Contact us at Lizzie Turner, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA; Tel: 01835 824000 X6056.