
MONITORING OF THE CAPITAL FINANCIAL PLAN 2023/24

Report by Director of Finance & Procurement

EXECUTIVE COMMITTEE

13 February 2024

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 December Month end.**
- 1.2 The monitoring tables in Appendix 1 report on actual expenditure to 31 December 2023 and the key issues and highlights identified in these numbers are summarised within this report.
- 1.3 The December month end position reflects a projected outturn of £96.9m against a budget of £116.6m, giving a net budget variance of £19.7m. This budget variance includes net timing movements from 2023/24 into future years of £22m offset by funding increases of £2.4m from external funding for the Borders Innovation Park (£0.836m), insurance receipt for Peebles Swimming Pool (£0.481m), additional budget for Plant & Vehicle from the Fund (£0.720m) and increased capital receipts which are partially offsetting the Planned Programme Adjustments (£0.465m). Further timing movements from 2023/24 may occur at year end as the construction materials supply chain continues to experience disruption causing delays in sourcing essential materials and impacting on project timelines.
- 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 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 remaining balance to be addressed in 2023/24 is £0.368m following some small underspends in projects and the application of capital receipts.

- 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.
- 1.9 As detailed within the approved 2023/24 Financial Plan there is a requirement for the Council to borrow to fund the Capital Programme and this will be actioned during the final quarter of the year, in line with our Treasury Strategy and advice from our external advisors.
- 1.10 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 Appendix 4 provides an updated position on key treasury indicators as at the 31 December 2023 quarter end. The information provided is a snapshot at the end of quarter 3, 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 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.**
 - (d) Notes the requirement to borrow funding during Q4 of 2023/24 to fund capital expenditure as detailed in Appendix 1.**
 - (e) Notes the update on key Treasury indicators at the 31st December 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 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)
September Executive Committee timing movements and budget adjustments	(13,847)
Revised Capital Plan 2023/24 as at 30th September 2023	116,558
December virements proposed within this report	(19,638)
Proposed Revised Capital Plan 2023/24	96,920

- 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 £19.638m, £22m is due to timing movements offset by £2.4m cost increases. Within the £2.4m cost increase is additional external funding for the Borders Innovation Park (£0.836m), insurance receipt for Peebles Swimming Pool (£0.481m), additional budget for Plant & Vehicle from the Fund (£0.720m) and increased capital receipts which are partially offsetting the Planned Programme Adjustments (£0.465m).
- 3.4 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.
- 3.5 This report is the third 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 31 December 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) Peebles High School

Timing movement of £1.450m into 2024/25. The sports block is now complete and the construction work for the main school build commenced at the end of October 2023 a month later than originally planned.

b) Digital Transformation

Timing movement £4.834m into 2024/25 to reflect the current planned delivery of the IT Transformation programme.

c) Borders Innovation Park

We have received confirmation of grant funding from South of Scotland Enterprise (SOSE) of £3m over 2023/24-2025/26 to support the next phase of the Borders Innovation Park (Lowood) project. These works include roads construction and development works and the creation of hybrid working space (new floorspace created 3,716sqm). This funding is part of a decade long wider investment plan funded by the Borders Railway Blueprint and the Edinburgh and South East Scotland City Deal.

d) Borderlands

Work has been undertaken with project leads and the Accountable Body to revise project timescales as Borderlands projects progress through outline and final business case approvals. Timing movements have been reflected in Appendix 1. These projects are funded by income from Borderlands Inclusive Growth Deals by Scottish and UK Governments and are part of an overall commitment to invest £64m in the Scottish Borders over a 10-year period.

e) Developing Enterprise Infrastructure – Land at Duns Industrial Estate

Funding confirmed for 2023/24 and 2024/25 from Shared Prosperity Fund (£456k) and SOSE (£5k). The project will make more land available within the existing industrial estate in order to help retain local businesses by allowing them to grow and to help promote inward investment. This will help grow the economy and provide more employment opportunities within this part of Berwickshire.

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. This position has not changed since the November Executive Committee.

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 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 is £0.368m.

5.4 Funding

The Capital plan approved each February details the funding requirements to deliver the agreed plan. This figure includes an amount the Council intends to borrow each to fund the agreed expenditure and these figures are updated in each monitoring report to be approved by the Executive Committee. Over the last few years the Council has successfully utilised available cash balances rather than borrowing the amounts which have been approved. Having reduced the cash balances as far as prudent, we are now in a position to borrow in order to fund programme delivery for the remainder of the year. Following approval of this report the Council will borrow to support the projects detailed within Appendix 1 in Q4 of this financial year as required. This borrowing will be undertaken from the Public Works Loan Board in line with our Treasury strategy and guidance from our Treasury Advisors. The interest payable on these loans will be paid through Loans Charges in Revenue, the budget of which was increased for 2023/24 as part of the Financial plan to allow for this borrowing to take place.

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 quarter 3 position is shown at Appendix 4 providing an updated position on key treasury indicators as at the 31st December 2023 quarter end. The information provided is a snapshot at the end of quarter 3, 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 December 2023, actual expenditure totalled £58m which represents 60% of the projected outturn, excluding the impact of year end accruals. There is a risk of further timing movements this financial year. 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, 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.