

Report

Report to:	Executive Committee
Date of Meeting:	4 November 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2021/2022 Capital Programme Update
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the Executive Committee with a General Services Capital Programme for financial year 2021/2022, reflecting the level of spend anticipated in year, as well as taking account of the ongoing implications of COVID-19.

2. Recommendation(s)

2.1. The Executive Committee is asked to approve the following recommendation(s):

- (1) that following review, a Capital Programme totalling £75.244 million is proposed for 2021/2022 (Section 6.11), be approved;
- (2) that additional Spend to Save projects totalling £10 million (section 7.4), be approved; and
- (3) to note that the Programme for 2022/23 will be the subject of a future exercise (section 7.5).

3. Background

- 3.1. An update on the 2020/2021 General Services Capital Programme was approved by the Executive Committee on 23 September 2020. The focus of the paper was the level of project deliverability for the current year.
- 3.2. The paper showed that of the £106.733 million budget available, Resources confirmed that only £81.003 million would be spent in 2020/2021. The reduction in spend of £25.730 million reflects projects which will not spend this year (£38.501 million) offset by increased spend as a result of additional funding awarded (£4.880 million) and additional unbudgeted costs for contractor claims, loss of income and additional overheads (£7.891 million).
- 3.3. As a result of the £25.730 million reduction in spend, funding of £25.730 million is no longer required in the current year (2020/2021).
- 3.4. In addition, the projects totalling £38.501 million which will not spend in 2020/2021 will need to be considered for the 2021/2022 programme. However, as a result of £7.891 million of the original funding available for these projects being utilised to pay for the additional costs associated with COVID-19, only £30.610 million of funding will be available in 2021/2022.

- 3.5. Section 4 of this report provides an Executive Summary of the report contents. The funding available in-year is discussed in Section 5. Section 6 looks at a proposed Capital Programme for 2021/2022. Proposals for using the balance of funding are made in Section 7.

4. Executive Summary

- 4.1. This report and appendices provide a proposal for the 2021/2022 Capital Programme. Whilst the full detail and background is included in this report, in order to summarise the position and provide this Committee with the key highlights, an Executive Summary is included below:

1. Funding of £85.244 million is available in 2021/2022 (Section 5.6). This reflects the anticipated level of General Capital Grant (£21.3m), specific funding for City Deal (£13.108m) and Education Growth and Capacities (£2.604m) along with funding carried forward from previous financial years'.
2. A Capital Programme totalling £75.244 million has been drafted for 2021/2022 and is detailed in Appendix 1. This is based on projects which are necessary to support ongoing programmes of work, as identified in the Future Capital Investment Strategy, the approved City Deal Programme, the requirements from growth in the Education sector and projects slipped from previous financial years (Section 6.11).
3. This programme of £75.244 million reflects a realistic level of spend which could be achieved in 2021/2022.
4. Taking the spend requirement of £75.244 million for 2021/2022 into consideration, along with the funding available of £85.244 million, identifies that £10 million of funding will not be required in 2021/2022, and is at present surplus (Section 7.3).
5. While this balance of funding could be used to undertake additional capital projects, from a deliverability perspective, this may not be possible. Given the significant pressure on the Council's Revenue Budget moving forward, it is recommended that this surplus funding of £10 million be utilised to purchase rather than lease £10 million of assets. This will allow Revenue Budget savings of £1.820 million per annum (Section 7.4). The £10 million of expenditure would be an addition to the 2021/2022 Capital Programme of £75.244 million.

5. Funding Position

- 5.1. A core element of any Capital Programme is the level of funding available to support the programme. The Future Capital Investment Strategy identified General Capital Grant, Capital Receipts and other external income as the main funding sources for the proposed 2021/2022 Capital Programme. Since this Strategy was approved, the landscape has changed and updates to these funding sources are detailed below:
- 5.2. General Capital Grant: The level of General Capital Grant beyond the current financial year is not known but as the 2020/21 award was only £21.373 million, considerably less than in previous years, it is considered prudent to revise this assumption for 2021/22 from £28 million to £21.3 million. The level of grant for 2021/2022 can only be confirmed when the grant settlement is received later in 2020.
- 5.3. Capital Receipts: An annual target of £1 million was incorporated into the Capital Strategy, however, to support the financial pressures on the Council's revenue budget, it was agreed by Committee that capital receipts will be used to reduce the level of

revenue savings required in 2020/2021 and 2021/2022. There will be no Capital Receipts included in the 2021/2022 Capital Programme funding package.

- 5.4. **Borrowing:** The requirement to borrow to fund the timing of spend in relation to the Glasgow City Region City Deal programme has already been reported to Executive Committee (11 May 2016). For 2021/2022, this will total £13.801 million.
- 5.5. **Developers Contributions:** Contributions from developers will be used to undertake specific growth and capacity projects required within the school estate (£2.604m).
- 5.6. **Funding Carried Forward:** Funding totalling £48.232 million is available from previous financial years for these projects. This funding includes Borrowing (£40.192m), specific Capital Grants (£4.622m), Developers' Contributions (£2.544m) and Reserves (£0.874).

Table 1: Funding Summary

	Total Funding Available (£m)
General Capital Grant (Section 5.2)	21.300
Borrowing (Sections 5.4 and 5.6)	53.300
Specific Capital Grants (Section 5.6)	4.622
City Deal Community Growth Area / Developers Contributions (Sections 5.5 and 5.6)	5.148
Reserves (Section 5.6)	0.874
Total Funding Identified	85.244

- 5.7. Table 1 shows that in 2021/2022, there is £85.244 million of funding available.

6. Proposed 2021/2022 Capital Programme

- 6.1. When the current General Services Capital Programme comes to an end (at the end of 2020/2021), there is no approved programme for financial year 2021/2022 and beyond.
- 6.2. This report proposes a programme for 2021/2022 incorporating ongoing programmes of work, which are considered necessary and were previously included in the long term capital spending proposals, commitments from the approved Glasgow City Region City Deal Programme, Education Growth and Capacities and slippage from previous financial years. IT also includes the projects slipping from the 2020/2021 Programme as required. Each is taken in turn.
- 6.3. **Ongoing Programmes of Work:** The Council's Future Capital Investment Strategy (November 2018) included a number of projects which are necessary to support ongoing programmes of work. For these programmes to continue, there is an ongoing requirement for funding to be made available. These total £19.461 million for 2021/2022, and is in addition to monies slipped from previous years. These projects and their values are noted in Table 2.

Table 2: Ongoing Programmes of Work Considered for 2021/2022 Programme

Project Name and Description	2021/22 (£m)
Schools Information Communication Technology (ICT) Development A contribution towards the costs of delivering the ICT contract to schools. As there is an ongoing commitment to this contract moving forward, funding of £1.650m per annum is required.	1.650
Roads Carriageways and Associated Infrastructure Investment of £10m in Roads Carriageways and Associated Infrastructure improvements.	10.000
Oracle Upgrade Oracle E-business suite is the Council's main financial and human resources management system, which is nearing end-of-life.	1.000
Private Housing Scheme of Assistance Housing provide mandatory grants for disabled adaptations in private homes and to encourage private owners in shared blocks to participate in the Housing Investment Programme works. £0.750m will be required in 2021/2022 to enable this to continue.	0.750
Planned Asset Management Funding of £4.8m per annum is required to ensure continued delivery of the Planned Asset Management model. This model aims to maintain all of the Council's new build General Services facilities (constructed since 2000), in a good condition and to a compliant standard.	4.800
Prioritised Urgent Investment in Property Assets The continuation of the previous model to meet urgent essential works needed on all Council properties. New funding of £0.949m reflects the level of spend that can be achieved in 2021/2022.	0.949
Lifecycle Replacement – Schools The first school completed under the Primary School Modernisation Programme opened during financial year 2004/05. An allocation was provided in 2020/21 to commence a programme of replacement for major elements of infrastructure during the next capital programme. This requirement is likely to increase as the schools become progressively older. A new allocation of £0.312m could be spent in 2021/2022.	0.312
Total Projects	19.461

- 6.4. The allocation for Roads Carriageways and Associated Infrastructure is less than the current level of spend. However, in 2020/2021, the level of grant funding awarded to the Council has reduced by one quarter, and it is anticipated that this will continue into 2021/2022. Therefore, the funding the Council has to allocate to projects, including Roads Carriageways and Associated Infrastructure, must also reduce.
- 6.5. **City Deal:** As well as the General Services Capital Programme, the Council is also part of the Glasgow City Region City Deal Programme of works.
- 6.6. In proposing the next Capital Programme, the City Deal Roads and Community Growth Area (CGA) projects have been taken into account. Currently, for 2021/2022, the proposals include specific projects for Education Growth requirements and Roads works associated with the Community Growth Areas. This is in addition to the existing City Deal Roads projects for the complementary works at the Cathkin Relief Road, Greenhills Road and Stewartfield Way.

- 6.7. Final Business Cases for the individual CGA projects are required before final agreement on funding is given by the City Deal Cabinet. These Final Business Cases will be presented to the Executive Committee in advance of City Deal Cabinet approval.
- 6.8. Based on current predictions, these additional requirements linked to the Glasgow City Region City Deal Programme total £13.108 million and should be considered as part of the 2021/2022 Capital Programme. This will be funded by temporary borrowing, in line with the approved funding package for the City Deal programme.
- 6.9. **Education Growth and Capacities:** The Capital Strategy also identified additional accommodation pressures in the Early Years and School sectors, due to a growth in predicted pupil numbers related to general population growth and significant new housing development across the Council area. The majority of this was expected to be funded from developer's contributions / City Deal.
- 6.10. A review of the priority projects required for 2021/2022 has now been undertaken by Education Resources, reflecting more clearly defined project costs and timescales. Some of these projects are already included in the proposed City Deal programme (Section 6.7) and slippage from previous years (Section 6.10). It is proposed that the balance of projects totalling £2.604 million (those funded from developer contributions) will now be added to the 2021/2022 Capital Programme. The projects added are Larkhall Community Growth Area – Nursery Expansion (£1.304m) and Glengowan Primary School Extension (£1.300m).
- 6.11. **Slippage from Previous Years:** In addition to the projects identified above, project movements from 2019/2020 and 2020/2021, as approved by Executive Committee throughout the year) require to be added to this programme. These movements total £56.123 million and include the slippage identified at section 3.4 (£38.501m), as well as budget carried forward from the 2019/20 and 2020/21 budget setting process (£17.622 million). The timing of this spend has been updated to reflect revised project timescales, following the impact of COVID-19. This budget requirement excludes Glasgow City Region City Deal, with the full requirement for 2020/2021 for this specific programme already detailed in Section 6.7. As a result of the re-profiling of the programme, projects totalling £16.052 million will now fall into financial year 2022/2023.
- 6.12. Table 2 shows that, based on the identified ongoing programmes of work, our commitments from the approved Glasgow City Region City Deal Programme, Education Growth and Capacity requirements and slippage from previous financial years, it is anticipated that projects totalling £75.244 million can be delivered in 2021/2022. A full list of projects, including slippage from previous years', is detailed in Appendix 1.

Table 2: 2021/2022 Capital Programme Summary

	2021/2022 Capital Programme (£m)
Ongoing Programmes of Work (Section 6.3)	19.461
Glasgow City Region City Deal (Sections 6.4 – 6.7)	13.108
Education Growth and Capacities (Sections 6.8 – 6.9)	2.604
Slippage from Previous Years (Section 6.10) (£56.123m slippage from previous years, less £16.052m slippage into 2022/2023)	40.071
Total Capital Programme	75.244

7. Balance of Funding

- 7.1. This section identifies how the funding available for the 2021/2022 Capital Programme of £85.244 million (Section 5) can be aligned to the spend requirements.
- 7.2. As discussed in section 6, a proposed programme for 2021/2022 has been developed by considering projects necessary to support ongoing programmes of work, the previously approved Glasgow City Region City Deal Programme, Education Growth and Capacities and the slippage from previous financial years'. The programme presented reflects a realistic level of spend which can be achieved.
- 7.3. Taking the spend requirement of £75.244 million for 2021/2022 into consideration, in comparison to the funding available of £85.244 million, £10 million of funding will not be required in 2021/2022 and is at present surplus. While this could be used to undertake additional capital projects, for the reasons of deliverability outlined throughout this paper, this may not be possible.
- 7.4. There is also a significant pressure on the Council's Revenue Budget moving forward. It has been proposed that the surplus funding of £10 million be utilised to undertake Spend to Save projects. It is proposed that the £10 million would be used to purchase rather than lease £10 million of assets, and therefore the annual leasing costs of £1.820 million will be saved. This saving will be included in the Revenue Budget Savings proposals for 2021/2022. The £10 million of expenditure would be an addition to the 2021/2022 Capital Programme of £75.244 million.
- 7.5. As explained above, as a consequence of the pandemic, there has been a delay in delivering capital projects. As capital projects start to resume, the capacity within the council to deliver these is unlikely to be sufficient to fully deliver in year, a further peak in capital projects and expenditure of £16m moving from 2021/22 into 2022/23. We would expect to see a progression of projects which again effectively pushes spend into future years. This is a pattern which may persist for a number of years. Forecasting realistic levels of spend for future years and funding packages to match these, allows us to take advantage of the £10m of funding not required for the capital programme in year 2021/22, in order to fund the spend to save project.
- 7.6. Moving forward into financial year 2022/2023, consideration will have to be given to the level of programme which can be delivered, given the funding available. As noted at section 6.10, projects totalling £16.052 million have been slipped from the 2021/2022 Capital Programme. For 2022/2023, consideration will need to be given to providing funding for these projects in the first instance, to enable these projects to complete. The programme for 2022/2023 will be the subject of a future exercise which will be brought to members in 2021.

8. Employee Implications

- 8.1. There are no employee implications as a result of this report.

9. Financial Implications

- 9.1. A Capital Programme for financial year 2021/2022 totalling £75.244 million has been proposed in this report. Details as to how this Programme has been arrived at are shown in sections 5 to 6, with the full Programme listed in Appendix 1.
- 9.2. In addition, section 7.4 proposes a new Spend to Save Project which if approved, will increase the programme by £10 million, and generate Revenue Budget savings of £1.820 million per annum.

10. Climate Change, Sustainability and Environmental Implications

- 10.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

11. Other Implications

- 11.1. The main risk associated with the Council's Capital Programme is an overspend. The risk has been assessed as low given the detailed project management plans prepared and monitored for each project. The risk of overspend is managed through four weekly Investment management meetings.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. This report does not introduce a new policy, function or strategy or recommend a change to existing policy, function or strategy and therefore no impact assessment is required.
- 12.2. There was also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

15 October 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 23 September 2020

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: lorraine.o'hagan@southlanarkshire.gov.uk

2021/2022 Summary of Capital Programme Expenditure
(including slippage from previous years')

	2021/22 Proposed Allocation
	£m
<u>Community & Enterprise Resources</u>	
Leisure Centres (Design Fees)	0.500
Synthetic and Grass Pitches	0.186
Lanark Library, Lindsay Institute	0.250
Ballgreen Hall - Demolition	0.131
Extension / Improvement of Cemeteries	0.718
Zero Waste Fund Projects	0.118
Kildare Park - BMX Trail	0.025
Allotment & Raised Beds, Strathaven	0.040
Country Parks - Horseshoe Bridge	0.190
Allotments	0.080
Bin Storage Areas	0.041
Bothwell Park	0.046
Memorial Headstone Remedial Works	0.200
Hamilton Mausoleum	0.475
Upgrades to Community Infrastructure – Small Scale Works	0.024
Crematorium Shelter	0.100
Roads – Carriageways and Associated Infrastructure	10.474
Roads - Structures (Bridges)	2.292
Roads Depot - Salt Barn Improvements	0.645
City Deal - Roads	4.787
Rural Development Centre, Lanark	0.800
Town Centre Regeneration Fund	1.860
Vacant & Derelict Land	0.182
Clyde Gateway	0.819
City Deal - CGA's	15.240

	2021/22 Proposed Allocation
	£m
<u>Education Resources</u>	
Loch Primary School	0.040
Early Years - 1,140 Hours (includes 2017/18 spend)	7.734
Early Years - Other Growth and Capacities	0.500
Schools information Communication Technology (ICT)	1.905
Auchingramont Road	0.171
Crawforddyke PS - Two Classroom Modular Extension	0.490
St Charles Primary School - Additional Classroom	0.187
St Mary's PS, Hamilton Nursery and Classroom Extension	0.648
Other Small Scale Projects	0.037
Castlefield Primary School Extension	0.350
Cathkin and Trinity Learning Community	0.100
Uddingston Nursery Expansion	0.295
Holy Cross High School	0.800
St Mark's PS, Hamilton Nursery and Classroom Extension	1.091
Hamilton CGA Nursery Expansion	0.250
Larkhall Community Growth Area – Nursery Expansion	1.650
Glengowan Primary School Extension	1.300
<u>Finance and Corporate Resources</u>	
Oracle Upgrade	1.000
Climate Change / Digital Transformation Fund	0.500
<u>Housing and Technical Resources</u>	
Prioritised Urgent Investment	1.599
Principal Offices	0.466
Private Housing Scheme of Assistance (PHSA)	1.000
Planned Asset Management	4.800
Lifecycle Replacement - Schools	0.500
Lock Up Areas Housing Estates	0.200
Community Facilities Fund	0.075
Council Offices - Brandon Gate	0.070
CEEF	0.424
<u>Social Work Resources</u>	
Replacement Care Facilities	6.539
Community Alarms	0.300
Total Expenditure	75.244

2021/2022 Summary of Future Capital Programme Funding

	2021/22 Proposed Allocation
	£m
Total Expenditure	75.244
Funding Available:	
General Capital Grant Available	21.300
Borrowing (including City Deal)	53.300
Specific Capital Grants	4.622
Developers Contributions	5.148
Reserves	0.874
Total Funding Available	85.244
Surplus Funding Available <i>(before the Spend to Save project is considered – section 7)</i>	10.000