

Report

Report to:	Executive Committee
Date of Meeting:	30 November 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Capital Programme 2022/2023 Update and Monitoring for Period 8 – 1 April 2022 to 4 November 2022
----------	---

1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ update the Executive Committee of progress on the General Fund Capital Programme and the Housing Capital Programme for the period 1 April 2022 to 4 November 2022

2. Recommendation(s)

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

- (1) that the Period 8 position (ended 4 November 2022) of the General Fund Capital Programme itemised at Appendices 1 – 3 and the Housing Capital Programme at Appendix 4, be noted;
- (2) that the adjustments to the General Fund programme listed at Sections 4.3 -4.4 and Appendix 1, be approved; and
- (3) that the revised programmes be monitored by the Financial Resources Scrutiny Forum.

3. Background

3.1. The attached statements to this report provide a summarised monitoring position as at 4 November 2022. Spending has been split into two separate sections:

- ◆ General Fund Capital Programme including Education, Social Work, Roads and Transportation and General Services (Section 4)
- ◆ Housing Capital Programme (Section 5)

4. General Fund Capital Programme

4.1. **2022/2023 Budget:** The budget agreed at Executive Committee on 2 November 2022 was £95.880 million. A revised programme of £78.272 million is now anticipated. It includes adjustments to the programme totalling a net reduction of £17.608 million.

4.2. £1.408 million of the £17.608 million is profiling adjustments proposed in Appendix 1. Education Resources have advised that a review of the anticipated timing of spend on the Clyde Terrace Nursery project in Bothwell (£1.040m) has been necessary, and operational delays on-site due to utility issues has meant financial slippage into

2023/2024. In addition, the distribution of the new Free School Meals Expansion funding for 2022/2023 has only recently been announced by the Scottish Government, with the Council awarded £1.877 million. Education Resources estimate that they will spend £0.300 million of this allocation by the end of the financial year, given the design requirements and lead in times for equipment, but aim to maximise spend wherever possible. Again, this will mean slippage into 2023/2024 (£1.577 million).

- 4.3. The remainder of the reduction of £17.608 million (section 4.2) relates to the 2022/2023 allocations for 3 significant projects (Clyde Bridge £6.5m, Larkhall Leisure Centre £9.550m and Levelling Up Fund Match Funding £1.8m). As reported previously, the level of spend in year had still to be confirmed.
- 4.4. The tender for Clyde Bridge has been awarded and the financial profile adjusted to remove £5.4 million from the 2022/2023 budget. In relation to the other 2 projects, given the uncertainty around the level and timing of spend on these projects, budget totalling £10.8 million has been removed from the 2022/2023 programme. This can be added back into the programme when there is more certainty around the timing of the spend. The movement for each of these projects is detailed below:
 - ◆ **Clyde Bridge (reduce 2022/2023 budget by £5.4m)** – The tender award for this project has now been accepted. An estimate of spend for this year has been made, and the revised 2022/23 budget reflects the potential revised delivery schedule for the new bridge.
 - ◆ **Larkhall Leisure Centre (reduce 2022/2023 budget by £9m)** – Current timescales for this project suggest the majority of spend will commence in financial year 2023/2024. The Council's 2022/2023 Place Based Investment Fund programme has allocated £0.550 million to the new Larkhall Leisure Centre and this requires to be spent / committed this financial year. This £0.550 million will be retained in the budget for spend on the project team and initial groundworks in 2022/2023.
 - ◆ **Levelling Up Fund (reduce 2022/2023 budget by £1.8m)** – Any LUF awarded in financial year 2022/2023 will require to be spent in year with the Council's match funding being required later in the spend profile. The Council's match funding of £1.8 million can be slipped into a future year when it will be required.
- 4.5. **General Capital Grant:** As part of the funding for the Pay Award for 2022/2023, the Scottish Government has agreed to allocate £120 million nationally per annum (for both 2022/23 and 2023/24) to cover part of the additional costs. For South Lanarkshire Council, this is an allocation of £7.077 million and unusually will be paid as part of our General Capital Grant allocation. COSLA and the Scottish Government have been in discussion with councils as to how they can convert this General Capital Grant to pay for Revenue expenditure.
- 4.6. A review of the Council's Capital funding package has identified funding that could be transferred to the Council's Revenue Account and used to fund the pay award. These funds will be replaced by General Capital Grant. The funding package included in Appendix 3 has been updated to reflect the revised funding package.
- 4.7. The revised Programme, including the movement from the last report, is detailed in Appendix 2. The funding available to support the programme is detailed in Appendix 3.

- 4.8. **Period 8 Position:** The programme spend and funding for the General Fund is summarised in Appendices 2 and 3. As noted in 4.1, the total capital spending programme for the year is £78.272 million.
- 4.9. Budget for the period is £28.936 million and spend to the 4 November 2022 is £29.530 million, an overspend of £0.597 million. This is mainly due to the timing of spend in relation to the Oracle Fusion project within Finance and Corporate Resources.
- 4.10. Actual funding received to 4 November 2022 is £59.741 million.
- 4.11. Relevant officers will continue to closely monitor the generation of all income including receipts.

5. Housing Capital Programme

- 5.1. **2022/23 Budget:** Appendix 4 summarises the position on the Housing programme as at 4 November 2022. The revised capital programme for the year was £66.361 million, as approved by the Executive Committee on 24 August 2022. No changes to this budget are proposed in this report.
- 5.2. Programmed funding for the year also totals £66.361 million. The funding sources are also detailed in Appendix 4.
- 5.3. **Period 8 Position:** Budget for the period is £30.739 million and spend to 4 November 2022 amounts to £30.783 million, an overspend of £0.044 million.
- 5.4. As at 4 November 2022, £30.783 million of funding had been received.
- 5.5. Regular monitoring of both the General Fund Programme and the Housing Programme will be carried out in detail by the Financial Resources Scrutiny Forum and reported on a regular basis to the Executive Committee.

6. Employee Implications

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

7. Financial Implications

- 7.1. The financial implications are contained in sections 4 and 5 of the report for the General Services and Housing capital programmes respectively.

8. Climate Change, Sustainability and Environmental Implications

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

9. Other Implications

- 9.1. The main risk associated with the Council's Capital Programme is an overspend. There are detailed project management plans prepared and the risk of overspend on each project is monitored through four weekly investment management meetings.
- 9.2. The Council continues to experience material shortages, longer lead times and extraordinary inflationary price increases and it is anticipated that this will continue to impact the supply chain for the foreseeable future. The impact of this will continue to be monitored through the four weekly investment management meetings. Further updates will be reported in the coming months with any significant increases in contract values being brought to members' attention.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. 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.
- 10.2. 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 November 2022

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Executive Committee, 2 November 2022

List of Background Papers

- ◆ Capital Ledger prints to 4 November 2022

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

SOUTH LANARKSHIRE COUNCIL
 CAPITAL EXPENDITURE 2022/23
 GENERAL SERVICES PROGRAMME
 FOR PERIOD 1 APRIL 2022 TO 4 NOVEMBER 2022

Proposed Adjustments

Community and Enterprise Resources

White Bridge Replacement, Chatelherault Country Park

Further work on initial design options is required with regards to the replacement for the White Bridge at Chatelherault Country Park. Given the timescales for the design process, approval is sought to slip £0.226 million into financial year 2023/24. (£0.226m)

Glasgow City Region City Deal - Stewartfield Way

Delivery timescales remain under review in light of pressures being experienced across this and other construction projects and currently available design and contractor resources. The overall programme of works is being reviewed and requires to be restated. This work is currently underway. At this stage approval is sought to slip £0.492 million into the 2023/2024 Capital Programme to better reflect the timing of spend. (£0.492m)

Education Resources

Crawforddyke Primary School – Conversion of Nursery to Classrooms

The 2022/2023 Capital Programme includes an allocation of £0.150 million to convert the old nursery accommodation into classrooms. The project has been expanded slightly to incorporate noise dampening solutions however the overall cost of the project has risen due to general construction cost increases. Approval is sought to increase the 2022/2023 Capital Programme by £0.050 million. This will be funded by developers' contributions already received from the Carluke area. £0.050m

Free School Meals Expansion

The Scottish Government have allocated £30 million of capital funding in 2022/2023 to support the phased expansion of free school meals to primary school children. This funding is to be used in 2022/2023 to support initial investment in school infrastructure, including school catering and dining, in delivering the primary 5 expansion.

The funding can also be used for the preparation of the primary 6 and 7 expansion, the funding for the implementation of which will be provided in future financial years.

South Lanarkshire' share of this £30 million is £1.887 million, which will be distributed via the General Capital Grant. Approval is sought to increase the 2022/2023 Capital Programme by £1.887 million, reflecting South Lanarkshire's in-year allocation. £1.877m

Due to the timing of this funding announcement, only £0.300 million will spend in 2022/2023. Approval is sought to slip £1.577 million into the 2023/2024 Capital Programme. (£1.577m)

Early Years 1,140 Hours - Clyde Terrace, Bothwell

Due to a delay caused by the relocation of telecommunication and sewage services on site, the completion of the new nursery at Clyde Terrace, Bothwell has been delayed from August 2023 to November 2023. Approval is sought to move £1.040 million into the 2023/2024 Capital programme to match the revised project timescales. (€1.040m)

TOTAL ADJUSTMENTS (€1.408)

SOUTH LANARKSHIRE COUNCIL
 CAPITAL EXPENDITURE 2022/23
 GENERAL FUND PROGRAMME
 FOR PERIOD 1 APRIL 2022 TO 4 NOVEMBER 2022

£m

Total Budget (Executive Committee – 2 November 2022)	95.880
Proposed Adjustments – Period 8 (Appendix 1)	(1.408)
Projects with Uncertainty (Sections 4.3 - 4.4)	(16.200)
Total Revised Budget	78.272

<u>Resource</u>	<u>2022/23 Budget</u>	<u>Projects with Uncertainty</u>	<u>Period 8 Proposed Adjustments</u>	<u>Revised 2022/23 Budget</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Community & Enterprise	63.388	(14.400)	(0.718)	48.270
Education	14.608		(0.690)	13.918
Finance & Corporate	3.695			3.695
Housing & Technical	8.486			8.486
Social Work	3.903			3.903
Other Match Funding	1.800	(1.800)		-
TOTAL CAPITAL PROGRAMME	95.880	(16.200)	(1.408)	78.272

APPENDIX 3

**SOUTH LANARKSHIRE COUNCIL
CAPITAL EXPENDITURE 2022/23
GENERAL FUND PROGRAMME
FOR PERIOD 1 APRIL 2022 TO 4 NOVEMBER 2022**

	<u>2022/23</u> <u>Original</u> <u>Estimate inc</u> <u>C/F</u>	<u>2022/23</u> <u>Revised</u> <u>Budget</u>	<u>2022/23</u> <u>Budget to</u> <u>04/11/22</u>	<u>2022/23</u> <u>Actual to</u> <u>04/11/22</u>
Expenditure	£m	£m	£m	£m
General Fund Programme	95.232	78.272	28.936	29.530
Income	<u>2022/23</u> <u>Budget</u>	<u>2022/23</u> <u>Revised</u> <u>Budget</u>		<u>2022/23</u> <u>Actual</u> <u>To</u> <u>04/11/22</u>
	£m	£m		£m
Prudential Borrowing	55.416	30.673		30.673
Developers Contributions	6.552	0.050		0.050
Partners (Including High Blantyre Construction, SPT, Sustrans, and CARES)	1.745	3.865		1.462
Scottish Government:				
- Capital Grant	22.424	31.862		20.518
- Cycling, Walking and Safer Routes	2.154	2.887		0.000
- Vacant and Derelict Land	1.820	1.228		0.728
- Regeneration Capital Grant	1.720	1.370		0.157
- Town Centre Regeneration Fund	0.101	0.101		0.101
- Place Based Investment Programme	1.617	3.357		3.357
- Electric Vehicle Charging Infrastructure	0.118	0.118		0.089
- NSS Tec	0.000	0.040		0.040
Glasgow City Region City Deal	0.000	0.000		0.000
Capital Receipts	1.000	1.000		0.845
Specific Reserves	0.534	1.207		1.207
Revenue Contribution	0.031	0.514		0.514
TOTAL FUNDING	95.232	78.272		59.741

APPENDIX 4

SOUTH LANARKSHIRE COUNCIL
CAPITAL EXPENDITURE 2022/23
HOUSING PROGRAMME
FOR PERIOD 1 APRIL 2022 TO 4 NOVEMBER 2022

	<u>2022/23</u> <u>Original</u> <u>Budget</u> £m	<u>2022/23</u> <u>Revised</u> <u>Budget</u> £m	<u>2022/23</u> <u>Budget to</u> <u>04/11/22</u> £m	<u>2022/23</u> <u>Actual to</u> <u>04/11/22</u> £m
--	--	---	---	---

Expenditure

2022/23 Budget Incl. adjustment from 2021/22	52.230	66.361	30.739	30.783
---	--------	--------	--------	--------

	<u>2022/23</u> <u>Original</u> <u>Budget</u> £m	<u>2022/23</u> <u>Revised</u> <u>Budget</u> £m	<u>2022/23</u> <u>Actual to</u> <u>04/11/22</u> £m
--	--	---	---

INCOME

Capital Receipts	0.000	7.311	4.613
Capital Funded from Current Revenue	26.050	26.050	22.534
Prudential Borrowing	22.018	26.462	0.000
Scottish Government Specific Grant:			
- New Build	2.242	4.048	3.581
- Open Market Purchase Scheme	1.800	2.370	0.000
- Mortgage to Rent	0.120	0.120	0.055
	<u>52.230</u>	<u>66.361</u>	<u>30.783</u>