



# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>27 June 2018</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Capital Budget 2018/2019 and Monitoring for Period 3 - 1 April to 25 May 2018</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ consolidate the capital budget monitoring to give a Council-wide summary of the 2018/2019 Capital Programme including 2017/2018 carry forward. It includes information on two programmes: the General Fund Programme (being Education, Social Work, Roads and Transportation and General Services) and the Housing Investment Programme, which covers all investment in relation to the Council's Housing stock.
- ◆ update the Executive Committee of progress on the Capital Programme for the period 1 April 2018 to 25 May 2018.

## 2. Recommendation(s)

2.1. The Executive Committee is asked to approve the following recommendations:

- (1) that the revised budget for the General Fund Programme (Section 4) and Housing Programme (Section 5) for the year 2018/2019 as outlined in this report, be approved;
- (2) that monitoring and reporting arrangements are underway for all of the Council's Capital Programmes for 2018/2019, be noted;
- (3) that the Period 3 position (ended 25 May 2018) of the General Fund Capital Programme itemised at Appendices 1 – 3 and the Housing Capital Programme at Appendix 4, be noted;
- (4) that the adjustments to the General Fund Programme listed at Appendix 2, and the Housing Programme listed at Section 5.3. - 5.4., be approved;
- (5) that the revised programmes be monitored by the Financial Resources Scrutiny Forum.

## 3. Background

3.1. The 2018/2019 General Fund Capital Programme was presented to Executive Committee on 28 February 2018. This totalled £73.194 million and included previously approved allocations for the Primary Schools' Modernisation Programme (£10.744 million), Roads Investment Plan (£12 million), Street Lighting Improvement Programme (£1.641 million), Glasgow City Region City Deal Roads Projects (£21.535 million).

- 3.2. Since the approval of this report, a further two budget amendments which will increase the 2018/2019 Capital Programme by £1.175 million have been reported to Committee, namely the Rural Development Centre, Lanark - £0.800 million (Executive Committee, 16 May 2018) and Springhall Regeneration Project - £0.375 million (Executive Committee, 28 March 2018). Taking these adjustments together with the original programme gives a complete General Services Capital Programme for 2018/2019 of £74.369 million.
- 3.4. The Executive Committee also approved a total Housing Capital Programme budget for 2018/2019 of £44.935 million on 28 February 2018.
- 3.5. This report gives an update on the 2018/2019 budget of £74.369 million for the General Services Capital Programme (Section 4) and on the budget of £44.935 million for the Housing Capital Programme (Section 5). The monitoring position for both programmes, as at the end of period 3, is included in Section 7.

#### **4. General Services – 2018/2019 Base Budget**

- 4.1. As noted at section 3.2. above, the Council has an initial approved General Services budget of £74.369 million. The remainder of this section provides an update to give the base budget position for the year.
- 4.2. **2017/2018 Carry Forward:** As reported in the Final Outturn Report for 2017/2018, a separate report to this meeting, a carry forward total of £20.593 million will ensure sufficient budget is available to conclude ongoing projects within the General Fund Capital Programme.
- 4.3. **Transfers to Revenue:** The original budget for 2018/2019 included an allocation of £1.000 million for Private Housing Scheme of Assistance. However, as this expenditure cannot be classed as Capital, it has been transferred to Housing and Technical Resources' Revenue budget.
- 4.4. **Primary Schools' Modernisation Programme:** As noted in section 3.1., the 2018/2019 requirement reported to the Council was £10.744 million. Since then, the timing of expenditure has been reviewed to reflect the most up to date profile of works reallocating £1 million of the 2018/2019 budget requirement to 2019/2020. There has been no change in the timescales for delivery of the completed schools.
- 4.5. **Glasgow City Region City Deal:** A recent review of project expenditure has been undertaken which has included taking cognisance of the anticipated project approval dates by the City Deal Cabinet. To reflect actual profiling of spend, slippage of £11.861 million has been identified in the 2018/2019 Programme. These monies will be carried forward into future years, to conclude these projects.
- 4.6. **Social Work Residential Facilities:** Discussions on developing proposals for new care facilities are ongoing. The allocation of £5 million within 2018/2019 will be moved into financial year 2019/2020 at this point.
- 4.7. **Street Lighting:** The Column Renewal Programme commenced in June 2015, with the aim of replacing 7,253 of the existing lighting columns over a 5 year programme. It is now envisaged that these columns will be replaced ahead of schedule, with the full programme of column replacements completed by September 2018.

Based on this, financial savings of £3.123 million will also be realised from the original programme. This has been achieved through savings in material costs as a result of mini competitions being used to procure light fittings and also through improved productivity. This saving will result in a reduction to the 2018/2019 and 2019/2020 Programmes (£1.5 million and £1.623 million respectively) and has been realised as revenue savings.

- 4.8. **Education Information Computer Technology (ICT)**: Based on a review of the spend profile for the ICT refresh programme, slippage of £1.226 million has been highlighted which will be required in 2019/2020.
- 4.9. **Extension / Improvement of Cemeteries**: The timing of spend in relation to the extension and improvement of cemeteries is dependent on the availability of land. Land investigation work and acquisition negotiations will progress in 2018/2019 with land purchase costs of £1.5 million now likely to occur into 2019/2020.
- 4.10. **Property Investment**: Funding was provided over the 3 year capital programme for spend in relation to both the Prioritised Urgent Investment in Property project and Headquarters Fabric Upgrade project. The profile of spend has been reviewed and slippage of £0.550 million will be carried forward into 2019/2020 to complete the programme of works.
- 4.11. **Springhall Regeneration Project**: Planning in relation to the redevelopment of Springhall Community Hall is ongoing with the main contract works expected to commence on site in 2019, following consultation with the local community to inform the design and procurement process through 2018. The replacement of the existing library roof will commence on completion of the Community Hall project, allowing the relocation of the library service. This is now reflected in the 2018/2019 spend profile. The funding, including Regeneration Capital Grant funding which needs to be committed by the end of March 2019 (£0.250 million), will be carried forward into 2019/2020.
- 4.12. **2018/2019 General Services Base Budget Position**: Taking into account the movements noted in 4.2 – 4.11. above, the General Services Programme for 2018/2019 is £70.625 million. This is the base budget for the financial year.
- 4.13. This is summarised in the table below and is also shown in detail in Appendix 1 to this report.

	<b>2018/2019</b> <b>£m</b>
Approved Programme – 28 February 2018 (Section 3.1.) (including and Primary Schools' Modernisation Programme, Roads Investment Plan, Street Lighting Improvement Programme, Glasgow City Region City Deal and General Services)	73.194
Approved amendment – 28 March 2018 - Springhall Regeneration Project (Section 3.2.)	0.375
Approved amendment – 16 May 2018 - Rural Development Centre, Lanark (Section 3.2.)	<u>0.800</u>
	<b>74.369</b>

	<b>2018/2019</b>
	<b>£m</b>
	<b>74.369</b>
2017/2018 Carry Forward (Section 4.2.)	20.593
Transfer to Revenue (Section 4.3.)	(1.000)
Primary Schools' Modernisation Programme (Section 4.4.)	(1.000)
Glasgow City Region City Deal (Section 4.5.)	(11.861)
Social Work Residential Facilities (Section 4.6.)	(5.000)
Street Lighting (Sections 4.7.)	(1.500)
Education Information Computer Technology (Section 4.8.)	(1.226)
Extension / Improvement of Cemeteries (Section 4.9.)	(1.500)
Property Investment (Section 4.10.)	(0.550)
Springhall Regeneration Project (Section 4.11.)	(0.700)
<b>General Services Base Budget 2018/2019</b>	<b>70.625</b>

## **5. Housing – Update to 2018/2019 Programme**

- 5.1. As noted in section 3.4., the Executive Committee approved a total Housing Capital Programme budget for 2018/2019 of £44.935 million on 28 February 2018.
- 5.2. As per a separate report to this meeting, there is a net carry forward of £5.860 million from 2017/2018. This will be added to the 2018/2019 programme.
- 5.3. In addition, the council house new supply programme is continuing and the revised profile of expenditure projected for 2018/2019 will include an additional £2.269 million which will be funded by Scottish Government Grant of £2.269 million.
- 5.4. Finally, it is proposed that £0.600 million is added to the buy-back property targets which will be funded by Scottish Government Grant £0.300 million and an additional £0.300 million being met from borrowing. The proposed additional principal borrowed £0.300 million will be repaid over 40 years and will incur total additional interest costs of £0.186 million over this period, peaking at a maximum annual cost of £0.014 million. The additional borrowing costs and other costs associated with the proposed additional units will be met from the additional rent income and are affordable across the 40 years. Again, this will be added to the programme for 2018/2019.
- 5.5. The base budget for 2018/2019 budget therefore totals £53.664 million and this is the base budget for the year. This is detailed along with the funding sources at Appendix 4 to this report.

## **6. Employee Implications**

- 6.1. None

## **7. Financial Implications**

### **7.1. General Fund**

#### **7.1.1. 2018/2019 Budget**

Section 4.11. above shows the base budget for the financial year as £70.625 million. The detail of this across Resources is shown in Appendices 1 to the report.

7.1.2. In the first two months of financial year 2018/2019, amendments to the Capital Programme have been proposed by Resources totalling a net increase of £2.691 million. These have been included in this report in Appendix 2 for approval. If these proposals are approved, the total capital spending programme for the year will be £73.316 million.

7.1.3. The programme spend and funding for the General Fund is summarised in Appendix 3. Total funding of £73.316 million is available in year.

#### **7.1.4. 2018/2019 Monitoring**

Budget for the period is £5.373 million and spend to the 25 May 2018 is £5.443 million (7.42%).

7.1.5. Actual funding received to 25 May 2018 is £43.507 million (59.34%).

### **7.2. Housing Programme**

#### **7.2.1. 2018/2019 Monitoring**

Appendix 4 also shows the position on the Housing programme as at 25 May 2018. Budget for the period is £4.028million with spend of £4.028 million (7.51%).

7.2.2. Programmed funding for the year totals £53.664 million. As at 25 May 2018, actual funding of £4.028 million has been received.

7.2.3. Regular monitoring of both the General Fund Programme and the Housing Programme is carried out in detail by the Financial Resources Scrutiny Forum and reported on a regular basis to this Committee.

## **8. Other Implications**

8.1. 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.

## **9. Equality Impact Assessment and Consultation Arrangements**

9.1. 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.

9.2. 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)**

4 June 2018

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ Executive Committee, 28 February 2018
- ◆ Executive Committee, 28 March 2018
- ◆ Executive Committee, 16 May 2018

**List of Background Papers**

- ◆ Capital Ledger prints to 25 May 2018

**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](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

SOUTH LANARKSHIRE COUNCIL  
 CAPITAL EXPENDITURE 2018/2019  
 GENERAL FUND PROGRAMME  
 FOR PERIOD 1 APRIL 2018 TO 25 MAY 2018

APPENDIX 1

	£m	£m
<b>Original 2018/2019 Base Budget including Carry Forward</b>		<b>70.625</b>
Proposed Adjustments – Period 3		2.691
<b>Total Revised Budget including Carry Forward</b>		<b>73.316</b>

<u>Resource</u>	<u>Base 2018/2019 Budget</u> £m	<u>Period 3 Proposed Adjustments</u> £m	<u>Revised 2018/2019 Budget</u> £m
Community & Enterprise	37.307	1.161	38.468
Education	23.127	1.530	24.657
Finance & Corporate	1.522	0.000	1.522
Housing & Technical	8.349	0.000	8.349
Social Work	0.320	0.000	0.320
<b>Total</b>	<b>70.625</b>	<b>2.691</b>	<b>73.316</b>

**Proposed Adjustments****Community and Enterprise Resources****Strathclyde Partnership for Transport (SPT)**

Strathclyde Partnership for Transport have awarded this Council £0.915m to progress a number of schemes during 2018/2019, £0.091m of which has been carried forward from financial year 2017/2018. Approval is therefore sought to increase the 2018/2019 Capital Programme by the net increase of £0.824m. Projects to be carried out are shown in the table below:

Extension of Hamilton West Park and Ride – Detailed feasibility	£0.030m
Route Action Plans	£0.277m
Extension of Carstairs Park and Ride – Detailed feasibility	£0.025m
Bus Route Congestion Reduction Measures	£0.250m
National Strategic Cycle Routes	£0.164m
Bus Infrastructure Improvements	<u>£0.078m</u>
Total	£0.824m

**Kirkfieldbank Park - Phase 2**

Approval is sought to increase the 2018/2019 Capital Programme by £0.098m to fund the redevelopment of a second phase of works within Kirkfieldbank Park Play Area. Funding of £0.098m has been secured from Waste Recycling Environmental (WREN). £0.098m

**Clyde and Avon Valley Landscape Partnership**

Approval is sought to increase the 2018/2019 Capital programme by £0.240m to reflect additional funding received from Heritage Lottery Fund (£0.164m) and Smarter Choices Smarter Places (£0.075m). This funding will be used towards specific projects identified in the Landscape Conservation Action Plan (LCAP). £0.239m

**Education Resources****Early Years – 1,140 Hours Expansion**

Confirmation was received from the Scottish Government on 1 May 2018 of a total funding allocation for this Council of £19.240m for the expansion of Early Learning and Childcare to 1,140 hours. £1.740m has already been received in 2017/2018 with further allocations for 2018/2019 (£5.900m), 2019/2020 (£6.900m) and 2020/21 (£4.700m). Approval is sought to increase the 2018/2019 Capital Programme by £1.530m to allow early design and implementation work to progress. £1.530m

**Minor Adjustments****£0.000m****Total Adjustments****£2.691m**



SOUTH LANARKSHIRE COUNCIL  
 CAPITAL EXPENDITURE 2018/2019  
 GENERAL FUND PROGRAMME  
 FOR PERIOD 1 APRIL 2018 TO 25 MAY 2018

**APPENDIX 3**

	<u>2018/2019</u> <u>Original</u> <u>Estimate</u> <u>inc C/F</u> £m	<u>2018/2019</u> <u>Revised</u> <u>Budget</u> £m	<u>2018/2019</u> <u>Budget to</u> <u>25/05/18</u> £m	<u>2018/2019</u> <u>Actual to</u> <u>25/05/18</u> £m
<b>Expenditure</b>				
<b>General Fund Programme</b>	70.625	73.316	5.373	5.443
<b>Income</b>	<u>2018/2019</u> <u>Budget</u> £m	<u>2018/2019</u> <u>Revised</u> <u>Budget</u> £m		<u>2018/2019</u> <u>Actual</u> <u>To</u> <u>25/05/18</u> £m
Prudential Borrowing	33.891	33.891		33.891
Heritage Lottery / Sportscotland Grant	0.124	0.288		0.168
Developers Contributions	1.550	1.550		0.505
Partners (Including SPT, Forestry Commission, Transport Scotland, Timber Income, and Renewable Energy Fund)	0.619	1.616		0.212
Scottish Government:				
- Capital Grant	27.607	27.607		4.601
- Cycling, Walking and Safer Streets	0.432	0.432		0.000
- Vacant and Derelict Land	2.316	2.316		1.415
- Early Years 1,140 Hours	0.970	2.500		0.971
- Regeneration Capital Grant	0.850	0.850		0.000
Specific Reserves	1.244	1.244		1.244
Capital Receipts	0.500	0.500		0.500
Capital Financed from Current Revenue	0.522	0.522		0.000
<b>TOTAL FUNDING</b>	<b>70.625</b>	<b>73.316</b>		<b>43.507</b>

SOUTH LANARKSHIRE COUNCIL  
 CAPITAL EXPENDITURE 2018/2019  
 HOUSING PROGRAMME  
 FOR PERIOD 1 APRIL 2018 TO 25 MAY 2018

APPENDIX 4

	<u>2017/2018</u> <u>Annual</u> <u>Budget</u>  <u>£m</u>	<u>2018/2019</u> <u>Estimate</u> <u>to</u> <u>25/05/18</u> <u>£m</u>	<u>2018/2019</u> <u>Actual</u> <u>to</u> <u>25/05/18</u> <u>£m</u>
<b>EXPENDITURE</b>			
2018/2019 Budget incl carry forward from 2017/2018	53.664	4.028	4.028

	<u>2018/2019</u> <u>Annual</u> <u>Budget</u>  <u>£m</u>	<u>2018/2019</u> <u>Actual</u> <u>to</u> <u>25/05/18</u> <u>£m</u>
<b>INCOME</b>		
Capital Receipts – House Sales	0.000	0.064
Capital Receipts – Land Sales	2.000	0.023
Capital Funded from Current Revenue	23.730	3.941
Prudential Borrowing	21.602	0.000
Specific Grant		
- Scottish Government – New Council Houses	4.963	0.000
- Scottish Government – Buy Backs	0.900	0.000
- Scottish Government – Mortgage to Rent	0.120	0.000
- Scottish Natural Heritage	0.349	0.000
	53.664	4.028