

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>22 September 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Capital Programme 2021/2022 Update and Monitoring for Period 5 – 1 April 2021 to 13 August 2021</b>
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## 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 2021 to 13 August 2021.

## 2. Recommendation(s)

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

- (1) that the Period 5 position (ended 13 August 2021) 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 Appendix 1, and the Housing Programme at Section 5, 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 13 August 2021. 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. **2021/2022 Budget:** The budget agreed at Executive Committee on 25 August 2021 was £85.415 million. A revised programme of £83.304 million is now anticipated, which includes adjustments to the programme totalling a net decrease of £2.111 million, which are proposed in Appendix 1.

4.2. The adjustments include funding for the replacement for the Council's Human Resources / Finance system, which was approved by the Finance and Corporate Resources Committee on 1 September 2021.

- 4.3. **Period 5 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 £83.304 million.
- 4.4. Budget for the period is £16.300 million and spend to the 13 August 2021 is £16.003 million, a slight underspend of £0.297 million.
- 4.5. Actual funding received to 13 August 2021 is £56.600 million.
- 4.6. Relevant officers will continue to closely monitor the generation of all income including receipts.

## **5. Housing Capital Programme**

- 5.1. **2021/2022 Budget:** Appendix 4 summarises the position on the Housing programme as at 13 August 2021. The revised capital programme for the year was £94.360 million, as approved by the Executive Committee on 23 June 2021.
- 5.2. As advised previously, the New Build Housing Programme has now been reviewed and it is proposed that projects totalling £14.720 million move into financial year 2022/2023. This reflects revised timescales and estimated completion dates across a number of sites including: the former Craighbank Primary (£6m) which has experienced planning delays due to Nature Scotland objections; Kirk Street, Strathaven (£1m), East Kilbride Community Growth Area (£1m) and East Whitlawburn, Regeneration HUB South West (£3m) where negotiations and legal discussions have resulted in delays; and finally, the Bent Hall Farm, Shields Road site (£3m) where a fire affected 4 units on the site and caused delays to the construction programme.
- 5.3. Funding totalling £14.720 million for these projects will also move into 2022/2023 being borrowing (£12.478m) and government grant (£2.242m).
- 5.4. As a result, a revised programme of £79.640 million is presented for approval. Programmed funding for the year also totals £79.640 million. The funding sources are also detailed in Appendix 4.
- 5.5. Given the continued issues with shortages of some materials and price increases, the timescales for the Housing Investment Programme (HIP) will continue to be monitored and a revised position will be presented to a future meeting of this Committee for approval, if required.
- 5.6. **Period 5 Position:** Budget for the period is £26.079 million and spend to 13 August 2021 amounts to £26.065 million.
- 5.7. As at 13 August 2021, £26.065 million of funding had been received.
- 5.8. 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. Contract Prices**

- 6.1. As reported last period, the construction materials supply chain has been subject to unprecedented disruption by the Coronavirus (COVID-19) Pandemic. Materials shortages, longer lead times and steep price increases will continue to impact the

supply chain with the risk this will have a significant impact on the delivery of the Council's capital and maintenance / repair programmes.

- 6.2. Various options are being employed by Property Services and Procurement, where appropriate, in order to mitigate these risks. Options include reducing the price validity period from the standard 180 days to 120 or 90 days in order to stimulate the market and secure more bids, as well as including material fluctuations in contract clauses to avoid contractors building in potential future price increases. This will also ensure that tenderers submit prices which can be evaluated on a like for like basis.
- 6.3. As noted at Section 5.5, Housing and Technical Resources are also reviewing whether work in certain areas should be delayed due to the current uncertainty in the market, as prices will be inflated and materials difficult to source.
- 6.4. Further updates will be provided in the coming months with any significant increases in contract values and project timescales being brought to members' attention.

## **7. Employee Implications**

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

## **8. Financial Implications**

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

## **9. Climate Change, Sustainability and Environmental Implications**

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

## **10. Other Implications**

- 10.1. The main risk associated with the Council's Capital Programme is an overspend. The risk had 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.
- 10.2. As noted at Section 6, the Coronavirus (COVID-19) Pandemic has led to materials shortages, longer lead times and steep price increases and this will continue to impact the supply chain for the foreseeable future. The impact of this will 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.

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

- 11.1. 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.
- 11.2. 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)**

25 August 2021

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

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ Executive Committee, 25 August 2021

**List of Background Papers**

Capital Ledger prints to 13 August 2021

**Contact for Further Information**

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

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SOUTH LANARKSHIRE COUNCIL  
CAPITAL EXPENDITURE 2020/21  
GENERAL SERVICES PROGRAMME  
FOR PERIOD 1 APRIL 2021 TO 13 AUGUST 2021

**Proposed Adjustments**

**Community and Enterprise Resources**

**Alexander Hamilton Memorial Park – Woodland Management**

Approval is sought to increase the 2021/22 Capital Programme by £0.077m to support the delivery of a woodland management action plan within the Alexander Hamilton Memorial Park, Stonehouse. This will be funded from a previous revenue contribution transferred to reserves for this project and will augment the existing 2021/2022 capital programme allocation for this project (£0.019m) to give a total budget of £0.096m. Further external funding bids will be sought and, if successful, added to the programme. £0.077m

**Renewal of Play Parks**

The Scottish Government have allocated £60 million of capital funding to Local Authorities in line with their manifesto commitment to renew play parks across Scotland. The first £5 million has been allocated in 2021/2022 and South Lanarkshire' share of this is £0.298m, which will be distributed via the General Capital Grant. Distribution of the remaining £55 million funding in future years has still to be confirmed. £0.298m

Approval is sought to increase the 2021/2022 Capital Programme by £0.298 million, reflecting South Lanarkshire's in-year allocation. A report will be presented to the next Community and Enterprise Resources Committee on 28 September 2021 providing an update on how this funding could be allocated to projects.

**Nature Restoration Fund**

Scottish Government have confirmed Nature Restoration Fund (NRF) capital funding of £5 million to be spent in 2021-22 to support new, or to enhance existing, approaches to restoring biodiversity across Scotland. South Lanarkshire have been allocated £0.264 million in 2021/2022, which will be distributed via the General Capital Grant. £0.264m

Approval is sought to increase the 2021/2022 Capital Programme by £0.264 million. Officers are currently working on proposed projects which could be delivered in 2021/2022.

**Education Resources**

**Early Years 1,140 Hours - Clyde Terrace, Bothwell**

Approval is sought to slip £2.750m into the 2022/23 Capital programme to undertake the construction of the new nursery at Clyde Terrace, Bothwell. This reflects the profiling of spend following planning consent in June 2021. (£2.750m)

**Finance and Corporate Resources**

As detailed in a separate report to the Finance and Corporate Resources Committee (1 September 2021), the upgrade of Oracle Human Resources / Finance

systems to Oracle Fusion is the preferred option to progress transformation change within the Council.

The overall cost of replacing the existing system is estimated at around £8.240m which is made up of system purchase and development costs (£6.548m) as well as net licence and borrowing costs for the first 2 years of the project (£1.692m). This will be funded by existing capital budgets (£2.557m), which are included in the 2022/2023 Programme.

It is proposed the balance of funds are borrowed. This borrowing will likely be required in 2022/2023. As such, there is no change to the current year programme.

The new system will allow savings to be made that will cover the costs of running the new system, and the costs of borrowing for the project (£0.397m per annum). After meeting these costs there will be a further £1.2m of savings for the Council.	£5.683 (5.683m)
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Minor Adjustments	£0.000m
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<b>TOTAL ADJUSTMENTS</b>	<b>(£2.111m)</b>
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## APPENDIX 2

SOUTH LANARKSHIRE COUNCIL  
CAPITAL EXPENDITURE 2021/22  
GENERAL FUND PROGRAMME  
FOR PERIOD 1 APRIL 2021 TO 13 AUGUST 2021

£m

**Total Budget** **85.415**

Proposed Adjustments – Period 5 (2.111)

**Total Revised Budget** **83.304**

	<u>2021/22</u> <u>Budget</u>	<u>Period 5</u> <u>Proposed</u> <u>Adjustments</u>	<u>Revised</u> <u>2021/22</u> <u>Budget</u>
<u>Resource</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Community & Enterprise	46.925	0.639	47.564
Education	20.400	(2.750)	17.650
Finance & Corporate	2.776	-	2.776
Housing & Technical	8.546	-	8.546
Social Work	6.768	-	6.768
<b>TOTAL CAPITAL PROGRAMME</b>	<b>85.415</b>	<b>(2.111)</b>	<b>83.304</b>

# APPENDIX 3

## SOUTH LANARKSHIRE COUNCIL CAPITAL EXPENDITURE 2021/22 GENERAL FUND PROGRAMME FOR PERIOD 1 APRIL 2021 TO 13 AUGUST 2021

	<u>2021/22</u> <u>Original</u> <u>Estimate inc</u> <u>C/F</u>	<u>2021/22</u> <u>Revised</u> <u>Budget</u>	<u>2021/22</u> <u>Budget to</u> <u>13/08/21</u>	<u>2021/22</u> <u>Actual to</u> <u>13/08/21</u>
<b>Expenditure</b>	£m	£m	£m	£m
<b>General Fund Programme</b>	85.066	83.304	16.300	16.003
<b>Income</b>	<u>2021/22</u> <u>Budget</u>	<u>2021/22</u> <u>Revised</u> <u>Budget</u>		<u>2021/22</u> <u>Actual</u> <u>To</u> <u>13/08/21</u>
	£m	£m		£m
Prudential Borrowing	40.289	37.145		37.145
Developers Contributions	4.474	4.474		3.129
Partners (Including SPT, Sustrans, Clyde Wind Farm and CARES)	4.647	4.647		0.978
Scottish Government:				
- Capital Grant	21.362	21.924		5.341
- Cycling, Walking and Safer Routes	1.912	1.912		0.000
- Vacant and Derelict Land	0.831	0.831		0.416
- Early Years 1,140 Hours	2.024	2.024		2.024
- Regeneration Capital Grant	1.230	1.230		1.230
- Town Centre Regeneration Fund	2.739	2.739		2.739
- Place Based Investment Programme	2.003	2.003		2.003
- Gaelic Capital Fund	0.038	0.038		0.038
- Gypsy Travellers	0.107	0.107		0.107
Glasgow City Region City Deal	2.386	2.780		0.000
Specific Reserves	1.024	1.450		1.450
<b>TOTAL FUNDING</b>	<b>85.066</b>	<b>83.304</b>		<b>56.600</b>



SOUTH LANARKSHIRE COUNCIL  
CAPITAL EXPENDITURE 2021/22  
HOUSING PROGRAMME  
FOR PERIOD 1 APRIL 2021 TO 13 AUGUST 2021

	<u>2021/22</u> <u>Annual</u> <u>Budget</u> £m	<u>2021/22</u> <u>Budget to</u> <u>13/08/21</u> £m	<u>2021/22</u> <u>Actual to</u> <u>13/08/21</u> £m
<b>Expenditure</b>			
2021/22 Budget Incl. adjustment from 2020/21	79.640	26.079	26.065

	<u>2021/22</u> <u>Annual</u> <u>Budget</u> £m	<u>2021/22</u> <u>Actual to</u> <u>13/08/21</u> £m
<b>INCOME</b>		
Capital Funded from Current Revenue	19.637	19.637
Prudential Borrowing	50.532	5.622
Scottish Government Specific Grant:		
- New Build	7.191	0.806
- Open Market Purchase Scheme	2.160	0.000
- Mortgage to Rent	0.120	0.000
	<u>79.640</u>	<u>26.065</u>