

Report

Report to:	South Lanarkshire Council (Special)
Date of Meeting:	23 February 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2022/2023 Capital Programme Update
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ Provide the Council with a proposed General Services Capital Programme for financial year 2022/2023, reflecting the spend requirements identified by Resources and the availability of funding.

2. Recommendation(s)

- (1) That the 2022/2023 Capital Programme totalling £82.284 million (Section 4.10) and detailed in Appendix 3 be approved.

3. Background

- 3.1. When the current General Services Capital Programme comes to an end (at the end of 2021/2022), there is no approved programme for financial year 2022/2023 and beyond.
- 3.2. A proposed capital programme for 2022/23 has been drafted for consideration by members. Section 4 develops a proposed programme for 2022/2023 considering ongoing programmes of work and priorities, our commitments from the approved Glasgow City Region City Deal Programme as well as incorporating the programme moves and additions from financial year 2021/2022. The funding available in-year is discussed at Section 5. This report will also provide an update on the principles underpinning the Capital Investment strategy (section 6) in line with the main requirements of the Prudential Code.

4. Proposed 2022/2023 Capital Programme

- 4.1. In addition to any new requirements for 2022/2023, there are approved ongoing commitments from previous financial years which need to be reflected in the 2022/2023 programme. This includes our commitments from the approved Glasgow City Region City Deal Programme, Education Growth and Capacities (in line with the approach taken in compiling previous year's capital programmes). Each is taken in turn in sections 4.2 to 4.9 below.
- 4.2. **Ongoing Programmes of Work (£20.250m):** In line with the Capital Programme, there are a number of projects which need to be included in the capital programme to support ongoing programmes of work. These total £20.250 million for 2022/2023 and are in addition to monies slipped from previous years for these projects. The projects and their values are noted in Appendix 1.
- 4.3. **New Priorities Identified for 2022/2023 (£5.230m):** In addition to the projects already identified either in existing Capital Programmes or through the Capital Strategy, there are new projects which are considered a priority for 2022/2023.

These projects total £5.230 million with the projects and their individual rationale detailed in Appendix 2. Agreeing to these projects will also commit the Council to further capital expenditure of £0.686 million beyond 2022/2023 being Library IT Infrastructure Upgrade Costs (£0.036m) and Roads Depots – New Modular Accommodation (£0.650m).

- 4.4. **Specific Capital Projects (£3.203m):** In addition to the projects detailed above, the Local Government Finance Settlement announced in December 2021, allocated £3.203 million of grant funding for specific projects. This includes specific grants for Vacant and Derelict Land (£0.737m) and Cycling, Walking and Safer Streets (£1.404m). In addition, funding of £1.062 million has been made available through the Local Bridge Maintenance Fund.
- 4.5. **Glasgow City Region City Deal (£3.357m):** There are a number of projects which are being progressed as part of the Glasgow City Region City Deal Programme and these need to be added to the 2022/2023 Capital Programme. Based on current predictions, additional spend totalling £3.357 million will be incurred in 2022/2023. This excludes slippage from the 2021/2022 Programme (Section 4.8). This will be funded by temporary borrowing, in line with the approved funding package for the City Deal programme.
- 4.6. **Education Growth and Capacities (£1.218m):** Accommodation pressures in the Early Years and School sectors exist, 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 these projects were expected to be funded from developer's contributions / City Deal, with the balance required to be funded by the Council.
- 4.7. A review of the priority projects required for 2022/2023 has 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 4.5) and slippage from previous years (Section 4.8). It is proposed that the balance of projects totalling £1.218 million (those funded from developer contributions) will now be added to the 2022/2023 Capital Programme. A full list of these projects is included in Appendix 2.
- 4.8. **2021/2022 Net Movements (£45.829m):** In addition to the projects identified above, there were project movements from 2021/2022 which were approved by Executive Committee throughout the year. These movements total £60.732 million and reflect the 2021/2022 budget not required in year. £45.829-million of the £60.732 million total budget is required in financial year 2022/2023 and this has been included within the full analysis of the proposed 2022/23 capital programme included in Appendix 3. Provision will be made for the balance of projects (£14.903 million) as part of future year capital programmes.
- 4.9. **New Projects Approved During 2021/2022 (£3.197m):** Specific projects were approved by Council Committees during 2021/2022 and for 2022/2023 new budget allocations totalling £3.197 million will be required for: Newton Farm Primary School Extension (£1.569m - Executive Committee, 26 May 2021), and SWiS Plus Replacement (£1.628m - Social Work Resources Committee, 2 June 2021).
- 4.10. **2022/2023 Capital Programme Summary:** Taking into account the proposals covered in sections 4.2 to 4.9 a budget of £82.284 million is required in 2022/2023. This is summarised in table 1 below, with a full list of the projects which make up this £82.284 million total detailed in Appendix 3.

Table 1: Compilation of the 2022/2023 Capital Programme

	2022/2023 Capital Programme £m
Ongoing Programmes of Work (<i>section 4.2 and Appendix 1</i>)	20.250
New Priority Projects (<i>section 4.3 and Appendix 2</i>)	5.230
Specific Capital Projects (<i>section 4.4</i>)	3.203
Glasgow City Region City Deal (<i>section 4.5</i>)	3.357
Education Growth and Capacities (<i>sections 4.6 – 4.7</i>)	1.218
2021/2022 Net Movements (<i>sections 4.8</i>) (£60.732m slippage from 2021/2022 less £14.903m slippage into 2023/2024)	45.829
New Projects Approved in 2021/2022 (<i>section 4.9</i>)	3.197
Total 2022/2023 Capital Programme	82.284

5. 2022/2023 Capital Programme - Funding Available

5.1. A core element of any Capital Programme is the level of funding available to support the programme. For financial year 2022/2023 total funding of £82.284 million is available to fund the Capital Programme. This includes General Capital Grant (£22.424m), Capital Receipts (£1m), Borrowing (£5.764m), Developer Contributions (£2.008m), Specific Capital Grants (£2.141m) and Funding Carried Forward from previous financial years (£48.947m). A detailed breakdown of these funding sources is included in Appendix 4.

6. Key Highlights from the Capital Investment Strategy

6.1. As the revised Prudential Code for Capital Finance in Local Authorities 2017 requires councils to produce a Capital Strategy, the Council's Executive Committee approved a Future Capital Investment Strategy (Capital Strategy) on 21 November 2018.

6.2. The key issues and risks that will impact on the delivery of the Capital Strategy, how the Capital Strategy and Treasury Management Strategy are aligned, and the governance framework required to ensure the Capital Strategy can be delivered have been updated for financial year 2022/2023 and are detailed in Appendix 5.

7. Employee Implications

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

8. Financial Implications

8.1. A Capital Programme for financial year 2022/2023 totalling £82.284 million has been proposed in this report. Details as to how this Programme has been arrived at are shown in Section 4. Details of the new projects proposed have been included in Appendix 2 with the full Programme listed in Appendix 3.

8.2. Section 5 details the funding available in-year of £82.284 million with a breakdown included in Appendix 4.

8.3. Moving forward consideration will have to be given to the level of programme which can be delivered, given the funding available. As noted at Section 4.3, agreeing to the new priority projects for 2022/2023 will commit the Council to expenditure in future years totalling £0.686 million. In addition, projects totalling £14.903 million (Section 4.8) have slipped, along with borrowing of £0.329 million and external funding of £1.456 million. Consideration will need to be given to providing funding

for the balance (£13.118m) in future years in the first instance, to enable these projects to complete.

- 8.4. It is anticipated that the council will still be operating in very changeable and fluid market conditions due to the ongoing impact of the pandemic, the withdrawal from the EU and consequential increases in inflation and labour market shortages. Officers will continue to monitor these conditions however, Council should be aware of the potential disruption to the 2022/23 Capital Programme in similar terms to that experienced over the preceding two financial years.

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 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.
- 10.2. 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)

8 February 2022

Link(s) to Council Vision/Priorities/Values

- Accountable, Effective, Efficient and Transparent

Previous References

- Executive Committee, 21 November 2018 - Future Capital Investment Strategy
- Executive Committee, 26 May 2021 – Expansion of Newton Farm Primary School
- Social Work Resources Committee, 2 June 2021 - SWISPlus Replacement

List of Background Papers

None

Contact for Further Information

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

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Ongoing Programmes of Work Considered for 2022/2023 Programme

Project Name and Description	2022/23 (£m)
<p>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 £1.8m per annum is required.</p>	1.800
<p>Roads Carriageways and Associated Infrastructure Investment of £10m in Roads Carriageways and associated infrastructure. This would continue the investment of £10m provided in 2021/22.</p>	10.000
<p>IT Infrastructure Investment is required in order to maintain 'business as usual'. It is estimated that an average £0.450 million per annum will be required to cover refresh exercises (servers, networks and storage) as well as data security, resilience and disaster recovery.</p>	0.450
<p>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. An allocation of £0.750m, when augmented with the £0.250 million carried over from 2021/2022, would continue the £1m investment provided in previous financial years.</p>	0.750
<p>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.</p>	4.800
<p>Prioritised Urgent Investment in Property Assets The continuation of the previous model to meet urgent essential works needed on all Council properties. An allocation of £1.7m, when augmented with the £0.930 million carried over from 2021/2022, would allow spend of £2.630m to be achieved in 2022/2023.</p>	1.700
<p>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 £0.750m, along with funding carried forward from 2021/2022 of £0.088m, could be spent in 2022/2023.</p>	0.750
Total Ongoing Programmes of Work	20.250

2022/2023 Proposed New Capital Projects

Project Name and Description	2022/23 (£m)
<p>Library IT Infrastructure Upgrade Costs Refresh of end-of-life network hardware infrastructure in libraries to both maintain service and data security. Network routers will be refreshed in 18 libraries including: Bothwell, Burnbank, East Kilbride, Cambuslang, Cathkin, Rutherglen, Larkhall, Uddingston, Blantyre, Stonehouse, Hamilton Townhouse, Fairhill, Lesmahagow, Greenhills, Halfway, St Leonards, Lanark and Hillhouse. If devices are not refreshed, then there is a high risk of network outages resulting in no internet access for library staff and users. The total cost of this project is £0.266 million, with the remaining £0.036 million of investment required in 2023/2024 to conclude these works.</p>	0.230
<p>Digital Transformation Fund This will fund projects resulting from digital transformation reviews including business process redesign, implementation of new technologies to support digital strategy, systems modernisation and projects to automate, streamline and standardise business operations to improve services and generate efficiencies.</p>	0.200
<p>Roads Depots - New Modular Accommodation Replacement of modular accommodation units at Lesmahagow and Carnwath Roads Depots, which are now in a condition where refurbishment or replacement is becoming necessary. This £0.650 million allocation will allow works to be prioritised in 2022/2023, with further investment of £0.650 million being required in 2023/2024.</p>	0.650
<p>Community Alarms Replacement By 2025 the public switched telephone network (PSTN) will be switched off as telecommunication companies move to newer digital technology. Capital investment of £0.400 million was provided in 2020/2021 to consider options around how the Council progress the implementation of a digitally compliant Alarm Receiving Centre service and procure and install the required technology and peripherals within individual service user and group housing accommodation premises. £0.260 million of this initial allocation has carried forward into 2022/2023.</p> <p>This is essential works to ensure alarms will continue to operation, and to conclude the requirement to move to digital alarms, a further £2.350 million is required in 2022/2023 to purchase and install devices and peripherals.</p>	2.350
<p>External Funding Bids - Match Funding The United Kingdom Government has pledged funding to regenerate town centres and high streets, support individuals into employment, improve local transport links and invest in local culture new investment programmes, particularly as we recover from the COVID-19 pandemic. Funding pots available include:</p> <ul style="list-style-type: none"> • The Community Renewal Fund 	1.800

<ul style="list-style-type: none"> • The Levelling Up Fund • The Community Ownership Fund <p>This external funding will be distributed to projects following successful bid submissions. Given the significant amount of funding available, it is considered prudent to set aside match funding of £1.8 million which would augment any strengthen future bid applications to these funds.</p>	
TOTAL NEW PRIORITY PROJECTS	£5.230m
<p><u>Education Growth and Capacities</u></p> <p>Additional accommodation pressures in the Early Years and School sectors exist, due to a growth in predicted pupil numbers related to general population growth and significant new housing development across the Council area.</p> <p>Following a review by Education Resources, new priority projects required for 2022/2023 total £1.218m (those funded from developer contributions) and include:</p> <ul style="list-style-type: none"> • Larkhall Academy (£0.300m), • Our Lady of Lourdes (£0.300m), • Crawforddyke Primary School - Convert Nursery to Classrooms (£0.150m), • Uddingston Grammar Adaptations (£0.248m), • St Andrews and St Brides (£0.200m) and • Strathaven ICT (£0.020m). 	1.218
TOTAL EDUCATION GROWTH AND CAPACITIES	£1.218m

2022/2023 Summary of Capital Programme Expenditure

(including slippage from previous years)

	2022/2023 Proposed Programme (£m)
Community and Enterprise Resources	
Lanark Library, Lindsay Institute	0.300
Larkhall Leisure Centre (includes £3m City Deal) / Leisure Facility Development	9.000
Library IT Infrastructure Upgrade Costs	0.230
Extension / Improvement of Cemeteries	0.197
Synthetic and Grass Pitches	0.245
Memorial Headstones	0.200
Ash Die Back Programme	0.100
Langlands Boardwalk	0.006
Switched on Fleet	0.213
Country Parks - Horseshoe Bridge, Calderglen	0.150
White Bridge Replacement, Chatelherault Country Park	0.221
Renewal of Play Parks	0.268
Hamilton Palace Grounds Play Area	0.184
Abington Campus for Enterprise	0.271
Rural Development Centre, Lanark	0.800
Town Centre Funding	0.500
Vacant and Derelict Land (includes new allocation for 2022/2023 of £0.737m)	1.194
Glasgow City Region City Deal – Community Growth Areas	11.384
Roads Carriageways and Associated Infrastructure	11.000
Clyde Bridge	2.837
Roads Structures	2.653
Roads Salt Barns	0.274
Cycling, Walking and Safer Routes	1.916
Hamilton International Technology Park	-
Prettsmill Bridge	0.015
Roads Depot Repairs - Modular Accommodation (Lesmahagow / Carnwath)	0.650
Glasgow City Region City Deal – Roads	2.093
Total Community and Enterprise Resources	46.901
Education Resources	
St Mary's Primary School, Hamilton - Extension	0.020
St Charles Primary School Extension	0.143
St Mark's Primary School, Hamilton - Extension	1.068
Newton Farm Primary School – Extension	1.869
Schools Information Communication Technology (ICT) Development	3.180
Early Years 1,140 Hours – Clyde Terrace	3.145
Uddingston Nursery Expansion	0.250
Castlefield Primary School Extension	0.250
Cathkin and Trinity Learning Community	0.100
Skylark Nursery at Robert Smillie	1.852
Hamilton CGA Nursery Expansion	0.250

Appendix 3 (contd.)

	2022/2023 Proposed Programme (£m)
Education Resources (cont)	
St Andrews and St Brides	0.200
Crawforddyke Primary School – Convert Nursery to Classrooms	0.150
Uddingston Grammar – Adaptations	0.248
Larkhall Academy – Adaptations	0.300
Our Lady of Lourdes	0.300
Minor Adaptations	0.043
Total Education Resources	13.368
Finance and Corporate Resources	
IT Infrastructure – Business As Usual	0.450
Digital Transformation Review Fund	0.200
Oracle Fusion	1.794
Total Finance and Corporate Resources	2.444
Housing and Technical Resources	
Private Housing Scheme of Assistance	1.000
Planned Asset Management	4.800
Prioritised Urgent Investment in Property Assets	3.310
Principal Offices – Fabric and Service Investment	0.650
Lifecycle Replacement – Schools	0.838
Lock Ups	0.150
Total Housing and Technical Resources	10.748
Social Work Resources	
Blantyre Care Facility	2.571
Community Alarms – Analogue to Digital	2.610
SWIS Plus Replacement	1.842
Total Social Work Resources	7.023
Other	
Match Funding for External Funding Bids	1.800
Total Other	1.800
Total Proposed 2022/2023 Capital Programme	82.284

2022/2023 Capital Programme – Funding Available

Funding Source	Ref	Total Funding Available (£m)
General Capital Grant	1	21.362
General Capital Grant – Local Bridge Maintenance Fund	1	1.062
Capital Receipts	2	1.000
Borrowing – City Deal	3	3.357
Borrowing – New Projects	3	2.407
Developers Contributions	4	2.008
Specific Capital Grants	5	2.141
<u>Funding Carried Forward</u>	6	
Existing Borrowing – Previous Years		43.734
Specific Capital Grants		2.919
Developers Contributions		2.108
Reserves		0.050
Other External Contribution		0.136
Total Funding Available		82.284
Proposed 2022/2023 Capital Programme (Appendix 3)		82.284
Funding Surplus / (Shortfall)		-

1. General Capital Grant (£22.424m)

The Finance Circular (December 2021) announced a 2022/2023 General Capital Grant for South Lanarkshire of £22.424 million. As discussed at section 4.4, £1.062 million of this allocation relates to the Local Bridge Maintenance Fund. Removing the Local Bridge Maintenance Fund from the £22.424 million allocation results in General Capital Grant funding of £21.362 million.

2. Capital Receipts (£1.000m)

An annual target of £1 million was incorporated into the Capital Strategy. The target of £1 million for 2022/2023 is considered realistic and achievable and this will continue to be monitored.

3. Borrowing (£5.764m)

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 2022/2023 this will total £3.357 million (Section 4.5).

The Executive Committee have also approved additional borrowing to undertake the Newton Farm Primary School Extension (Executive Committee, 26 May 2021) and SWis Plus Replacement (Social Work Resources Committee, 2 June 2021). For 2022/2023 borrowing of £2.407 million is required being: Newton Farm (£0.779m) and SWis Plus (£1.628m).

4. Developer Contributions (£2.008m)

Contributions from developers will be used to undertake specific growth and capacity projects required within the school estate. For 2022/2023, £1.218 million has been included, as detailed at section 4.7, along with a contribution to the new extension project at Newton Farm Primary School (£0.790m). This is in addition to the funding carried forward from financial year 2021/2022 (see section 6).

5. Specific Capital Grants (£2.141m)

As detailed at Section 4.4, specific grant funding has been provided in 2022/2023 for Vacant and Derelict Land (£0.737m) and Cycling, Walking and Safer Streets (£1.404m). There will be other sources of specific capital grant funding for 2022/2023 (e.g. Free School Meals). These have not been included in either spend or income as the values are currently unknown. However, it is anticipated that expenditure levels will be matched to the funding available, with the exception of Free School Meals where there is a risk that the funding available will be insufficient to meet the capital requirements.

6. Funding Carried Forward (£48.947m)

Funding totalling £48.947 million is available from financial year 2021/2022 for projects which have carried forward. This funding includes Borrowing (£43.734m), Specific Capital Grants (£2.919m), Developers Contributions (£2.108m), Reserves (£0.050m) and other partner contributions (£0.136m).

Principles underpinning the Capital Investment Strategy

1. Key issues and risks that will impact on the delivery of the Capital Investment Strategy and other long-term liabilities

The Prudential Code requires the Council to identify the long-term implications, both financial and operational, and the potential risks to service delivery through non-investment in our assets. The Council's appetite for risk is taken into account in establishing the Capital Strategy.

There are no proposals in this report which would impact on the Council's long-term liabilities that have not been considered, such as long-term borrowing, or provisions.

2. The Alignment of the Capital Strategy and Treasury Management Strategy

The Prudential Code requires that the Council's Capital Strategy be aligned with the Treasury Management Strategy which is approved by the Executive Committee annually as part of the budget setting process. This Treasury Management report is also being presented to this Meeting for approval.

The capital programme determines the borrowing need of the Council, the Treasury Management process essentially monitors the longer-term cash flow planning, to ensure the Council can manage its capital spending obligations.

The Capital Strategy details the Council's debt position, including the anticipated level of debt and the authorised borrowing limit.

3. Governance Framework

It is important that the appropriate Governance framework be in place when considering capital investment. In order to mitigate some of the risks associated with poor governance, there is appropriate governance arrangements in place in terms of the Capital Programme and Treasury Management processes. These are detailed below.

- i) **Capital Programme Governance:** The Capital Programme is prepared following an exercise to prioritise projects in line with the Council priorities and links to Asset Management Plans and is subject to approval by the Executive Committee or Council. Any changes to the programme will be agreed by the Executive Committee. The Head of Finance (Strategy) and Head of Property Services monitors the delivery of the capital programme on a monthly basis. This is reported to elected members via the Executive and Resource Committees, along with the Financial Resources Scrutiny Forum. The Capital Programme is subject to Internal and External Audit Review.
- ii) **Treasury Management Governance:** The Council's treasury activities are regulated by the Local Government (Scotland) Acts 1975 and 2003, and a professional code of practice (the CIPFA Treasury Management in Public Services Code of Practice – revised December 2017). It is a requirement of this Code, and the financial regulations of South Lanarkshire Council, that a Treasury Management Strategy is approved by Committee every year. A key requirement of this strategy is to explain both the risks and the management of these risks associated with the treasury function. The Council employs Link Asset Services as its Treasury Management Advisors. Treasury Management is also subject to Internal and External Audit review.

4. Knowledge and Skills

The employees responsible for monitoring the Council's capital programmes, asset management, and treasury management have the appropriate skills and knowledge to ensure the successful delivery of capital investment.

5. Capital Programme Summary

The Future Capital Investment Strategy (November 2018) provided an estimate of potential capital investment and funding package. This was based on the information available at that time and will be subject to further refinement when the ongoing works to develop each of the projects / programmes is complete. As an update to the Capital Strategy, this report provides a proposed programme for 2022/2023.