

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE	Subject: COMPOSITE CAPITAL PROGRAMME 2005/2006
From: DIRECTOR OF FINANCE	MONITORING REPORT 1 <sup>ST</sup> APRIL TO 3 FEBRUARY 2006
Date: 21 February 2006	Ref: AC/EK/P11

### 1. Introduction

1.1. The purpose of this report is to provide a summary of the financial performance of the Composite Capital Programme for 2005/2006. The report shows the projected year-end outturn position and resultant variances. Information on current expenditure is up to and including 3 February 2006.

### 2. Capital Budget Update

2.1. The current Capital Programme is £80.934m, representing a decrease of £0.182m since the last report at Period 10. This is due to:

- An allocation of £0.018m from Sustrans for Cycling Walking Safer Streets initiative within the Planning and Environment Programme
- A reduction of £200K from the Community Services department reflecting a reprofiling of the Strategic Waste Fund

### 3. Budget Monitoring Summary

3.1. The position of the Composite Capital Programme can be summarised as follows: -

	Current Programme £000s	Projected Outturn £000s	Outturn Variance £000s
Prudential Borrowing	40,826	40,826	-
Capital Receipts Programme	9,736	3,352	(6,384)
Cash Grants	27,394	27,394	-
CFCR	3,355	3,355	-
<b>Total Resources</b>	<b>81,311</b>	<b>74,927</b>	<b>(6,384)</b>
Expenditure Programme	80,934	80,934	-
(Slippage)	(3,800)	(1,230)	(2,570)
<b>Expenditure Programme</b>	<b>77,134</b>	<b>79,704</b>	<b>(2,570)</b>
Slippage/(overspend)	4,177	(4,777)	(8,954)

3.2. The actual expenditure to 3 February is £47.031m, representing 58.1% of the current programme. Committed expenditure is £75.885m, representing 93.8% of the full programme. The current position compares favorably with last year when actual spend was 50% and commitments 88%. A detailed analysis of departmental programmes is attached in Appendix 1.

### 4. Projected Outturn at 3 February 2006

4.1. The programmed surplus for the year is £4.177m, and it was anticipated that this would be carried forward to 2006/07 to fund both the £2.050m element of programme slippage identified during the mid-year review as well as contributing £2.126m to assist in funding future years' programmes.

- 4.2. It has now been confirmed that the revised timing of the settlement of some significant receipts, in particular Auchinkilns and Motherwell Town Centre, will result in a reduction of £6.384m in the anticipated resources available for 2005/06.
- 4.3. Net slippage of £1.230m has now been identified, which is detailed in Paragraph 5.1 below. Notwithstanding this reported level of slippage to date, all departments are currently predicting that full spend will be achieved by the current financial year end. On that basis, overall expenditure would exceed resource levels by £4.777m. This would result in the Council having to borrow an additional £4.777m during the current financial year, offset by a reduction in borrowing during 2006/07, when it is anticipated that the receipts will be realised. There would be an overall minor impact on the Council's budget for 2006/07 which would require to be managed during the year.
- 4.4. It should be noted however, that with only 8 weeks remaining until the end of the financial year, only 58.1% of the current programme has been spent, and although this is an improvement on the position at this stage last year, trends across the last 3 years suggest that the slippage level will exceed the level currently projected and bring the programme back to a break-even position. The position will, however, continue to be closely monitored and updates provided.
- 4.5. The projected overspend of £4.777m, when compared with the programmed surplus of £4.177m, results in an outturn variance of £8.954m. This represents an increase of £1.957 on the outturn variance reported at Period 10 and is a result of an increase of £2.455m in slippage on capital receipts, offset by further expenditure slippage of £0.498m.

## 5. Programme Slippage

### 5.1. **Expenditure Programme**

As stated above, net slippage of £1.230m is currently being projected for the current year. This is an increase of £0.498m since my last report at Period 10, and can be isolated to the following projects:

#### CCTV project (£0.330m)

Due to a number of factors, delays in awarding the contract have resulted in slippage on the CCTV project. The contract is now let arrangements are in place to take the project forward.

#### Dalziel Estate (£0.075m)

This project is being delivered through a number of funding sources and the start on site has been delayed until confirmation of the full funding package was received. Now that this confirmation is in place the project can proceed. However, it is unlikely that work will commence prior to the end of the current financial year, resulting in slippage of £0.075m.

#### Pivot Community Education Centre / Library Complex (£0.075m)

Although work has now commenced on site, the project will not be completed until mid May resulting in slippage of £0.075m.

#### Corporate IT Projects (£0.018m)

An underspend has been confirmed on the Corporate IT Projects budget in relation to the provision of Information Kiosks. Education have confirmed that this project will no longer go ahead.

#### Non HRA

Slippage of £0.522m has been identified on the Ainsley/Maclehose Road Regeneration project. This is, however, offset in the current year by compensating accelerations from next year's programme and, as a result, there will be no impact on the current year programme.

Full details of slippage and overspends are provided in Appendix 2.

### 5.2. **Programme Resources**

Slippage of £6.384m is anticipated on the capital receipts programme. This is a further increase of £2.455m since my last report at Period 10, and relates to the following project.

### Motherwell Town Centre

Ongoing legal issues continue to delay settlement of the receipt for the sale of the ground lease in Motherwell Town Centre. It is confirmed that this receipt will not be realised in 2005/06 as previously reported. Latest updates suggest an earliest settlement date of April 2006. This situation will be closely monitored and further updates given in 2006/07.

The previously reported slippage of £3.929m on the receipts programme is reported in Appendix 3.

## **6. Risk Areas**

6.1. In addition to the variances reported above, the following areas of potential risk have been identified:

### **Education**

It is anticipated that Education will breakeven in the current financial year, however, it should be noted that there are approximately £2.900m of unfunded commitments within the overall programme. The position will continue to be closely monitored and the impact on the 2006/07 programme assessed.

### **Housing and Property**

As previously advised, the current programme includes provision for the development of the Scott St office complex at a cost of £8.3m, with expenditure phased over three financial years. There remains a number of planning and cost issues outstanding on this project. However, the key to the initiation of this project remains the release of resources following the conclusion of the legal issues relating to the disposal of the Council's interest in Motherwell Town Centre (see 5.2 above).

Also within the Housing & Property Programme, overspends of £0.150m and £0.042m are anticipated against the Smithstone Infrastructure Project and the Property and Land Disposals Programme, respectively. These overspends will be managed within the overall programme for Housing and Property details of which will be provided.

### **Resources**

It was reported at Period 10 that some claims relating to ringfenced grants had not been submitted. It should be noted, that claims have now begun to be processed and will continue, to ensure claims are submitted as soon as possible in order to secure this funding.

## **7. Recommendation**

7.1. The Committee is asked to note:

- the projected outturn of the Capital Programme as at 3 February 2006 as set out in sections 3 and 4 above, and
- the areas of slippage and potential risk areas highlighted in sections 5 and 6.



**Director of Finance**

## COMPOSITE SERVICES CAPITAL PROGRAMME SUMMARY 2005/2006 (£'000)

## EXPENDITURE PROGRAMME : Period 11

Department	Current Programme 2005/06 £000	Projected Outturn 2005/06 £000	Outturn Variance 2005/06 £000	Actual Expenditure 03-Feb-06 £000	Committed Expenditure 03-Feb-06	% Committed
Administration	630	630	0	306	583	92.54%
Chief Executive	509	294	215	99	240	47.15%
Corporate : Design & Project Management	250	12	238	0	0	
Community Services	10,789	10,760	29	6,658	8,629	79.98%
Education Programme	22,515	22,515	0	14,047	24,167	107.34%
Finance/IT	1,225	1,207	18	306	692	56.49%
Housing & Property Services						
: NHRA Grants	4,799	4,799	0	1,941	4,411	91.91%
: Property Services	3,032	2,832	200	1,770	2,947	97.20%
Planning & Environment	33,434	33,104	330	19,754	30,402	90.93%
Social Work	3,751	3,551	200	2,150	3,814	101.68%
<b>SUB-TOTAL</b>	<b>80,934</b>	<b>79,704</b>	<b>1,230</b>	<b>47,031</b>	<b>75,885</b>	<b>93.76%</b>
less : Slippage Factor	(3,800)	0	(3,800)			
<b>Departmental Expenditure Total</b>	<b>77,134</b>	<b>79,704</b>	<b>(2,570)</b>	<b>47,031</b>	<b>75,885</b>	

Percentage Achieved

58.11%

93.76%

## COMPOSITE SERVICES CAPITAL PROGRAMME SUMMARY 2005/06

		<b>Slippage/ Underspend/ (Overspend) £000</b>
Chief Executive	Child Family Witness Unit	215
Community Services	Refurbishment of the Tryst	(100)
	Cemetries	(23)
	Capitalised Equipment	(48)
	Orbiston Boxing	50
	Dalziel Estate	75
	Pivot CEC/Library Complex	75
Finance/IT	Corporate IT projects	18
Housing & Property	Scott St Office Complex	200
Social Work	Scott House Refurbishment	200
Planning & Environment	CCTV project	330
Others	Design and Project Management	238
<b>TOTAL</b>		<b>1,230</b>

## COMPOSITE SERVICES CAPITAL RECEIPTS SUMMARY 2005/06

**Anticipated slippage of £3.929m on the capital receipts programme is mainly due to the following:**

- Auchenkilns, Cumbernauld It has been confirmed that the £7.500m receipt will not be realised in the current year. Negotiations are ongoing regarding price reduction to reflect amendments to the sale.
- Loanhead Road, Newarthill The expected receipt of £1.000m for Loanhead, Newarthill will not be realised in 2005/06, as a result of SEPA objections.
- Hattonhill This site had originally been built into the programme as a two-staged sale with £0.300m in the 05/06 programme and £0.650m in the 06/07 programme. However, capacity problems have arisen with Scottish Water, effectively ruling out any sale in 2005/06.
- Accelerated Receipts from Communities Scotland Receipts from Communities Scotland to the value of £2.000m have been accelerated and are due to settle prior to the 31 March 2006. In addition, Housing and Property Services continue to pursue other potential receipts in order to offset the impact of any slippage.

**It should be noted that in all of the above cases, receipts are still secure. The issues arising relate purely to the timing of the receipts and are unlikely to result in difficulties in delivering the planned programme as set out in this report.**