

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: COMPOSITE CAPITAL PROGRAMME 2006/2007  MONITORING REPORT 1 <sup>ST</sup> APRIL TO 21 JULY 2006
From: DIRECTOR OF FINANCE		
Date: 9 August 2006	Ref: AC/EK/P4	

**1. Introduction**

1.1. The purpose of this report is to provide an update on the movement in resources and expenditure budgets since the composite capital programme for 2006/07 was approved and to give a summary of the financial performance to date. The report also shows the projected year-end outturn position and resultant variances. Information on current expenditure is up to and including 21st July 2006.

**2. Capital Budget Update**

2.1. The current capital expenditure programme is £83.663m, which represents a movement as a result of a number of additional grants that have increased the programme, primarily within Planning and Environment eg award from Strathclyde Partnership for Transport of £0.426m .

2.2. As previously reported, the 2006/07 programme includes a slippage allowance of £6.8m, representing 8% of the current expenditure programme. This is an increase of £3.0m on the 2005/06 programme bringing the total resources to £83.878m, resulting in a minor programmed surplus of £0.215m. This will be considered as part of the Mid Year Review exercise.

**3. Budget Monitoring Summary**

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

	Current Programme £000s	Projected Outturn £000s	Outturn Variance £000s
Prudential Borrowing	29,314	29,314	-
Capital Receipts Programme	28,027	28,027	-
Cash Grants	17,937	17,937	-
CFCR	1,800	1,800	-
Slippage Allowance	6,800		(6,800)
<b>Total Resources</b>	<b>83,878</b>	<b>77,078</b>	<b>(6,800)</b>
<b>Expenditure Programme</b>	<b>83,663</b>	<b>83,663</b>	<b>-</b>
<b>Slippage/(overspend)</b>	<b>215</b>	<b>(6,585)</b>	<b>(6,800)</b>

3.2. The actual expenditure to 21st July is £15.516m, which represents 18.55% of the current programme. This compares favourably with the position at Period 4 last year when expenditure was £9.628m, representing 12.93% of the overall programme. This higher level of spend is partly attributable to Departments' ability to programme capital works in advance as a result of the 3-year capital programme, thus avoiding dips in expenditure which were historically experienced at the start of each new financial year.

- 3.3. The main areas of spend to date have been incurred within the departments of Community Services, Education and Planning & Environment and includes the following projects:
- Addressing SEPA requirements at Auchinlea Landfill project
  - Colzium House upgrade
  - Secondary schools upgrades
  - Completion of sports comprehensives at St Maurice's and St Margaret's High Schools and the further progression of Braidhurst High School
  - Development of a centralised CCTV facility
  - Airdrie Business Centre
  - Significant expenditure on roads, street lighting and infrastructure, and
  - A number of externally funded projects including Vacant and Derelict Land (Cities Review), Harthill Transport Interchange, Cycling, Walking and Safer Streets initiative and the Schools and Home Zones 20's plenty campaign

3.4. It should also be noted that contract price increases which were experienced during 2005/06 are continuing into 2006/07. The BCIS Tender Price Index shows the annual increase from the first quarter in 2005 to the first quarter in 2006 has been 4.5%. The projected increase to the first quarter in 2007 is estimated at 4.8%. These increases are above inflation and have affected, and will continue to affect, all departmental programmes. As a result a number of virements have been requested via the respective Service Committees to manage cost increases.

A summary of the spending position on departmental programmes is contained at Appendix 1.

#### **4. Mid Year Review**

4.1. To ensure the effectiveness of current spending plans are maintained and that expenditure continues to be focussed on corporate priorities, a mid year review of the capital programme will be conducted. Departments have been asked to return details of slippage, acceleration, additional resources and new or critical expenditure to the Finance Department by 18 August 2006. The impact of the Mid Year Review will be reported to the Policy and Resources Committee on 19th September 2006.

#### **5. Projected Outturn at 21 July 2006**

5.1. As at Period 4 there are no confirmed variations to report on either the resources or expenditure programme. However, a number of potential risk areas have been identified, as follows:

##### **Ravenscraig (£3.685m), Broadwood (£1.008m) and Summerlee (£1.360m) Projects**

As previously reported, early indications are that slippage may be expected on these projects within the Community Services programme.

##### **Scott Street Development (£7.748m)**

Commencement of this project has been dependent on settlement of the receipt for the former Motherwell Town Centre that was originally anticipated in 2005/06. The receipt has now been settled which will facilitate the construction of the new office block. However, it is anticipated that there is likely to be a level of slippage at the year-end.

##### **Scott House (£0.800m)**

Slippage of around £0.500m may be anticipated due to the delay in the start of the second phase of this project.

##### **Children's Homes (£1.979m)**

Significant slippage is anticipated as a result of problems with planning applications.

The above projects together account for a significant proportion of the capital expenditure programme. They will require to be closely monitored and the effect of any slippage on the overall programme assessed. Where possible, slippage will be quantified as part of the Mid Year Review of the Capital Programme.

5.2. Notwithstanding the above risk areas, departments are currently projecting full spend on the projects within their remit. This will result in an overspend of £6.585m on the capital programme. However, it is anticipated that slippage will be reported during the year allowing the programme to be brought back to the budgeted position.

5.3. In addition, a report will be presented to the Education Committee on 30th August 2006, highlighting a shortfall in resources to meet current project commitments which has arisen due to higher than anticipated tender costs and building inflationary increases. This will result in a number of budget realignments and a re-phasing of the currently approved programme over future years to ensure that the overall programme is managed within existing resources.

## **6. Future Years' Programmes – 2007/09 to 2010/11**

6.1. The Capital Investment Strategy currently being prepared as part of the Asset Management Plan will be used, in conjunction with option appraisal methodologies to prioritise the future capital investment needs of the Authority. Draft Capital Investment Plans are being prepared by the Corporate Resources Working Group and it is anticipated that these will be presented to Policy and Resources Committee in March 2007.

## **7. Recommendation**

7.1. The Committee is asked to note:

- the financial position of the Capital Programme as at 21st July 2006
- the current issues highlighted in Section 5 which will be addressed through the Mid Year Review process described in Section 4
- the position with regard to progress of the Capital Investment Plans 2008/09 to 2010/11



**Director of Finance**

## COMPOSITE SERVICES CAPITAL PROGRAMME SUMMARY 2006/2007 (£'000)

## EXPENDITURE PROGRAMME : Period 4

Department	Current Programme 2006/07 £000	Projected Outturn 2006/07 £000	Outturn Variance 2006/07 £000	Actual Expenditure 21-Jul-06 £000	Committed Expenditure to 21/07/06	% Committed
Administration	718	718	0	223	260	36.21%
Corporate	4,747	4,747	0	0	2,515	52.98%
Community Services	13,522	13,522	0	2,013	2,039	15.08%
Education Programme	18,174	18,174	0	4,277	15,800	86.94%
Finance/IT	1,453	1,453	0	210	251	17.27%
Housing & Property Services			0			
: NHRA Grants	4,096	4,096	0	820	3,305	80.69%
: Property Services	10,185	10,185	0	513	1,002	9.84%
Planning & Environment	25,444	25,444	0	6,969	10,211	40.13%
Social Work	5,324	5,324	0	491	4,247	79.77%
<b>Departmental Expenditure Total</b>	<b>83,663</b>	<b>83,663</b>	<b>0</b>	<b>15,516</b>	<b>39,630</b>	