
Report To:	Policy & Resources Committee	Date:	8th August 2017
Report By:	Chief Financial Officer	Report No:	FIN/53/17/MT/AP
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	2016/17 Capital Programme Performance		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee on the performance in respect of the delivery of the 2016/17 Capital Programme.

2.0 SUMMARY

- 2.1 The Committee receives an annual report detailing the Capital Programme out-turn against approved budget. Historically Capital spend against budget had been a recurring theme for a number of years in External Audit Annual Reports but recent years have been shown improvements.
- 2.2 Action has been taken by officers of the last few years to reduce slippage and the impact of these actions can be seen with a net acceleration of 9.2% in 2016/17 following on from net acceleration of 3.0% in 2015/16.
- 2.3 Appendix 1 summarises the reduction in slippage since 2012/13 following the action taken and it can be seen that the 5 year average slippage is 6.5%. Slippage should be kept under 10% and likewise for acceleration as greater than this would indicate issues with initial budgets.
- 2.4 Appendix 2 provides a summary of the main areas of slippage/advancement with reasons for the slippage being provided by Lead Officers. As has previously been the case, it is clear that variations are not attributable to either a single project or a single reason.
- 2.5 Appendix 3 provides more detail on an individual project basis whilst Appendix 4 shows the robustness of projections throughout the year. The limited variation overall throughout the year is encouraging.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the 2016/17 Capital Out-turn Position of 9.2% acceleration.
- 3.2 It is recommended that the Committee notes the positive impact of the previously agreed actions on slippage levels in 2016/17.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The issue of Capital Slippage had previously been one which has been regularly identified and reported on by the Council's External Auditors. This situation was not unique to Inverclyde Council.
- 4.2 In 2012, following a significant level of slippage reported as part of the 2011/12 accounts, the Corporate Director Environment, Regeneration & Resources undertook action as part of the budget setting process to significantly reduce slippage and this was successful in 2012/13 when slippage reduced to less than 10%.
- 4.3 However, in 2013/14 and 2014/15 slippage increased and further actions were identified to address this. In 2015/16 a net advancement of 3.0% was reported.

5.0 2016/17 CAPITAL DELIVERY PERFORMANCE

- 5.1 Subject to the audit of the Final Accounts, the Capital out-turn for 2016/17 is reporting an acceleration of 9.2%, an increase from the 3.0% acceleration reported in 2015/16. As stated this is partly as a result of the actions taken by Officers to reduce slippage and partly as a result of Council policies accelerating capital spend such as the advancement of the School Estate Programme and the Road Asset Management Plan.
- 5.2 Appendix 2 provides an analysis prepared by Officers of the main areas of slippage. Appendix 3 contains a commentary by the Lead Officer where appropriate and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of the main reasons for the slippage.
- 5.3 It can be seen that slippage of £2.624m (9.39%) mainly due to policy decisions, project cost reductions, internal slippage and slippage involving 3rd Parties was more than offset by projects accelerated by Officers to actively offset slippage of £5.267m (18.84%).
- 5.4 The Committee agreed improvements to address slippage in August 2014, these improvements were as follows:
 - a) Early notification of slippage – the main area of concern previously was the late notification reporting of slippage to Committee. It was agreed that Corporate Directors needed to robustly review the phasings with relevant Officers before signing off Committee Capital reports. The action taken to identify slippage early can be seen to be effective in that Officers were able to accelerate projects in anticipation of and to mitigate further slippage.
 - b) Performance Targets - the Chief Executive has set an upper limit of 10% slippage for each Corporate Director as part of the Performance Appraisal process. The clear expectation was that actual slippage would be under 10%.

Appendix 2 summarises slippage by Committee and by Directorate. From this it can be seen that the Directorate performance was as follows:

Corporate Director, Environment, Regeneration & Resources – overall advancement 11.2% (2015/16: 7.3% slippage). This was mainly due to advancement of projects through the Roads Asset Management Plan, Property Services and Regeneration Projects (delivered in conjunction with Riverside Inverclyde) and a reduction in internal slippage by 9.43% to 3.62% in 2016/17.

Corporate Director, Education, Communities & Organisational Development – overall project advancement of 10.7% (2015/16: 32.6%) mainly as a result of acceleration of projects within the School Estate Programme.

Corporate Director, Health & Social Care – overall slippage of 25.2% (2015/16: 46.4%). It should be recognised however that the movement is due to the small budget and the small number of projects in this Directorate. The actual value of slippage was £357,000 and related mainly to a single project, the Neil St Children’s Home replacement.

It is proposed that an upper limit of 10% slippage for each Corporate Director is retained for 2017/18.

- c) Identify possible acceleration – allied to the early identification of slippage is the potential to identify alternative projects which could be accelerated. Roads investment in particular lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. During 2016/17 a total of £5.267m (18.84%) (2015/16: £6.887m (22.9%)) was advanced. While some of this was as a result of Council policies such as the advancement of the School Estate Programme and the Road Asset Management Plan much of it was as a result of Officers actively seeking to advance projects to mitigate slippage. This approach will continue. Any acceleration will be reported as part of the routine Capital monitoring reports during the year.
- d) Anticipate delays due to external factors – the increasing number of projects requiring working with other Partners, the Third Sector or the Community was less of an issue in 2016/17. Delays can occur linked to the potential to apply for external funding, some of which can be substantial. It was recognised that a more realistic view of the timescales for the delivery of projects should be taken at the time of agreeing phasing as aspects of the project will be outwith the Council’s direct control. This was done when setting the 2016/17 budget slippage in this area resulting in a reduction of slippage by 4.99% to 0.68% in 2016/17. This has been taken into consideration when agreeing the 2017/18 budget and it is expected that slippage should continue to reduce as a result.

6.0 IMPLICATIONS

Finance

- 6.1 Whilst there are no direct financial implications which can be quantified arising from general slippage, there can be an opportunity cost to the Council from the late delivery of projects. Acceleration of projects is largely a positive outcome however it can result in earlier incurring of borrowing costs albeit at present interest rates are at historically low levels.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no legal implications arising from this report.

Human Resources

6.3 The Corporate Director, Environment Regeneration and Resources and his Head of Service regularly review resourcing levels to ensure sufficient resources are in place to deliver the capital programme supported by the use of framework agreements where appropriate to access resources timeously.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 Delivery of projects on time and within budget helps increase public confidence in the Council and improve the perception of Inverclyde and as such reducing Capital Slippage and improving delivery performance will make the area more attractive to residents and potential incomers.

7.0 CONSULTATIONS

7.1 This report has been produced in consultation with the relevant budget holders as well as technical officers from Legal & Property Services and Environmental Services and approved by the Corporate Management Team.

8.0 LIST OF BACKGROUND PAPERS

8.1 None.

Annual Slippage Summary

Appendix 1

<u>Year</u>	<u>Budget</u> <u>£000's</u>	<u>Slippage</u> <u>£000's</u>	<u>%age</u>
2012/13	54,302	5,072	9.3%
2013/14	38,975	5,632	14.5%
2014/15	29,772	4,566	15.3%
2015/16	30,070	(903)	(3.0)%
2016/17	27,955	(2,560)	(9.2)%
5 year average	36,215	2,361	6.5%

Summary of Reported Slippage by Category

Appendix 2

<u>Committee</u>	<u>Policy Decision</u>		<u>Project Cost Reduced</u>		<u>Internal Slippage</u>		<u>Delay involving 3rd Party</u>		<u>Minor Slippage</u>		<u>Accelerated Projects</u>		<u>Total</u>	
	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>	<u>£000</u>	<u>%age</u>
Policy & Resources	107	25.2%	-	0.0%	-	0.0%	-	0.0%	20	4.7%	-	0.0%	127	29.9%
Environment, Regeneration & Resources	-	0.0%	253	1.6%	563	3.6%	191	1.2%	52	0.3%	(2,971)	(19.1)%	(1,912)	(12.3)%
Education & Lifelong Learning	321	10.2%	33	1.0%	448	14.2%	-	0.0%	24	0.8%	(639)	(20.3)%	187	5.9%
School Estate	-	0.0%	50	0.7%	311	4.2%	-	0.0%	(23)	(0.3)%	(1,657)	(22.3)%	(1,319)	(17.8)%
Health & Social Care	-	0.0%	-	0.0%	347	24.5%	-	0.0%	10	0.7%	-	0.0%	357	25.2%
Total	428	1.5%	336	1.2%	1,669	6.0%	191	0.7%	83	0.3%	(5,267)	(18.8)%	(2,560)	(9.2)%
<u>Directorate</u>														
Environment, Regeneration & Resources	107	0.7%	253	1.6%	563	3.5%	191	1.2%	72	0.5%	(2,971)	(18.6)%	(1,785)	(11.2)%
Education, Communities & Organisational Development	321	3.0%	83	0.8%	759	7.2%	-	0.0%	1	0.0%	(2,296)	(21.7)%	(1,132)	(10.7)%
Health & Social Care	-	0.0%	-	0.0%	347	24.5%	-	0.0%	10	0.7%	-	0.0%	357	25.2%
Total	428	1.5%	336	1.2%	1,669	6.0%	191	0.7%	83	0.3%	(5,267)	(18.8)%	(2,560)	(9.2)%

	Approved Budget 2015/16 £000's	Draft 2015/16 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Policy Decision £000's	2 Project Cost Reduced £000's	3 Internal Slippage £000's	4 Delay involving 3rd Party £000's	5 Minor Slippage £000's	6 Accelerated Projects £000's	Variation Category	Additional Comments
Policy & Resources												
Annual Allocation/Rolling Replacement of PC's	168	61	107	63.69%	107						1 Policy Decision	One off slippage due to the decision to extend PC refresh cycle to 6 years.
Various Projects	257	237	20	7.78%					20		5 Minor Slippage	
TOTAL Policy & Resources	425	298	127	29.88%	107	0	0	0	20	0		
Environment & Regeneration												
Environmental Services - Roads												
SPT	175	92	83	47.43%		83					2 Project Cost Reduced	Some projects outturn cost less than estimated. One project deferred due to utility delays.
Flooding Strategy - Greenock Central	931	988	(57)	(6.12)%						(57)	6 Accelerated Projects	
Various Projects	396	365	31	7.83%					31		5 Minor Slippage	
Roads Asset Management Plan												
Carriageways	2,247	3,145	(898)	(39.96)%						(898)	6 Accelerated Projects	
Footways	515	877	(362)	(70.29)%						(362)	6 Accelerated Projects	
Structures	267	77	190	71.16%			190				3 Internal Slippage	Internal resource allocated to unforeseen higher priority projects, all projects reprogrammed for 2017/18.
Various Projects	1,325	1,319	6	.45%					6		5 Minor Slippage	
Environmental Services												
Vehicles Replacement Programme	739	819	(80)	(10.83)%						(80)	6 Accelerated Projects	Lead-in time for some vehicles can be 6+ months, so orders were placed early to ensure replacement timescales were met.
Sir Michael Street Play Area	241	149	92	38.17%		92					2 Project Cost Reduced	Remaining balance to be spent on phase 2 of the project on land adjacent to the play area
Investment in Play Areas	150	10	140	93.33%				140			4 Delay involving 3rd Party	Relates to one play area at new Inverkip Hub. The main Hub contract was delayed due to issues relating to drainage, which had a knock-on effect to the play area works. Installation due summer/autumn 2017.
Various Projects	298	252	46	15.44%					46		5 Minor Slippage	
Regeneration and Planning												
Bakers Bae Re-alignment/Broomhill Regeneration	0	213	(213)	#DIV/0!						(213)	6 Accelerated Projects	
Various Projects	375	398	(23)	(6.13)%						(23)	5 Minor Slippage	
Property Services												
Wallace Place Elevation Roofing & Associated Works	69	278	(209)	(302.90)%						(209)	6 Accelerated Projects	
District Court Room Restoration	70	19	51	72.86%				51			4 Delay involving 3rd Party	Delay partly due to Historic Environment Scotland and partly as a result of suspected structural defects.
Waterfront Leisure Centre Lifecycle Works	150	54	96	64.00%			96				3 Internal Slippage	Slippage in connection with lead times for lifts etc.
Inverclyde Leisure Properties	0	120	(120)	#DIV/0!						(120)	6 Accelerated Projects	
General Works	2	108	(106)	(5,300.00)%						(106)	6 Accelerated Projects	
Statutory Duties - Water	1	74	(73)	(7,300.00)%						(73)	6 Accelerated Projects	
Statutory Duties - Fire Risk	1	89	(88)	(8,800.00)%						(88)	6 Accelerated Projects	
Statutory Duties - DDA/Equality	19	101	(82)	(431.58)%						(82)	6 Accelerated Projects	
Complete on Site Allocation	-35	67	(102)	291.43%						(102)	6 Accelerated Projects	
Waterfront Leisure Complex Combined Heat and Power Plant	227	152	75	33.04%			75				3 Internal Slippage	Issues on site in connection with fixing for flue and investigating structure.
Various Projects	802	830	(28)	(3.49)%						(28)	6 Accelerated Projects	
Greenock Municipal Buildings - District Court Offices	1,690	1,639	51	3.02%			51				3 Internal Slippage	Structural design issues during works.
William St	786	936	(150)	(19.08)%						(150)	6 Accelerated Projects	
AMP Office Balance	189	0	189	100.00%		189					2 Project Cost Reduced	Unallocated balance (at the moment)
AMP Offices Complete on site	109	34	75	68.81%			75				3 Internal Slippage	
Phase 3 - Vehicle Maintenance Shed and Road Infrastructure	3,230	3,550	(320)	(9.91)%						(320)	6 Accelerated Projects	
Phase 5 - Pottery Street Facility and Fuel Tanks	99	23	76	76.77%			76				3 Internal Slippage	Partly linked to further review of the masterplan.
Phase 7 - Dewatering & ICT	40	151	(111)	(277.50)%		(111)					2 Project Cost Reduced	Partly linked to further review of the masterplan.
Materials Recycling Facility	45	128	(83)	(184.44)%						(83)	6 Accelerated Projects	
Various projects	390	398	(8)	(2.05)%						(8)	5 Minor Slippage	
TOTAL Environment & Regeneration	15,543	17,455	(1,912)	(12.30)%	0	253	563	191	52	(2,971)		
Education & Lifelong Learning												
Non-SEMP												
Education & Communities (Non-SEMP)												
Whinhill/Kilmacoll/St Ninian's PS - Pitch Upgrading	97	163	(66)	(68.04)%						(66)	6 Accelerated Projects	
Various Projects	27	3	24	88.89%					24		5 Minor Slippage	
Safer Communities												
Scheme of Assistance	739	850	(111)	(15.02)%						(111)	6 Accelerated Projects	
Watt Complex Refurbishment	523	137	386	73.80%			386				3 Internal Slippage	Pre contract emergency repair works required and complex decanting issues.
Inverkip Community Facility & Library Fit Out	1052	1120	(68)	(6.46)%						(68)	6 Accelerated Projects	
New Community Facility Broomhill	249	602	(353)	(141.77)%						(353)	6 Accelerated Projects	
Contribution to Birkmyre Park Pitch Improvements	75	13	62	82.67%			62				3 Internal Slippage	Extended consultation period due to Major Planning application.
Public Space CCTV	321	0	321	100.00%	321						1 Policy Decision	Tender process delayed pending requisite technical input
Rankin Park Cycle Track	71	38	33			33					2 Project Cost Reduced	Partial underspend of which some has been spent on signage.
Various Projects	0	41	(41)	#DIV/0!						(41)	6 Accelerated Projects	
TOTAL Education & Lifelong Learning (excl School Estate)	3,154	2,967	187	5.93%	321	33	448	0	24	(639)		
SEMP												
St Patricks PS New Build	3,536	3,912	(376)	(10.63)%						(376)	6 Accelerated Projects	
Kilmacoll PS - Refurbishment	2,394	2,884	(490)	(20.47)%						(490)	6 Accelerated Projects	
Bluebird Family Centre - Refurbishment	369	187	182	49.32%			182				3 Internal Slippage	Pre contract delay due to structural design issues.
Greenock West Early Years Facility - New Build	150	89	61	40.67%			61				3 Internal Slippage	Site difficulties
Glenbarne Children's Centre - Aberfoyle Rd Refurbishment	100	32	68	68.00%			68				3 Internal Slippage	Impacted by District Court Offices delay.
Moorfoot PS Refurbishment	100	312	(212)	(212.00)%						(212)	6 Accelerated Projects	
St Ninian's PS - New Build	176	232	(56)	(31.82)%						(56)	6 Accelerated Projects	
Balance of Lifecycle Fund	256	400	(144)	(56.25)%						(144)	6 Accelerated Projects	
Balance of Contingency	50	0	50	100.00%		50					2 Project Cost Reduced	
Complete on site	0	379	(379)	#DIV/0!						(379)	6 Accelerated Projects	
Various projects	288	311	(23)							(23)	5 Minor Slippage	
TOTAL SEMP	7,419	8,738	(1,319)	-17.78%	0	50	311	0	(23)	(1,657)		
Health & Social Care Committee												
Neil Street Childrens Home Replacement	1,132	841	291	25.71%			291				3 Internal Slippage	Difficult site/adverse weather and possible contractor performance issues
John Street, Gourack	225	169	56	24.89%			56				3 Internal Slippage	Part project cost reduced
Various Projects	57	47	10						10		5 Minor Slippage	
Total Health & Social Care	1,414	1,057	357	25.25%	0	0	347	0	10	0		
Council Total	27,955	30,515	(2,560)	(9.16)%	428	336	1,669	191	83	(5,267)		
%age Variation					1.53%	1.20%	5.97%	.68%	.30%	(18.84)%		

Summary of Reported Slippage by Period

Appendix 4

	<u>Sept'16 - Period 4</u>		<u>Nov'16 - Period 6</u>		<u>Jan'17 - Period 8</u>		<u>March'16 - Period 10</u>		<u>June'17 - Period 12</u>		<u>Provisional Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	-	0.0%	178	41.9%	166	39.1%	72	16.9%	96	22.6%	127	29.9%
Environment, Regeneration & Resources	(1,821)	(11.8)%	(1,057)	(6.8)%	(739)	(4.8)%	(754)	(4.9)%	(1,912)	(12.3)%	(1,912)	(12.3)%
Education & Lifelong Learning	(65)	(2.3)%	(75)	(2.7)%	(1,108)	(39.1)%	58	1.8%	187	5.9%	187	5.9%
School Estate	(284)	(3.8)%	(142)	(1.9)%	(216)	(2.9)%	(256)	(3.5)%	(1,319)	(17.8)%	(1,319)	(17.8)%
Health & Social Care	-	0.0%	0	0.0%	0	0.0%	332	23.5%	357	25.3%	357	25.3%
Total	(2,170)	(7.9)%	(1,096)	(4.0)%	(1,897)	(6.9)%	(548)	(2.0)%	(2,591)	(9.3)%	(2,560)	(9.2)%

Movement Nov'16
(Period 6) v Outturn

	<u>£000's</u>	<u>%</u>
Policy & Resources	(51)	(12.0)%
Environment, Regeneration & Resources	(855)	(5.5)%
Education & Lifelong Learning	262	8.6%
School Estate	(1,177)	(15.9)%
Health & Social Care	357	25.3%
Total	(1,464)	(5.2)%