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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>7 August 2018</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/72/18/MT/AP</b>
<b>Contact Officer:</b>	<b>Matt Thomson</b>	<b>Contact No:</b>	<b>01475 712256</b>
<b>Subject:</b>	<b>2017/18 Capital Programme Performance</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the performance in respect of the delivery of the 2017/18 Capital Programme.

## 2.0 SUMMARY

- 2.1 The Committee receives an annual report detailing the Capital Programme out-turn against approved budget. Achieving budgeted capital spend has been raised at a Scotland wide level by Auditors for many years and officers have previously reported action taken to reduce levels of slippage.
- 2.2 In 2017/18 there was net slippage of 1.2% following on from net acceleration of 9.2% in 2016/17. Appendix 1 summarises the reduction in slippage since 2013/14 following the action taken and it can be seen that the 5 year average slippage is 4.5%. Slippage should be kept under 10% and likewise for acceleration, as greater than this would indicate issues with initial budget setting.
- 2.3 Appendix 2 provides a summary of the main causes for 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.
- 2.4 Appendix 3 provides more detail on an individual project basis whilst Appendix 4 shows the movement in projections throughout the year. It can be seen that there was significant movement in projections reported to the Environment & Regeneration Committee and the Communities part of the Education & Communities Committee whereas the SEMP , Policy & Resources and HSCP projections were far more accurate.
- 2.5 Overall the Capital Programme delivery performance was good with slippage in certain projects being largely cancelled out by advancement of spend in others. The Corporate Director Environment, Regeneration & Resources will continue to work with relevant officers throughout the year to monitor project delivery and update Committee as required.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the 2017/18 Capital Out-turn Position of 1.2% slippage.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 The issue of Capital Slippage had previously been an area identified and reported on by the Council's External Auditors. This situation was not unique to Inverclyde Council.
- 4.2 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 reduce slippage and further actions were identified in 2014 to continue this improvement. These actions included setting performance targets for Chief Officers as part of the annual Appraisal process, early notification of slippage and identification of projects which could be accelerated.

## 5.0 2017/18 CAPITAL DELIVERY PERFORMANCE

- 5.1 Subject to the audit of the Final Accounts, the Capital out-turn for 2017/18 is reporting slippage of 1.2% (9.2% acceleration reported in 2016/17). Overall slippage remains well within acceptable levels; 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 reasons for any slippage whilst 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 £6.24million (87% of all slippage) arose from internal slippage and slippage involving 3<sup>rd</sup> Parties. This was offset by projects accelerated by Officers to actively offset slippage of £6.812m (21.11%).
- 5.4 Directorate performance was as follows:

Corporate Director, Environment, Regeneration & Resources – overall slippage 16.2% (2016/17: 11.2% advancement) this was mainly due to slippage within Flooding, Bakers Brae re-alignment, Depot refurbishment, District Court Room restoration and the King George VI Building partially offset by advancement of projects through the Roads Asset Management Plan and Office Refurbishment. This is a significant increase in slippage from 2016/17.

Corporate Director, Education, Communities & Organisational Development – overall project advancement of 14.1% (2016/17: 10.7%) mainly as a result of acceleration of spend on projects within the School Estate Programme offsetting slippage within Safer Communities.

Corporate Director, Health & Social Care – overall slippage of 38.9% (2016/17: 25.2%). The actual value of slippage was £663,000 and related mainly to a single project, the Crosshill Children's Home replacement.

- 5.5 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 2017/18 a total of £6.812m (21.11%) (2016/17: £5.267m (18.84%)) was advanced. Much of this was as a result of Council policies such as the advancement of the School Estate Programme and the Road Asset Management Plan.

## 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 Heads 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 will 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 & Commercial Services and has been 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>
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)%
2017/18	32,271	398	1.2%
5 year average	31,809	1,427	4.5%

**Summary of Reported Slippage by Category**

**Appendix 2**

Committee	Policy Decision		Project Cost Reduced		Internal Slippage		Delay involving 3rd Party		Minor Slippage		Accelerated Projects		Total	
	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age
Policy & Resources	-	0.0%	-	0.0%	-	0.0%	-	0.0%	18	7.0%	-	0.0%	18	7.03%
Environment, Regeneration & Resources	-	0.0%	87	0.7%	1,415	10.8%	2,436	18.6%	247	1.9%	(2,038)	(15.6)%	2,147	16.39%
Education & Lifelong Learning	321	9.0%	199	5.6%	539	15.1%	400	11.2%	(7)	(0.2)%	-	0.0%	1,452	40.76%
School Estate	-	0.0%	91	0.7%	801	5.9%	-	0.0%	-	0.0%	(4,774)	(35.0)%	(3,882)	(28.43)%
Health & Social Care	-	0.0%	-	0.0%	653	38.3%	-	0.0%	10	0.6%	-	0.0%	663	38.93%
<b>Total</b>	<b>321</b>	<b>1.0%</b>	<b>377</b>	<b>1.2%</b>	<b>3,408</b>	<b>10.6%</b>	<b>2,836</b>	<b>8.8%</b>	<b>268</b>	<b>0.8%</b>	<b>(6,812)</b>	<b>(21.1)%</b>	<b>398</b>	<b>1.23%</b>
<b>Directorate</b>														
Environment, Regeneration & Resources	-	0.0%	87	0.7%	1,415	10.6%	2,436	18.2%	265	2.0%	(2,038)	(15.3)%	2,165	16.2%
Education, Communities & Organisational Development	321	1.9%	290	1.7%	1,340	7.8%	400	2.3%	(7)	(0.0)%	(4,774)	(27.7)%	(2,430)	(14.1)%
Health & Social Care	-	0.0%	-	0.0%	653	38.3%	-	0.0%	10	0.6%	-	0.0%	663	38.9%
<b>Total</b>	<b>321</b>	<b>1.0%</b>	<b>377</b>	<b>1.2%</b>	<b>3,408</b>	<b>10.6%</b>	<b>2,836</b>	<b>8.8%</b>	<b>268</b>	<b>0.8%</b>	<b>(6,812)</b>	<b>(21.1)%</b>	<b>398</b>	<b>1.2%</b>

	Approved Budget 2017/18 £000's	Draft 2017/18 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
<b>Policy &amp; Resources</b>												
Various Projects	256	238	18	7.03%					18		5 Minor Slippage	
<b>TOTAL Policy &amp; Resources</b>	<b>256</b>	<b>238</b>	<b>18</b>	<b>7.03%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>		
<b>Environment &amp; Regeneration</b>												
<b>Environmental Services - Roads</b>												
Traffic Measures	121	28	93	76.86%			93				3 Internal Slippage	
SPT	229	113	116	50.66%					116		5 Minor Slippage	
Flooding Strategy - Greenock Central	443	70	373	84.20%			373				3 Internal Slippage	Internal re design of proposed scheme
Flooding Strategy - Future schemes	726	25	701	96.56%				701			4 Delay involving 3rd Party	Delay in external Consultants proposals and designs.
Various Projects	160	109	51	31.88%					51		5 Minor Slippage	Slight delay in delivery of small projects, now programmed to be delivered start of next financial year
<b>Roads Asset Management Plan</b>												
Carriageways	1,655	1,766	(111)	(6.71)%						(111)	6 Accelerated Projects	
Footways	688	1,031	(343)	(49.85)%						(343)	6 Accelerated Projects	
Structures	323	242	81	25.08%				81			4 Delay involving 3rd Party	Delay in external Consultants design.
Lighting	637	1,345	(708)	(111.15)%						(708)	6 Accelerated Projects	
Staff Costs	398	481	(83)	(20.85)%						(83)	6 Accelerated Projects	
<b>Environmental Services</b>												
Sir Michael Street Play Area - Phase 2	92	0	92	100.00%				92			4 Delay involving 3rd Party	Scheme complicated due to location over railway line and due to agreement needed with River Clyde Homes.
Park, Cemeteries & Open Spaces AMP	200	107	93	46.50%			93				3 Internal Slippage	
Various Projects	1,218	1,138	80	6.57%					80		5 Minor Slippage	
<b>Regeneration and Planning</b>												
Bakers Brae Re-alignment/Broomhill Regeneration	983	274	709	72.13%				709			4 Delay involving 3rd Party	Delay following tender return due to requirement to carry out more detailed evaluation of tender as well as due to resolution of land ownership issues.
Port Glasgow Town Centre Regeneration	72	164	(92)	(127.78)%						(92)	6 Accelerated Projects	
Various Projects	26	6	20	76.92%			20				3 Internal Slippage	
<b>Property Services</b>												
District Court Room Restoration	396	0	396	100.00%				396			4 Delay involving 3rd Party	Complications arising from approval required from Historic Scotland due to complexity of project.
Waterfront Leisure Centre Lifecycle Works	226	352	(126)	(55.75)%						(126)	6 Accelerated Projects	
King George VI Refurbishment	490	33	457	93.27%				457			4 Delay involving 3rd Party	Community group ceasing to be interested in building combined with increase in costs estimate for full refurbishment.
Waterfront Leisure Complex Combined Heat and Power Plant	29	71	(42)	(144.83)%						(42)	6 Accelerated Projects	
Various Projects	1,503	1,503	0	.00%					0		5 Minor Slippage	
Greenock Municipal Buildings - District Court Offices	361	814	(453)	(125.48)%						(453)	6 Accelerated Projects	No appropriate category - project cost increased which utilised AMP contingency.
William St	950	1,018	(68)	(7.16)%						(68)	6 Accelerated Projects	No appropriate category - project cost increased which utilised AMP contingency.
AMP Offices Complete on site	46	58	(12)	(26.09)%						(12)	6 Accelerated Projects	
Vehicle Wash Installation	264	19	245	92.80%			245				3 Internal Slippage	
Fuel Installation	264	17	247	93.56%			247				3 Internal Slippage	
Pottery Street Offices & Depot Refurbishment	295	13	282	95.59%			282				3 Internal Slippage	
Complete on Site (Salt Dome Phase 1, Phase 3 Veh Maint Shed and Ena	86	24	62	72.09%			62				3 Internal Slippage	Combination of delay in agreeing final accounts and final accounts agreed below projection.
Various Projects - AMP Depots	215	128	87	40.47%		87					2 Project Cost Reduced	Allocation is a lifecycle fund which is rolled into future years if not spent/required in the year projected.
<b>TOTAL Environment &amp; Regeneration</b>	<b>13,096</b>	<b>10,949</b>	<b>2,147</b>	<b>16.39%</b>	<b>0</b>	<b>87</b>	<b>1,415</b>	<b>2,436</b>	<b>247</b>	<b>(2,038)</b>		

	Approved Budget 2017/18 £000's	Draft 2017/18 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
<b>Education &amp; Lifelong Learning</b>												
<b>Non-SEMP</b>												
<b>Education &amp; Communities (Non-SEMP)</b>												
Pitches/MUGA's Complete on Site	58	10	48	82.76%		48					2 Project Cost Reduced	Final accounts agreed below projection.
<b>Safer Communities</b>												
Scheme of Assistance	889	738	151	16.99%		151					2 Project Cost Reduced	Demand led budget
Watt Complex Refurbishment	986	447	539	54.67%			539				3 Internal Slippage	Combination of internal slippage (later on site than planned) but also tenders returned below budget (project cost reduced) and element of weather delay.
New Community Facility Broomhill	897	740	157	17.50%				157			4 Delay involving 3rd Party	Delayed by partner planning issues
Contribution to Birkmyre Park Pitch Improvements	262	19	243	92.75%				243			4 Delay involving 3rd Party	Delayed due to legal aspect (agreements with private owners) + Private School contribution negotiations.
Public Space CCTV	321	0	321	100.00%	321						1 Policy Decision	Unable to commence until budget decision finalised
Various Projects	149	156	(7)	(4.70)%					(7)		5 Minor Slippage	
<b>TOTAL Education &amp; Lifelong Learning (excl School Estate)</b>	<b>3,562</b>	<b>2,110</b>	<b>1,452</b>	<b>40.76%</b>	<b>321</b>	<b>199</b>	<b>539</b>	<b>400</b>	<b>(7)</b>	<b>0</b>		
<b>SEMP</b>												
Bluebird Family Centre - Refurbishment	1003	912	91	9.07%		91					2 Project Cost Reduced	
Greenock West Early Years Facility - New Build	1476	2611	(1,135)	(76.90)%						(1,135)	6 Accelerated Projects	
Glenbrae Children's Centre - Aberfoyle Rd Refurbishment	725	453	272	37.52%			272				3 Internal Slippage	Slow progress on site and part weather delay.
Hillend Children's Centre - Refurbishment	96	7	89	92.71%			89				3 Internal Slippage	Design stage delay.
Larkfield Children's Centre - Upgrade	0	100	(100)	-						(100)	6 Accelerated Projects	Land acquisition cost put through receipts model.
Balance of Lifecycle Fund	949	804	145	15.28%			145				3 Internal Slippage	
Moorfoot PS Refurbishment	2102	3920	(1,818)	(86.49)%						(1,818)	6 Accelerated Projects	
St Ninian's PS - New Build	4679	6201	(1,522)	(32.53)%						(1,522)	6 Accelerated Projects	
Gourock PS Extension	126	38	88	69.84%			88				3 Internal Slippage	Design stage delay
St Mary's PS - Refurb & Extension	150	324	(174)	(116.00)%						(174)	6 Accelerated Projects	
Early Years 1140 Hours Capital	384	177	207	53.91%			207				3 Internal Slippage	
Various Projects	1964	1989	(25)	(1.27)%						(25)	6 Accelerated Projects	
<b>TOTAL SEMP</b>	<b>13,654</b>	<b>17,536</b>	<b>(3,882)</b>	<b>(28.43)%</b>	<b>0</b>	<b>91</b>	<b>801</b>	<b>0</b>	<b>0</b>	<b>(4,774)</b>		
<b>Health &amp; Social Care Committee</b>												
Crosshill Childrens Home Replacement	760	107	653	85.92%			653				3 Internal Slippage	Delay in design stage and in connection with Neil Street project delay which impacted the ability to decant Crosshill.
Various Projects	943	933	10	1.06%					10		5 Minor Slippage	John Street allocation not fully expended with some minor works completed in following financial year.
<b>Total Health &amp; Social Care</b>	<b>1,703</b>	<b>1,040</b>	<b>663</b>	<b>38.93%</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>0</b>	<b>10</b>	<b>0</b>		
<b>Council Total</b>	<b>32,271</b>	<b>31,873</b>	<b>398</b>	<b>1.23%</b>	<b>321</b>	<b>377</b>	<b>3,408</b>	<b>2,836</b>	<b>268</b>	<b>(6,812)</b>		
<b>%age Variation</b>					<b>.99%</b>	<b>1.17%</b>	<b>10.56%</b>	<b>8.79%</b>	<b>.83%</b>	<b>(21.11)%</b>		

## Summary of Reported Slippage by Period

## Appendix 4

	<u>Sept'17 - Period 4</u>		<u>Nov'17 - Period 6</u>		<u>Feb'18 - Period 8</u>		<u>March'18 - Period 10</u>		<u>June'18 - 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	-	0.00%	-	0.00%	(61)	-21.40%	(20)	-7.81%	(20)	-7.81%	18	7.03%
Environment, Regeneration & Resources	(1,487)	-11.35%	(1,083)	-8.30%	834	6.37%	1,406	10.74%	1,965	15.00%	2,147	16.39%
Education & Lifelong Learning	-	0.00%	306	8.59%	685	19.23%	1,300	36.50%	1,478	41.49%	1,452	40.76%
School Estate	-	0.00%	(4,000)	-29.30%	(3,551)	-26.01%	(1,949)	-14.27%	(3,729)	-27.31%	(3,882)	-28.43%
Health & Social Care	-	0.00%	610	36.81%	610	36.81%	715	43.15%	720	42.28%	663	38.93%
<b>Total</b>	<b>(1,487)</b>	<b>(4.6)%</b>	<b>(4,167)</b>	<b>(13.0)%</b>	<b>(1,483)</b>	<b>(4.6)%</b>	<b>1,452</b>	<b>4.5%</b>	<b>414</b>	<b>1.3%</b>	<b>398</b>	<b>1.2%</b>

	<u>Movement Nov'17</u> <u>(Period 6) v Outturn</u>	
	<u>£000's</u>	<u>%</u>
Policy & Resources	18	7.0%
Environment, Regeneration & Resources	3,230	24.7%
Education & Lifelong Learning	1,146	32.2%
School Estate	118	0.9%
Health & Social Care	53	2.1%
<b>Total</b>	<b>4,565</b>	<b>14.2%</b>