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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>21 June 2022</b>
<b>Report By:</b>	<b>Interim Director, Finance &amp; Corporate Governance</b>	<b>Report No:</b>	<b>FIN/38/22/AP/MT</b>
<b>Contact Officer:</b>	<b>Matt Thomson</b>	<b>Contact No:</b>	<b>01475 712256</b>
<b>Subject:</b>	<b>Policy &amp; Resources Capital Budget and 2021/25 Capital Programme</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to provide Committee with the latest position of the Policy & Resources Capital Programme and the 2021/25 Capital Programme.

## 2.0 SUMMARY

- 2.1 On February 24 2022 the Council approved the 2022/25 Capital Programme as part of the overall Budget approval.
- 2.2 The Capital Programme reflects the recently announced 2022/23 capital grant as well as an estimate of capital grant for 2023/24. While the Scottish Government are advising that national grant allocations are likely to remain at the same level until 2026/27, changes to allocation methods are likely to reduce the grant to Inverclyde Council and it is felt prudent at this stage to further reduce the 2023/24 estimated grant to £6.0m per year.
- 2.3 An over provision of projects against estimated resources of up to 5% is considered acceptable to allow for increased resources and/or cost reductions. Currently the Capital Programme is reporting a deficit of £2.428m which represents 3.0% of the 2021/25 resources. It should be noted this is based on a 4 year capital resource and the over provision will represent approximately 3.9% of the reduced, 3 year, resources of the 2022/25 which remains within acceptable levels.
- 2.4 The Policy & Resources capital budget is £3.539m and the current projection is on budget. The budget for 2021/22 is £1.427m with slippage of £1.040m (72.88%) being reported mainly due to no calls being made on the Covid cost contingency in 2021/22. Spend to 31 March was £0.387m. Further detail on the Policy & Resources Capital Programme can be found in Appendix 1 and section 5 of the report.
- 2.5 As a result of material shortages and potential resultant project delays and price increases in the construction industry, Policy & Resources Committee approved the use of £100,000 Prudential Borrowing to borrow up to £1.6m to meet the potential increase in capital costs throughout 2021/22 and 2022/23. This £1.6m allowance is reflected in the Policy & Resources Capital Budget It should be noted that as part of the 2022/25 Capital Programme this allowance was reduced by £0.8 million.
- 2.6 Approval was given on 7 April by Councillors McCabe, Clocherty, McGuire and Robertson by means of an Emergency Powers report to allocate £0.075m of the Cost Pressure allowance to the Waterfront Moveable Pool Floor. In addition it is proposed to allocate a further £0.200m to Property Services and £0.200m to Roads to address ongoing cost pressures leaving a balance of £0.325m to be allocated.

- 2.7 In terms of the overall Capital Programme it can be seen from Appendix 2 that as at 31<sup>st</sup> March 2022 expenditure in 2021/22 was 99.6% of projected spend. It should be noted that while projections for 2021/22 represent, effectively, final outturn, the report is written while in the process of closing the year end accounts and as a result the projections are subject to change. The final outturn and slippage position will be reported to Policy & Resources Committee in August 2022. The position in respect of each individual Committee is reported in Appendix 2 and Section 6 of the report. Overall committees are projecting to outturn on budget.
- 2.8 In 2021/22 net slippage was £3.910m, 18.72%, this is an increase of £0.479m, 2.3%, from the previous Committee. This is represented by slippage within the Environment & Regeneration Committee (£3.357m), Policy & Resources Committee (£1.040m), and Health & Social Care (£0.635m) offset by advancement within the Education & Communities Committee (£1.122m).
- 2.9 The 7 year lease period for the Business Property Renovation Allowance scheme projects expired earlier this year and in line with the plans set out to Committee in 2013/14, the properties have reverted back to the Council. This results in the net capital spend by the Council (£1.969million) being reflected in the Council's capital expenditure records with the repayment of loans charges commencing in 2022/23. This is all in line with the plans reported when the Council entered into the scheme.
- 2.10 Following tender returns for a new Social Work management information system the Health & Social Care Committee has returned £400,000 to this Committee. This is reflected in the figures reported in Appendix 2.
- 2.11 Over the past 2 years, supply chain insecurity and associated financial pressures have been a recurring issue, through the initial impact of COVID and the UK exit from the EU to the most recent impact of the invasion of Ukraine by Russia. This has created an extremely unpredictable market position in terms of construction sector activity through a combination of restricted working practices, sharply rising prices for construction materials, disrupted supply chains and labour shortages which have all had an impact on the delivery of the capital programme in 2021/22 with the associated significant impact on the level of slippage experienced. This trend is expected to continue in 2022/23

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Committee note the current position of the 2021/25 Policy & Resources Capital Budget.
- 3.2 It is recommended that Committee note the current position of the 2021/25 Capital Programme including the end of the BPR scheme and the return of £400,000 from the Health & Social Care Committee.
- 3.3 It is recommended that Committee note the use of an Emergency Powers report to allocate £0.075m of the Cost Pressure allowance to the Waterfront Pool Moveable Floor.
- 3.4 It is recommended that Committee approve the allocation of £0.400m of the Cost Pressure allowance to Property Services (£0.200m) and Roads (£0.200m) to meet the significant increase in the costs of materials and plant.

**Alan Puckrin**  
**Interim Director, Finance & Corporate Governance**

## **4.0 BACKGROUND**

- 4.1 On February 24 2022 the Council approved the 2022/25 Capital Programme as part of the overall Budget approval.
- 4.2 The Capital Programme reflects the confirmed 2021/22 capital grant and the recently announced 2022/23 capital grant as well as an estimate of capital grant for 2023/24. While the Scottish Government are advising that national grant allocations are likely to remain at the same level until 2026/27, changes to allocation methods are likely to reduce the grant to Inverclyde Council and it is felt prudent at this stage to further reduce the 2023/24 estimated grant to £6.0m per year.
- 4.3 The Council on 24<sup>th</sup> February 2022 approved a revised Capital programme which both addressed the ongoing deficit in excess of the 5% acceptable limit and extended the programme to 2024/25, factoring in additional funding to fund the shortfall in annual capital grant compared to the annual capital allocations. In addition further projects funded from Revenue reserves were approved. This revised programme is reflected in this report.
- 4.4 The Policy & Resources Capital Programme contains the previously reported 2021/25 allocations as well as a £1.6m Cost Pressures allowance added to the Policy & Resources programme to address anticipated price increases in the construction industry as a result of cost increases and project delays arising from material shortages and supply chain issues. As part of the budget setting process this allowance was reduced by £0.8 million.

## **5.0 POLICY & RESOURCES CAPITAL BUDGET UPDATE**

- 5.1 The Policy & Resources capital budget is £3.539m and the current projection is on budget. The budget for 2021/22 is £1.427m with slippage of £1.040m (72.88%) being reported. Spend to date is £0.387m which is 100% of projected spend. Appendix 1 shows the detail.
- 5.2 PC Refresh Programme – The Corporate Refresh Programme has concluded and the procurement and deployment of replacement devices to support Hybrid, Remote Working and other new ways of working is now complete. ICT Services have agreed a refresh programme for the School Estate. Phase 1 will see the replacement of Classroom Whiteboard/Teacher desktop PCs with 631 laptops and docking stations. This will provide support for the Smart Board Refresh programme and provide a greater degree of flexibility for teaching staff. Phase 2 will see the replacement of PCs in the Secondary ICT Suites, this phase will be split over two financial years. Phase 3 will involve any remaining/additional devices in Secondary, Primary and Early Years and a full Monitor replacement programme across the school estate.
- 5.3 Server and Switch Replacement – An implementation programme to replace and expand the Corporate Network Storage system has been scoped and discussion is ongoing with vendors to provide the services. Deployment of core services in support of Office 365 and replacement of Virtual Server Estate. Infill of the School and Corporate Wireless network is taking place following availability and coverage surveys completed by ICT.
- 5.4 ICT & Digital Strategies – As part of New Ways of Working a programme to identify systems and services to support Hybrid Meetings. A small ongoing refresh of headsets and other equipment to enable home working has been established.

## **6.0 2021/25 CAPITAL PROGRAMME UPDATE**

- 6.1 Appendix 2 shows that over the 2021/25 period the Capital Programme is reporting a £2.428m deficit. This is within the acceptable level of 5% overprovision at 3.0% of the 2021/25 resources. It should be noted this is based on a 4 year capital resource and the over provision will represent approximately 3.9% of the reduced, 3 year, resources of the 2022/25 which remains within acceptable levels.
- 6.2 The position in respect of individual Committees for 2021/22 is as follows:

### Policy & Resources

Expenditure as at 31<sup>st</sup> March 2022 is £0.387m against an approved budget of £1.427m.

Slippage of £0.898m (62.93%) is being reported at this stage due to slippage within the Cost Pressure Contingency (£0.800m) and the annual ICT allocation (£0.240m).

### Environment & Regeneration

Expenditure as at 31<sup>st</sup> March 2022 is £9.215m against an approved budget of £12.619m. Net slippage of £3.357m (26.60%) is being reported mainly due to advancement within the Cemetery Development (£0.104m), Vehicle Replacement Programme (£0.162m), SPT projects (£0.389m) and Minor Works/Statutory Duties (£0.441m), offset by slippage in Spaces for People (£0.352m), Flooding Strategy (£0.245m), Cremator Development (£0.413m), Play Area Strategy (£0.331), T&VC Other (£0.358m), T&VC Babylon Demolition (£0.239m), Place Based Funding (£0.675), Ivy House Replacement (£0.319m), Clyde Square Re-roofing (£0.157m), Waterfront Leisure Centre Lifecycle Works (£0.185m) and Boglestone Community Centre Roof (£0.228m).

### Education & Communities

Expenditure as at 31<sup>st</sup> March is £6.726m against an approved budget of £5.617m. Net advancement of £1.122m (19.98%) is being reported mainly due to advancement of Interactive Whiteboard Replacement (£0.672m), advancement/cost increases in Gourcock Primary School Extension (£0.278m) and Lifecycle Fund (£0.458m) offset by slippage in Indoor Tennis Facility (£0.506m) and Waterfront Leisure Centre Moveable Pool Floor (£0.276m).

### Health & Social Care

Expenditure as at 31<sup>st</sup> March is £0.593m against an approved budget of £1.229m. Net slippage of £0.635m is being reported due to advancement within the Crosshill Children's Home Replacement (£0.307m) offset by slippage in the new Learning Disability Facility (£0.340m) and SWIFT Upgrade (£0.600m).

- 6.3 Overall in 2021/22 expenditure is 99.6% of projected spend for the year and projected net slippage of the programme is £3.910m (18.72%). Over the past 2 years, supply chain insecurity and associated financial pressures have been a recurring issue, through the initial impact of COVID and the UK exit from the EU to the most recent impact of the invasion of Ukraine by Russia. This has created an extremely unpredictable market position in terms of construction sector activity through a combination of restricted working practices, sharply rising prices for construction materials, disrupted supply chains and labour shortages which have all had an impact on the delivery of the capital programme in 2021/22 with the associated significant impact on the level of slippage experienced.
- 6.4 The 7 year lease period for the Business Property Renovation Allowance scheme projects expired earlier this year and in line with the plans set out to Committee in 2013/14, the properties have reverted back to the Council. This results in the net capital spend by the Council (£1.969million) being reflected in the Council's capital expenditure records with the repayment of loans charges commencing in 2022/23. This is all in line with the plans reported when the Council entered into the scheme.
- 6.5 A number of issues have been arisen which will have an impact on the 2022/23 Programme as follows:
1. Approval was given on 7 April by Councillors McCabe, Clocherty, McGuire and Robertson by means of an Emergency Powers report to allocate £0.075m of the Cost Pressure allowance to the Waterfront Moveable Pool Floor
  2. Following tender returns for a new Social Work management information system the Health & Social Care Committee has returned £400,000 to this Committee.
  3. It is proposed to allocate £0.200m to Property Services and £0.200m to Roads to address ongoing cost pressures leaving a balance of £0.325m to be allocated from the Cost Pressure contingency.

## **7.0 CONSULTATION**

- 7.1 This report reflects the detail reported to Service Committees.

## 8.0 IMPLICATIONS

### Finance

#### 8.1 Financial Implications

All financial implications are shown in detail within the report and in Appendices 1 & 2

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
RAMP	Capital	22/23	200		Allocation from the Cost pressure allowance to help meet the increase in material & plant costs.
Property	Capital	22/23	200		

##### Annually Recurring Costs/ (Savings)

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

### Legal

8.2 There are no legal implications.

### Human Resources

8.3 There are no direct staffing implications in respect of this report and as such the Head of Organisational Development, Policy & Communications has not been consulted.

#### 8.4 **Equalities**

(a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

X

YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.

NO

(a) Has an Equality Impact Assessment been carried out?

**Repopulation**

8.5 The Council’s continuing significant capital investment levels will have a positive impact on regeneration, job creation and hence repopulation.

**9.0 BACKGROUND PAPERS**

9.1 None.

## COMMITTEE: POLICY &amp; RESOURCES

Project Name	1	2	3	4	5	6	7	8	9
	<u>Est Total Cost</u>	<u>Actual to 31/3/21</u>	<u>Approved Budget 2021/22</u>	<u>Revised Est 2021/22</u>	<u>Actual to 31/3/22</u>	<u>Est 2022/23</u>	<u>Est 2023/24</u>	<u>Est 2024/25</u>	<u>Future Years</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>Environment, Regeneration &amp; Resources</u></b>									
<b><u>ICT</u></b>									
Storage/Backup Devices/Minor Works and Projects	37		25	12	12	25	0		0
Rolling Replacement of PC's	674		305	232	232	442	0		0
Meeting Room, Videoconferencing & Hybrid Working Equipment	60		90	0		60	0		0
Server & Switch Replacement Programme	338		169	143	143	195	0		0
Home Working Allocation	25					25			
Annual Allocation	1,357		38	0			764	593	0
<b><u>ICT Total</u></b>	<b>2,491</b>	<b>0</b>	<b>627</b>	<b>387</b>	<b>387</b>	<b>747</b>	<b>764</b>	<b>593</b>	<b>0</b>
<b><u>Finance</u></b>									
Modernisation Fund	123	112	0	0		11	0		0
New Ways of Working	200						200		
Cost Pressure Contingency	725		800	0		125	600		
<b><u>Finance Total</u></b>	<b>1,048</b>	<b>112</b>	<b>800</b>	<b>0</b>	<b>0</b>	<b>136</b>	<b>800</b>	<b>0</b>	
<b><u>TOTAL</u></b>	<b>3,539</b>	<b>112</b>	<b>1,427</b>	<b>387</b>	<b>387</b>	<b>883</b>	<b>1,564</b>	<b>593</b>	<b>0</b>

**Appendix 2a**

Capital Programme - 2021/22 - 2024/25

	<u>Available Resources</u>					
	A	B	C	D	E	F
	2021/22	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000	£000
Government Capital Support	6,419	6,417	6,000	6,000	-	24,836
Capital Receipts (Note 1)	835	342	315	315	-	1,807
Capital Grants (Note 2)	2,774	4,086	2,100	-	-	8,960
Prudential Funded Projects (Note 3)	2,595	1,672	9,461	3,659	147	17,534
Balance B/F From 20/21	15,105	-	-	-	-	15,105
Capital Funded from Current Revenue	6,460	3,433	3,505	233	-	13,631
	<u>34,188</u>	<u>15,950</u>	<u>21,381</u>	<u>10,207</u>	<u>147</u>	<u>81,873</u>

Overall Position 2021/24

Available Resources (Appendix 2a, Column A-C)	<u>£000</u>
Projection (Appendix 2b, Column B-D)	81,726
(Shortfall)/Under Utilisation of Resources	<u>(2,428)</u>
(Shortfall)/Under Utilisation of Resources %	<u>(2.97)%</u>



**Notes to Appendix 2a**

**Note 1 (Capital Receipts)**

	2021/22	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000	£000
Sales	525	315	315	315	-	1,470
Contributions/Recoveries	310	27	-	-	-	337
	835	342	315	315	-	1,807

**Note 2 (Capital Grants)**

	2021/22	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000	£000
Government Grant - Place Based Funding	675	584	-	-	-	1,259
Renewal of Play Parks	65	-	-	-	-	65
Cycling, Walking & Safer Streets	374	493	-	-	-	867
SPT	1,178	1,275	-	-	-	2,453
Spaces for People	126	-	2,100	-	-	126
Nature Restoration Fund	88	-	-	-	-	88
CO2 Monitors in Schools	98	-	-	-	-	98
HES - Watt Complex	26	-	-	-	-	26
Electric Vehicles	19	-	-	-	-	19
Sustrans	70	-	-	-	-	70
Watt Complex Creativity Space	55	-	-	-	-	55
RCGF - King George VI	-	1,734	-	-	-	1,734
	2,774	4,086	2,100	-	-	6,860

**Note 3 (Prudentially Funded Projects)**

	2021/22	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000	£000
Vehicle Replacement Programme	(277)	802	964	964	-	2,453
Asset Management Plan - Depots	17	260	149	-	-	426
Capital Works on Former Tied Houses	13	3	150	60	147	373
CCTV	-	15	-	-	-	15
Clune Park Regeneration	85	276	-	-	-	361
Neil Street Childrens Home Replacement - CoS	-	13	-	-	-	13
Crosshill Childrens Home Replacement	50	191	50	-	-	291
New Learning Disability Facility	66	884	5,248	1,135	-	7,333
Interactive Whiteboard Replacement	672	28	-	-	-	700
Former BPRA Properties	1,969	-	-	-	-	1,969
Additional Prudential Borrowing to Fund Capital Programme	-	(1,000)	1,500	1,500	-	2,000
Additional Prudential Borrowing to meet anticipated Cost Pressures	-	200	1,400	-	-	1,600
	2,595	1,672	9,461	3,659	147	17,534

Capital Programme - 2021/22 - 2024/25

Agreed Projects

Committee	A Prior Years	B 2021/22	C 2022/23	D 2023/24	E 2024/25	F Future	G Total	H Approved Budget	I (Under)/ Over	J 2021/22 Spend To 31/3/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Policy & Resources	112	387	883	1,564	593	-	3,539	3,539	-	387
Environment & Regeneration	6,110	11,231	16,229	17,214	6,989	147	57,920	57,920	-	11,184
School Estate	5,488	6,049	1,951	4,941	3,000	1,001	22,430	22,430	-	6,036
Education & Communities (Exc School Estate)	360	690	2,418	1,523	120	-	5,111	5,111	-	690
HSCP	1,556	594	1,345	5,298	1,135	-	9,928	9,928	-	593
<b>Total</b>	<b>13,626</b>	<b>18,951</b>	<b>22,826</b>	<b>30,540</b>	<b>11,837</b>	<b>1,148</b>	<b>98,928</b>	<b>98,928</b>	<b>-</b>	<b>18,890</b>