
Report To:	Policy & Resources Committee	Date:	9 August 2022
Report By:	Interim Director Finance & Corporate Governance	Report No:	FIN/46/22/AP/MT
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	2021/22 Capital Programme Out-Turn & Impact of Material Shortages on the Delivery & Cost of the 2022/25 Capital Programme		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Committee of the performance in delivering of the 2021/22 Capital Programme and to highlight issues relating to the availability and supply of materials which will potentially impact upon the delivery of the 2022/25 Capital Programme.

1.3 The Capital Out-turn for the year past and explanations for material variances from when the budget was approved is reported annually to the Committee. The detail is included within the body of the report and in the Appendices, namely:

- Appendix 1 – Out-turn over the last 5 year period
- Appendix 2 – Summary of Slippage by Category and by Directorate
- Appendix 3 – Capital Slippage Summary by Service/Project
- Appendix 4 – Reported Slippage by Period

1.4 Subject to the audit of the Final Accounts, the Capital out-turn for 2021/22 is reporting slippage of 8.6% which is within the 10% threshold. However, without the inclusion of the BPRA loan write off which was included as part of the Annual Accounts preparation, slippage would have been £3.766 million (18.0%) and is a better indication of the challenges facing officers in the delivery of capital projects.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee notes the 2021/22 Capital Out-turn Position.

2.2 It is recommended that the Committee notes the pressure being experienced in relation to the availability and cost of materials and the impact this could have on the delivery and cost of the 2022/25 Capital Programme.

Alan Puckrin
Interim Director Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

- 3.1 Subject to the audit of the Final Accounts, the Capital out-turn for 2021/22 shows slippage of 8.6%. The continuing effect of the Covid pandemic had a significant impact on the delivery of the capital programme, Officers actively sought to advance projects that could be progressed and this, along with the planned write off of the BPRA loan as part of the Final Accounts, has resulted in slippage being contained within the 10% threshold, the factors impacting on this net figure are detailed in Appendix 3.
- 3.2 Appendix 2 provides an analysis of the main reasons for any slippage whilst Appendix 3 contains a commentary by the Lead Officer where appropriate on a project by project basis plus a categorisation of the type of slippage. This latter issue is a subjective assessment, but does give an indication of the main reasons for the slippage.
- 3.3 It can be seen that slippage of £5.437 million (71.9% of all slippage) arose from internal slippage and slippage involving 3rd Parties. Overall slippage was partly offset by project acceleration and the addition of new projects of £5.762m.
- 3.4 Directorate performance was as follows:

Environment, Regeneration & Resources – overall advancement 16.2%/£2.278million (2020/21: 6% advancement) this was mainly due to slippage within Roads (Spaces for People, Flooding Strategy), Environmental (Cremator Replacement and Play Areas), Town and Village Centre Regeneration and unused Cost Pressure Contingency offset by advancement in Roads (SPT), Property Minor Works and the write off of the BPRA Loan.

Education, Communities & Organisational Development – overall project advancement of 19.9%/£1.116million (2020/21: 100.01% advancement) mainly as a result of advancement across the School Estate and Early Years programme partially offset by slippage in the Indoor Tennis Facility and Waterfront Pool Floor.

Health & Social Care – overall slippage of 51.7%/£0.635million (2020/21: 18.3% advancement) mainly as a result of slippage in the New Learning Disability Facility and SWIFT upgrade offset by advancement in the Crosshill Childrens Home Replacement.

- 3.5 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 2021/22 a total of £5.530m (2020/21: £7.208m) was advanced, mainly within the School Estate Programme, Roads, Property Minor Works and also as a result of the write off of the BPRA Loan.

MATERIAL SHORTAGES/PRICE INCREASES & THE 2022/25 CAPITAL PROGRAMME:

- 3.6 Over the past 2 years, supply chain insecurity and associated financial pressures have been a recurring issue, through the initial impact of COVID, the UK exit from the EU, increased global demand for materials and most recently the 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.
- 3.7 The current volatile materials situation is resulting in other challenges which can be seen in recent tender exercises and is predicted to continue in the short to medium term. Tenders being sought in this climate are facing the following issues:

- Material availability will impact on programmes with potentially extended lead-in/pre-site periods and/or site programmes.
- Contractors may be reluctant to hold tenders open for the normal period (120 days) currently included in the majority of Council tenders.
- Although the market generally remains keen, there may be a move towards more selective tendering and lower numbers of tenders returned (depending on individual project circumstances / type).
- Tender costs are likely to increase to reflect the cost of current materials increases and future risks impacting affordability unless additional funding is possible.

For longer term / larger projects Contractors may struggle to secure pricing from supply chain partners for work packages without inflated risk and additional contract protections

3.8 The above issues will undoubtedly lead to both cost pressures and delays and it is important that Members are sighted on this when reviewing project updates at Committee. The 2022/25 Capital Programme was approved in February 2022 before the full impact of the invasion of Ukraine had yet to be felt. As a result 2022/23 is likely to again be a challenging year for delivery of the capital programme. Whilst officers will endeavour to advance projects where possible it will be challenging to contain slippage within the 10% threshold.

4.0 PROPOSALS

4.1 The report is largely a review of the 2021/22 Capital Programme performance and as a result contains no direct proposals. The performance in terms of slippage within 2021/22 and the reasons for this are for noting only.

4.2 In terms of the pressures being experienced within the Capital Programme, both in terms of anticipated delays and cost pressures, Officers will continue to update Members through the regular update reports to the relevant Strategic Committees as well as the consolidated reporting to Policy & Resources Committee.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk		X	
Human Resources		X	
Strategic (LOIP/Corporate Plan)		X	
Equalities & Fairer Scotland Duty			X
Children & Young People's Rights & Wellbeing			X
Environmental & Sustainability			X
Data Protection			X

5.2 Finance

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.3 Legal/Risk

There are no legal implications arising from this report.

5.4 Human Resources

There are no HR implications arising from this report.

5.5 Strategic

This report helps with planning of the 2023/26 Budget and Finance Strategy.

6.0 CONSULTATION

6.1 The CMT have been consulted on the report.

7.0 BACKGROUND PAPERS

7.1 None.

Annual Slippage Summary

Appendix 1

<u>Year</u>	<u>Budget</u> <u>£000's</u>	<u>Slippage /</u> <u>(Advancement)</u> <u>£000's</u>	<u>%age</u>
2017/18	32,271	398	1.2%
2018/19	27,995	(146)	(0.5)%
2019/20	25,544	3,428	13.4%
2020/21	13,059	(4,284)	(32.8)%
2021/22	20,892	1,797	8.6%
5 year average	23,952	239	1.0%

Summary of Reported Slippage by Category

Appendix 2

<u>Committee</u>	<u>Policy Decision</u> £000	<u>Project Cost Reduced</u> £000	<u>Internal Slippage</u> £000	<u>Delay involving 3rd Party</u> £000	<u>Minor Slippage</u> £000	<u>Accelerated Projects</u> £000	<u>Total</u> £000	<u>%age</u>
Policy & Resources	-	-	890	135	-	-	1,025	71.8%
Environment, Regeneration & Resources	-	604	2,879	917	410	(3,557)	1,253	9.9%
Education & Lifelong Learning	-	-	276	-	506	(135)	647	48.4%
School Estate	-	-	-	-	-	(1,763)	(1,763)	(41.2)%
Health & Social Care	-	600	340	-	2	(307)	635	51.7%
Total	0	1,204	4,385	1,052	918	(5,762)	1,797	8.6%
<u>Directorate</u>								
Environment, Regeneration & Resources	-	604	3,769	1,052	410	(3,557)	2,278	16.2%
Education, Communities & Organisational Development	-	-	276	-	506	(1,898)	(1,116)	(19.9)%
Health & Social Care	-	600	340	-	2	(307)	635	51.7%
Total	0	1,204	4,385	1,052	918	(5,762)	1,797	8.6%

	Approved Budget 2021/22 £000's	Draft 2021/22 Final Outcome £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												
Rolling Replacement of PCs	305	232	73	23.93%				73			4 Delay involving 3rd Party	Supply chain issues.
Meeting Room, Videoconferencing & Hybrid Working Equipment	90	0	90	100.00%			90				3 Internal Slippage	Project delayed
Various Projects	232	170	62	26.72%				62			4 Delay involving 3rd Party	Supply chain issues.
Cost Pressure Contingency	800	0	800	100.00%			800				3 Internal Slippage	No calls against this funding were received during 2021/22
TOTAL Policy & Resources	1,427	402	1,025	71.83%	0	0	890	135	0	0		
Environment & Regeneration												
Environmental Services - Roads												
SPT	789	1,094	(305)	(38.66)%						(305)	6 Accelerated Projects	
Spaces for People	478	119	359	75.10%		359					2 Project Cost Reduced	Service maximised the spend against the awarded budget and project objectives but did not require the full funds.
Flooding Strategy - Future Schemes	326	81	245	75.15%		245					2 Project Cost Reduced	Initial project cost reduced with funds now available to progress second phase.
Former St Ninians School Site	75	0	75	100.00%			75				3 Internal Slippage	Changes considered for project delivery due to further site investigation.
Feasibility Studies	90	0	90	100.00%				90			4 Delay involving 3rd Party	No external Consultants available to carry out survey works.
Various Projects	509	451	58	11.39%			58				3 Internal Slippage	Reduced resource availability to progress projects
Roads Asset Management Plan												
Carriageways	1,562	1,759	(197)	(12.61)%						(197)	6 Accelerated Projects	
Footways	314	244	70	22.29%				70			4 Delay involving 3rd Party	No external contractor available to deliver external contracts.
Structures	94	208	(114)	(121.28)%						(114)	6 Accelerated Projects	
Lighting	415	197	218	52.53%			218				3 Internal Slippage	Reduced resource availability to progress projects.
Other Assets	183	130	53	28.96%			53				3 Internal Slippage	Reduced resource availability to progress projects.
Staff Costs	360	412	(52)	(14.44)%						(52)	6 Accelerated Projects	
Environmental Services												
Cemetery Development	480	584	(104)	(21.67)%						(104)	6 Accelerated Projects	
Crematorium Replacement	496	83	413	83.27%			413				3 Internal Slippage	Complex procurement exercise requiring external consultant and legal input. Advance payment delayed.
Vehicles Replacement Programme	105	337	(232)	(220.95)%						(232)	6 Accelerated Projects	
Play Area Strategy	376	55	321	85.37%				321			4 Delay involving 3rd Party	Supplier mobilisation issues as a result of covid
Nature Restoration Fund	88	0	88	100.00%				88			4 Delay involving 3rd Party	Supply issues for materials
Various Projects	317	208	109	34.38%				109			4 Delay involving 3rd Party	Supply issues
Regeneration and Planning												
T&V - Jamaica Street Car Park	101	7	94				94				3 Internal Slippage	
T&V - Babylon Purchase & Demolition	400	161	239	59.75%				239			4 Delay involving 3rd Party	Combination of 3rd part delay and project cost reduced. Project start was dependant on agreement with multiple adjoining owners.
T&V - Other	372	14	358	96.24%							3 Internal Slippage	Material availability
Place Based Funding	675	0	675	100.00%			358				3 Internal Slippage	Material availability
Various Projects	177	91	86	48.59%					86		5 Minor Slippage	
Public Protection												
Scheme of Assistance	708	760	(52)	(7.34)%						(52)	6 Accelerated Projects	
Clune Park Regeneration	27	85	(58)	(214.81)%						(58)	6 Accelerated Projects	
Various Projects	15	0	15	100.00%					15		5 Minor Slippage	
Property Services												
Greenock Municipal Buildings - Clyde Square Re-roofing	897	733	164	18.28%							5 Minor Slippage	Contractor delayed on site linked to slow start and minor variations etc.
Greenock Municipal Buildings - Air Handling	87	6	81	93.10%			81		164		3 Internal Slippage	
Greenock Cemetery - Ivy House Replacement	354	35	319				319				3 Internal Slippage	Impacted by internal QS resource issues.
Waterfront Leisure Centre Lifecycle Works	210	27	183	87.14%							3 Internal Slippage	
Bogstone Community Centre Roof	520	292	228	43.85%							3 Internal Slippage	Impacted by internal QS resource issues.
Customhouse Square - Risk/DDA Works	247	123	124	50.20%							3 Internal Slippage	Impacted by internal QS resource issues.
Former BPPRA - Wallace Place	0	1,825	(1,825)							(1,825)	6 Accelerated Projects	Planned write off of BPPRA Loan, spend had not previously been reported.
Former BPPRA - Princes House	0	144	(144)							(144)	6 Accelerated Projects	Planned write off of BPPRA Loan, spend had not previously been reported.
Minor Works - Inverclyde Leisure Properties	14	200	(186)	(1,328.57)%						(186)	6 Accelerated Projects	
Minor Works - General Works	19	236	(217)	(1,142.11)%						(217)	6 Accelerated Projects	
Statutory Duties - Fire Risk	37	108	(71)	(191.89)%						(71)	6 Accelerated Projects	
Various Projects	702	557	145	20.66%					145		5 Minor Slippage	
TOTAL Environment & Regeneration	12,619	11,366	1,253	9.95%	0	604	2,879	917	410	(3,557)		

	Approved Budget 2021/22 £'000's	Draft 2021/22 Final Outcome £'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
Education & Lifelong Learning												
Non-SEMP												
Education & Communities (Non-SEMP)												
Safer Communities												
Indoor Sports Facility for Tennis	600	94	506	84.33%					506		5 Minor Slippage	
Waterfront Leisure Centre Training Pool Moveable Floor	300	24	276	92.00%			276			(124)	3 Internal Slippage	Procurement exercise required specialist external consultant. Partly impacted by internal QS resource issues.
PG New Community Hub (King George VI Building)	0	124	(124)							(11)	6 Accelerated Projects	
Various Projects	437	448	(11)	(2.52)%						(135)	6 Accelerated Projects	
TOTAL Education & Lifelong Learning (excl School Estate)	1,337	690	647	48.39%	0	0	276	0	506	(135)		
SEMP												
Lifecycle Fund	737	1195	(458)	(62.14)%						(458)	6 Accelerated Projects	
Gourcock PS Extension	466	744	(278)	(59.66)%						(278)	6 Accelerated Projects	Project is overall in delay, funding supplemented from Covid contingency shown as accelerated.
Interactive Whiteboard Replacement	0	672	(672)							(91)	6 Accelerated Projects	New project
CO2 Monitors in Schools	0	91	(91)							(99)	6 Accelerated Projects	New project
Rainbow Family Centre - Extension	697	796	(99)	(14.20)%						(165)	6 Accelerated Projects	
Various Projects	2380	2545	(165)	(6.93)%						(1,763)	6 Accelerated Projects	
TOTAL SEMP	4,280	6,043	(1,763)	(41.19)%	0	0	0	0	0	(1,763)		
Health & Social Care Committee												
Crosshill Childrens Home Replacement	221	528	(307)	(138.91)%						(307)	6 Accelerated Projects	Project is overall in delay, funding supplemented from Covid contingency shown as accelerated.
New Learning Disability Facility	406	66	340	83.74%			340				3 Internal Slippage	Design stage delays linked to Covid, site abnormal investigations and alternative design approach exercise.
Swift Upgrade	600	0	600	100.00%		600					2 Project Cost Reduced	Overall costs less than anticipated following procurement process
Various Projects	2	0	2	100.00%						2	5 Minor Slippage	
Total Health & Social Care	1,229	594	635	51.67%	0	600	340	0	2	(307)		
Council Total	20,892	19,095	1,797	8.60%	0	1,204	4,385	1,052	918	(5,762)		
Movement per Category as %age of Capital Programme												
				8.60%	.00%	5.76%	20.99%	5.04%	4.39%	(27.58)%		
Movement per Category as %age of total Slippage (Excluding Acceleration)												
				100.00%	.00%	15.93%	58.01%	13.92%	12.14%			

Summary of Reported Slippage by Period

Appendix 4

	July '21 - Period 4	Sept '21 - Period 6	Nov '21 - Period 8	Jan '22 - Period 10	March '22 - Period 12	Provisional Outturn
	£000's	£000's	£000's	£000's	£000's	£000's
	%	%	%	%	%	%
Policy & Resources	-	98	698	898	1,040	1,025
Environment, Regeneration & Resources	538	808	1,733	2,679	3,357	1,253
Education & Lifelong Learning	578	578	680	675	647	647
School Estate	(847)	(847)	(628)	(1,128)	(1,769)	(1,763)
Health & Social Care	(499)	(499)	207	307	635	635
	(230)	138	2,690	3,431	3,910	1,797
	(1.1)%	0.7%	12.9%	16.4%	18.7%	8.6%

	Movement Sept'21	Movement Nov'21
	(Period 6) v Outturn	(Period 8) v Outturn
	£000's	£000's
	%	%
Policy & Resources	927	327
Environment, Regeneration & Resources	445	(480)
Education & Lifelong Learning	69	(33)
School Estate	(916)	(1,135)
Health & Social Care	1,134	428
	1,659	(893)
	7.9%	(4.3)%

Policy & Resources	927	65.0%	22.9%
Environment, Regeneration & Resources	445	3.5%	(3.8)%
Education & Lifelong Learning	69	5.2%	(2.5)%
School Estate	(916)	(21.4)%	(26.5)%
Health & Social Care	1,134	92.3%	34.8%
	1,659	7.9%	(4.3)%