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| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>                                    | <b>Date:</b>       | <b>20 September 2022</b> |
| <b>Report By:</b>       | <b>Interim Director Finance &amp; Corporate Governance</b>                 | <b>Report No:</b>  | <b>FIN/55/22/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 2022/25 Capital Programme</b> |                    |                          |

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## **1.0 PURPOSE AND SUMMARY**

- 1.1  For Decision  For Information/Noting
- 1.2 The purpose of the report is to provide Committee with the latest position of the Policy & Resources Capital Programme and the 2022/25 Capital Programme.
- 1.3 This report advises the Committee in respect of the progress of the projects within the Policy & Resources Capital Programme, the Committee's capital budget over 2022/25 is £2.552m with total projected spend on budget. The Committee is projecting to spend £0.743m in 2022/23 after advancement of £0.200m (36.83%).
- 1.4 In overall terms the 2022/25 Capital Programme budget is £80.687m and is currently projected to be on budget. In the current year net slippage of £0.066m, 0.29% is being reported with expenditure at 30 June being £1.859m (8.3% of projected spend).

## **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee notes the current position of the 2022/25 Policy & Resources Capital Budget.
- 2.2 It is recommended that Committee note the current position of the 2022/25 Capital Programme.
- 2.3 It is recommended that the Committee notes the ongoing pressure being experienced with regards to the cost/availability of materials and the impact this continues to have on the delivery of the 2022/25 Capital Programme.

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

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 On 24 February 2022 the Council approved the 2022/25 Capital Programme as part of the overall Budget approval. This report shows the current position of the approved Policy & Resources Capital Programme as well as the position of the overall 2022/25 Capital Programme.

#### **2022/25 Policy & Resources Capital Position**

- 3.2 The Policy & Resources capital budget is £2.552m. The current projection is £2.552m which means total projected spend is on budget. The balance in the Covid Cost Pressure Budget is £325,000.
- 3.3 The budget for 2022/23 is £0.543m and the Committee is projecting to spend £0.743m in 2022/23, advancement of £0.200m (36.83%) relating mainly to the Server & Switch Replacement Programme and Rolling Replacement of PC's
- 3.4 PC Refresh Programme – In conjunction with the Smartboard Refresh Programme, completed by Property Services as part of the SEMP, ICT have completed the first phase of the PC Refresh Programme by replacing 631 Whiteboard/Teacher Desktop PCs with laptops. This work was scheduled to be completed over the summer break. Phase 2 will replace/upgrade the 620 desktop PCs in the Secondary Computer Suites. This will be scheduled during the term time, working with Education HQ and the schools to ensure minimal disruption within the classroom and provide a realistic timeline for completion.
- 3.5 Server and Switch Replacement – An implementation programme to replace and expand the Corporate Network Storage system has been scoped and an order placed with suppliers 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 following availability and coverage surveys completed by ICT.
- 3.6 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. Equipment for use in hybrid meeting rooms, breakout and working areas are being evaluated as part of the New Ways of Working programme.

#### **2022/25 Capital Programme**

- 3.7 The Capital Programme reflects the confirmed 2022/23 capital grant. 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 as a result estimated capital grant allocations for 2023/24 and 2024/25 have been reduced to £6.0m per year.
- 3.8 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 £2.700m which represents 4.17% of the 2022/25 resources and is therefore within acceptable limits.
- 3.9 In terms of the overall Capital Programme it can be seen from Appendix 2 that as at 30 June 2022 expenditure in 2022/23 was 8.3% of projected spend. Phasing and projected spend has been reviewed by the budget holders and the relevant Director. The position in respect of each individual Committee is reported in Appendix 2 and in paragraph 3.12 of this report. Overall Committees are projecting to outturn on budget.

3.11 In the current year net slippage of £0.066m, (0.29%) is currently being reported. This is due to slippage within the Environment & Regeneration Committee (£0.133m) and Education & Communities Committee (£0.133m) offset by advancement within the Policy & Resources Committee (£0.200m).

3.12 The position in respect of individual Committees for 2022/23 is as follows:

Policy & Resources

Expenditure as at 30 June 2022 is £0.102m against an approved budget of £0.543m.

Advancement of £0.200m (36.83%) is being reported at this stage within the Server and Switch Replacement Programme and Rolling Replacement of PC's.

Environment & Regeneration

Expenditure as at 30 June 2022 is £1.081m against an approved budget of £16.343m. Net slippage of £0.133m (0.81%) is being reported mainly due to slippage within the Port Glasgow Town Centre Regeneration (£0.428m) offset by advancement within the RAMP (£0.145m) and Scheme of Assistance (£0.100m).

Education & Communities

Expenditure as at 30 June 2022 is £0.642m against an approved budget of £4.270m. Net slippage of £0.133m (3.11%) is being reported mainly due to slippage in the Waterfront Leisure Centre Moveable Pool Floor (£0.340m) and PG New Community Hub (£0.157m) offset by advancement of Lady Alice Bowling Club (£0.130m) and Leisure Pitches (£0.231m).

Health & Social Care

Expenditure as at 30 June is £0.034m against an approved budget of £1.346m. No slippage is being reported.

**Material Shortages/Price Increases & the 2022/25 Capital Programme**

3.13 The UK exit from the EU, the impact of COVID, increased global demand for materials and most recently the impact of the conflict in Ukraine continue to have a significant impact on the delivery of the capital programme. This has been seen in recent tender exercises and is predicted to continue in the short to medium term with the following issues likely to be faced:

- Material availability issues will potentially extend lead-in/pre-site periods and/or site programmes.
- Price volatility may lead to contractors being reluctant to hold tenders open for the normal (120 day) period 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 number of tenders returned.
- Tender prices are likely to increase to reflect the rising cost of materials and future uncertainty/risk.
- For larger/longer term projects in particular Contractors may struggle to secure pricing from supply chain partners without inflated risk and additional contract protections.

3.14 The above issues will inevitably lead to both cost pressures and project delays and it is important Members consider this when reviewing project updates. It is likely 2022/23 will be another challenging year for delivery of the capital programme and while officers will endeavour to advance projects where possible to mitigate slippage it will be challenging to contain slippage within the 10% threshold.

## 4.0 PROPOSALS

- 4.1 The Committee is asked to note the progress on the Policy & Resources Capital Programme and the position of the 2022/25 Capital Programme.

## 5.0 IMPLICATIONS

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

| <b>SUBJECT</b>                               | <b>YES</b> | <b>NO</b> | <b>N/A</b> |
|--|------------|-----------|------------|
| 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

| <b>Cost Centre</b> | <b>Budget Heading</b> | <b>Budget Years</b> | <b>Proposed Spend this Report</b> | <b>Virement From</b> | <b>Other Comments</b> |
|--------------------|-----------------------|---------------------|-----------------------------------|----------------------|-----------------------|
| N/A                |                       |                     |                                   |                      |                       |

Annually Recurring Costs/ (Savings)

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

### 5.3 Legal/Risk

The approved Governance documents set out the roles and responsibilities of Committees and officers in ensuring budgets are not overspent and the process to be followed in the event an overspend is unavoidable.

### 5.4 Human Resources

There are no HR implications arising from this report.

### 5.5 Strategic

There are no Strategic implications arising from this report.

## **6.0 CONSULTATION**

6.1 This report has been prepared based on updates to the relevant Strategic Committees.

## **7.0 BACKGROUND PAPERS**

7.1 None.

## COMMITTEE: POLICY &amp; RESOURCES

| Project Name   | 1                     | 2                        | 3                              | 4                          | 5                         | 6                  | 7                  | 8                   |
|--|-----------------------|--------------------------|--------------------------------|----------------------------|---------------------------|--------------------|--------------------|---------------------|
|  | <u>Est Total Cost</u> | <u>Actual to 31/3/22</u> | <u>Approved Budget 2022/23</u> | <u>Revised Est 2022/23</u> | <u>Actual to 31/07/22</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>         |
| <b><u>Environment, Regeneration &amp; Resources</u></b>    |                       |                          |                                |                            |                           |                    |                    |                     |
| <b><u>ICT</u></b>  |                       |                          |                                |                            |                           |                    |                    |                     |
| Storage/Backup Devices/Minor Works and Projects            | 25                    |                          | 13                             | 25                         | 9                         | 0                  | 0                  | 0                   |
| Rolling Replacement of PC's                                | 442                   |                          | 73                             | 442                        | 22                        | 0                  | 0                  | 0                   |
| Meeting Room, Videoconferencing & Hybrid Working Equipment | 60                    | -                        | 30                             | 60                         |                           | 0                  | 0                  | 0                   |
| Server & Switch Replacement Programme                      | 195                   |                          | 26                             | 195                        | 71                        | 0                  | 0                  | 0                   |
| Home Working Allocation                                    | 25                    | 15                       | 10                             | 10                         |                           | 0                  | 0                  | 0                   |
| Annual Allocation  | 1,357                 | -                        | 380                            | 0                          |                           | 764                | 593                | 0                   |
| <b><u>ICT Total</u></b>                                    | <b>2,104</b>          | <b>15</b>                | <b>532</b>                     | <b>732</b>                 | <b>102</b>                | <b>764</b>         | <b>593</b>         | <b>0</b>            |
| <b><u>Finance</u></b>                                      |                       |                          |                                |                            |                           |                    |                    |                     |
| Modernisation Fund   | 123                   | 112                      | 11                             | 11                         |                           | 0                  | 0                  | 0                   |
| Cost Pressure Contingency                                  | 325                   | -                        | 0                              | 0                          |                           | 325                | 0                  | 0                   |
| <b><u>Finance Total</u></b>                                | <b>448</b>            | <b>112</b>               | <b>11</b>                      | <b>11</b>                  | <b>0</b>                  | <b>325</b>         | <b>0</b>           | <b>0</b>            |
| <b>TOTAL</b>   | <b>2,552</b>          | <b>127</b>               | <b>543</b>                     | <b>743</b>                 | <b>102</b>                | <b>1,089</b>       | <b>593</b>         | <b>0</b>            |

**Appendix 2a**

Capital Programme - 2022/23 - 2024/25

Available Resources

|                                     | A             | B             | C             | D          | E             |
|-------------------------------------|---------------|---------------|---------------|------------|---------------|
|                                     | 2022/23       | 2023/24       | 2024/25       | Future     | Total         |
|                                     | £000          | £000          | £000          | £000       | £000          |
| Government Capital Support          | 6,417         | 6,000         | 6,000         | -          | 18,417        |
| Capital Receipts (Note 1)           | 642           | 315           | 315           | -          | 1,272         |
| Capital Grants (Note 2)             | 4,492         | 3,090         | -             | -          | 7,582         |
| Prudential Funded Projects (Note 3) | 1,640         | 9,461         | 3,659         | 147        | 14,907        |
| Balance B/F From 21/22              | 14,787        | -             | -             | -          | 14,787        |
| Capital Funded from Current Revenue | 3,353         | 1,815         | 2,750         | -          | 7,918         |
|                                     | <u>31,331</u> | <u>20,681</u> | <u>12,724</u> | <u>147</u> | <u>64,883</u> |

Overall Position 2022/25

|   |                |
|---|----------------|
|   | <u>£000</u>    |
| Available Resources (Appendix 2a, Column A-C) | 64,736         |
| Projection (Appendix 2b, Column B-D)          | 67,436         |
| (Shortfall)/Under Utilisation of Resources    | <u>(2,700)</u> |
| (Shortfall)/Under Utilisation of Resources %  | <u>(4.17)%</u> |

**Notes to Appendix 2a**

**Note 1 (Capital Receipts)**

|                          | <u>2022/23</u> | <u>2023/24</u> | <u>2024/25</u> | <u>Future</u> | <u>Total</u> |
|--------------------------|----------------|----------------|----------------|---------------|--------------|
|                          | £000           | £000           | £000           | £000          | £000         |
| Sales                    | 315            | 315            | 315            | -             | 945          |
| Contributions/Recoveries | 327            | -              | -              | -             | 327          |
|                          | <u>642</u>     | <u>315</u>     | <u>315</u>     | <u>-</u>      | <u>1,272</u> |

**Note 2 (Capital Grants)**

|  | <u>2022/23</u> | <u>2023/24</u> | <u>2024/25</u> | <u>Future</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|--------------|
|  | £000           | £000           | £000           | £000          | £000         |
| Government Grant - Place Based Funding | 584            | -              | -              | -             | 584          |
| Renewal of Play Parks                  | -              | -              | -              | -             | -            |
| Cycling, Walking & Safer Streets       | 493            | -              | -              | -             | 493          |
| SPT                                    | 1,275          | -              | -              | -             | 1,275        |
| Road Safety Improvement Fund           | 116            | -              | -              | -             | 116          |
| Spaces for People                      | -              | -              | -              | -             | -            |
| Nature Restoration Fund                | 160            | -              | -              | -             | 160          |
| CO2 Monitors in Schools                | 42             | -              | -              | -             | 42           |
| HES - Watt Complex                     | -              | -              | -              | -             | -            |
| Electric Vehicles                      | 13             | -              | -              | -             | 13           |
| Sustrans                               | -              | 2,100          | -              | -             | 2,100        |
| Watt Complex Creativity Space          | -              | -              | -              | -             | -            |
| SFA Pitches                            | 75             | -              | -              | -             | 75           |
| VDLIP - New Learning Disability Hub    | -              | 990            | -              | -             | 990          |
| RCGF - King George VI                  | 1,734          | -              | -              | -             | 1,734        |
|  | <u>4,492</u>   | <u>3,090</u>   | <u>-</u>       | <u>-</u>      | <u>7,582</u> |

**Note 3 (Prudentially Funded Projects)**

|  | <u>2022/23</u> | <u>2023/24</u> | <u>2024/25</u> | <u>Future</u> | <u>Total</u>  |
|--|----------------|----------------|----------------|---------------|---------------|
|  | £000           | £000           | £000           | £000          | £000          |
| Vehicle Replacement Programme                                      | 719            | 964            | 964            | -             | 2,647         |
| Asset Management Plan - Depots                                     | 310            | 149            | -              | -             | 459           |
| Capital Works on Former Tied Houses                                | 3              | 150            | 60             | 147           | 360           |
| CCTV   | 15             | -              | -              | -             | 15            |
| Clune Park Regeneration  | 276            | -              | -              | -             | 276           |
| Neil Street Childrens Home Replacement - CoS                       | 13             | -              | -              | -             | 13            |
| Crosshill Childrens Home Replacement                               | 192            | 50             | -              | -             | 242           |
| New Learning Disability Facility                                   | 884            | 5,248          | 1,135          | -             | 7,267         |
| Interactive Whiteboard Replacement                                 | 28             | -              | -              | -             | 28            |
| 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         |
|  | <u>1,640</u>   | <u>9,461</u>   | <u>3,659</u>   | <u>147</u>    | <u>14,907</u> |



## Capital Programme - 2022/23 - 2024/25

Agreed Projects

| Committee                                   | A<br>Prior<br>Years<br>£000 | B<br>2022/23<br>£000 | C<br>2023/24<br>£000 | D<br>2024/25<br>£000 | E<br>Future<br>£000 | F<br>Total<br>£000 | G<br>Approved<br>Budget<br>£000 | H<br>(Under)/<br>Over<br>£000 | I<br>2021/22 Spend<br>To 30/6/2022<br>£000 |
|---|-----------------------------|----------------------|----------------------|----------------------|---------------------|--------------------|---------------------------------|-------------------------------|--|
| Policy & Resources                          | 127                         | 743                  | 1,089                | 593                  | -                   | 2,552              | 2,552                           | -                             | 102  |
| Environment & Regeneration                  | 7,134                       | 16,210               | 17,921               | 6,989                | 147                 | 48,401             | 48,401                          | -                             | 1,081                                      |
| School Estate                               | 2,423                       | 1,855                | 5,089                | 3,000                | 1,001               | 13,368             | 13,368                          | -                             | 622  |
| Education & Communities (Exc School Estate) | 270                         | 2,282                | 1,609                | 170                  | -                   | 4,331              | 4,331                           | -                             | 20   |
| HSCP  | 2,149                       | 1,346                | 5,298                | 3,242                | -                   | 12,035             | 12,035                          | -                             | 34   |
| <b>Total</b>                                | <b>12,103</b>               | <b>22,436</b>        | <b>31,006</b>        | <b>13,994</b>        | <b>1,148</b>        | <b>80,687</b>      | <b>80,687</b>                   | <b>-</b>                      | <b>1,859</b>                               |