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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>15 November 2022</b>
<b>Report By:</b>	<b>Interim Director Finance &amp; Corporate Governance</b>	<b>Report No:</b>	<b>FIN/67/22/MT/GS</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 £2.358m 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 The overall 2022/25 Capital Programme budget is £64.620m with projects totalling £67.320m. This represents a £2.700m (4.18%) over allocation which is within the approved 5% tolerance. In the current year net slippage of £2.691m, 12.02% is being reported with expenditure at 31 August being £4.903m (24.89% 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 and the current position of the 2022/25 Capital Programme.
- 2.2 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.
- 2.3 It is recommended that the Committee notes that officers have commenced compiling the draft 2023/26 Capital Program which will be considered as part of the overall Budget in February 2023.
- 2.4 It is recommended that the Committee notes the use of powers delegated to the Chief Executive to issue an acceptance for the general building work contract associated with installation of the new cremator units at Greenock Crematorium which was authorised by Councillors McCormick, Clocherty, McCabe and Robertson (for Environment & Regeneration); and Councillors McCabe, McCluskey and Robertson (for Policy & Resources); and the Chief Executive.

**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 £2.358m. The current projection is £2.358m which means total projected spend is on budget. This is a reduction in budget of £0.194m due to Covid Cost Pressure Budget having been released to fund increased costs for the Cremator replacement leaving a balance in the Covid Cost Pressure Budget is £131,000.
- 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 has been completed. One meeting room has been equipped with equipment and is being used as the first Hybrid Meeting room outwith the Council Chambers and Board Room 1.. 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 The Scottish Government has announced additional Capital Grant funding for 2022/23 of £120m nationally as part of the funding package for the Local Authority pay award with Inverclyde's share of this being £1.867m. As a result of the increased grant Capital Funding the allocation to Capital from Revenue Reserves has been decreased by £1.867m leaving no net impact on the Capital Programme but releasing £1.867m of Revenue funding. A similar increase in funding for 2023/24 is expected but not yet confirmed and has not been reflected in this report.
- 3.9 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 4.18% of the 2022/25 resources and is therefore within acceptable limits.

- 3.10 In terms of the overall Capital Programme it can be seen from Appendix 2 that as at 31 August 2022 expenditure in 2022/23 was 24.9% 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 The Committee is requested to note the use of powers delegated to the Chief Executive to issue an acceptance for the general building work associated with installation of the new cremator units at Greenock Crematorium involving the internal adaptations and improvements, and a new extension to the rear of the existing building. The use of Emergency Powers was recommended in order that the formal letter of acceptance could be issued without delay and allow the mobilisation period to commence ahead of construction commencement which would enable the main contractor to formally commit to the proposed supply chain partners. Tenders were returned in excess of the available budget with the additional funding required to be made available from a combination of the cost pressure contingency within the Core Property general provision (£200K); underspends from current projects released back to the Core Property general provision (£100K); and with a further allocation of £194K from the remaining cost pressure contingency within the Policy & Resources capital programme.
- 3.12 In the current year net slippage of £2.691m, (12.02%) is currently being reported. This is due to slippage within the Environment & Regeneration Committee (£1.468), Education & Communities Committee (£0.639m) and Health & Social Care Committee (£0.784m) offset by advancement within the Policy & Resources Committee (£0.200m).
- 3.13 The position in respect of individual Committees for 2022/23 is as follows:

#### Policy & Resources

Expenditure as at 31 August 2022 is £0.375m 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 31 August 2022 is £2.925m against an approved budget of £16.343m. Net slippage of £1.468m (9.05%) is being reported mainly due to slippage in the Vehicle Replacement Programme (£0.847m), Cremator Replacement (£0.200m), Kirn Drive Civic Amenity Site (£0.180m), Various Garages/Stores Replacement (£0.100m) and other minor movements across the remaining elements of the capital programme.

#### Education & Communities

Expenditure as at 31 August 2022 is £1.386m against an approved budget of £4.270m. Net slippage of £0.639m (14.95%) is being reported mainly due to slippage in the Indoor Tennis Facility (£0.503m), 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), Leisure Pitches (£0.231m).

#### Health & Social Care

Expenditure as at 31 August 2022 is £0.217m against an approved budget of £1.346m. Net slippage of £0.784m is being reported mainly due to slippage in the New Learning Disability Facility (£0.784m).

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

- 3.14 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.

3.15 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 bring slippage back 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.

4.2 Officers have commenced working on collating the 2023/26 Capital Programme. As previously highlighted, due to reductions in General Capital Grant and increased costs, the Programme is expected to be under significant pressure with Members needing to prioritise spend.

#### 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)

<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 & RESOURCES

Appendix 1

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 30/09/22</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	10	0	0	0
Rolling Replacement of PC's	442		73	442	287	0	0	0
Meeting Room, Videoconferencing & Hybrid Working Equipment	60	-	30	60		0	0	0
Server & Switch Replacement Programme	195		26	195	78	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>375</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	131	-	0	0		131	0	0
<b><u>Finance Total</u></b>	<b>254</b>	<b>112</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>131</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>2,358</b>	<b>127</b>	<b>543</b>	<b>743</b>	<b>375</b>	<b>895</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	8,284	6,000	6,000	-	20,284
Capital Receipts (Note 1)	367	590	315	-	1,272
Capital Grants (Note 2)	4,376	3,090	-	-	7,466
Prudential Funded Projects (Note 3)	(159)	8,298	6,621	147	14,907
Balance B/F From 21/22	14,787	-	-	-	14,787
Capital Funded from Current Revenue	1,486	1,815	2,750	-	6,051
	<u>29,141</u>	<u>19,793</u>	<u>15,686</u>	<u>147</u>	<u>64,767</u>

Overall Position 2022/25

Available Resources (Appendix 2a, Column A-C)	<u>£000</u>
Projection (Appendix 2b, Column B-D)	64,620
(Shortfall)/Under Utilisation of Resources	<u>(2,700)</u>
(Shortfall)/Under Utilisation of Resources %	<u>(4.18)%</u>

**Notes to Appendix 2a**

**Note 1 (Capital Receipts)**

	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000
Sales	315	315	315	-	945
Contributions/Recoveries	52	275	-	-	327
	<u>367</u>	<u>590</u>	<u>315</u>	<u>-</u>	<u>1,272</u>

**Note 2 (Capital Grants)**

	2022/23	2023/24	2024/25	Future	Total
	£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	-	-	-	-	-
Nature Restoration Fund	160	-	-	-	160
CO2 Monitors in Schools	42	-	-	-	42
Electric Vehicles	13	-	-	-	13
Sustrans	-	2,100	-	-	2,100
SFA Pitches	75	-	-	-	75
VDLIP - New Learning Disability Hub	-	990	-	-	990
RCGF - King George VI	1,734	-	-	-	1,734
	<u>4,376</u>	<u>3,090</u>	<u>-</u>	<u>-</u>	<u>7,466</u>

**Note 3 (Prudentially Funded Projects)**

	2022/23	2023/24	2024/25	Future	Total
	£000	£000	£000	£000	£000
Vehicle Replacement Programme	(128)	1,811	964	-	2,647
Asset Management Plan - Depots	130	329	-	-	459
Capital Works on Former Tied Houses	15	138	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	100	3,070	4,097	-	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>(159)</u>	<u>8,298</u>	<u>6,621</u>	<u>147</u>	<u>14,907</u>



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

Agreed Projects

Committee	A Prior Years £000	B 2022/23 £000	C 2023/24 £000	D 2024/25 £000	E Future £000	F Total £000	G Approved Budget £000	H (Under)/ Over £000	I 2022/23 Spend To 31/8/2022 £000
Policy & Resources	127	743	895	593	-	2,358	2,358	-	375
Environment & Regeneration	7,134	14,759	19,450	6,989	147	48,479	48,479	-	2,925
School Estate	2,423	1,855	5,089	3,000	1,001	13,368	13,368	-	1,078
Education & Communities (Exc School Estate)	270	1,779	2,112	170	-	4,331	4,331	-	308
HSCP	2,149	562	3,120	6,204	-	12,035	12,035	-	217
<b>Total</b>	<b>12,103</b>	<b>19,698</b>	<b>30,666</b>	<b>16,956</b>	<b>1,148</b>	<b>80,571</b>	<b>80,571</b>	<b>-</b>	<b>4,903</b>