
Report To:	Policy & Resources Committee	Date:	23 May 2023
Report By:	Chief Financial Officer	Report No:	FIN/32/23/MT/GS
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	Policy & Resources Capital Budget and overall 2022/26 Capital Programme		

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 2022/26 Capital Programme following approval of the 2023/26 Capital Programme on 2 March 2023.

1.3 The report advises the Committee in respect of the progress of the projects within the Policy & Resources Capital Programme which has a capital budget over 2022/26 of £6.769m with total projected spend on budget. The Committee is projecting to spend £0.639m in 2022/23 after advancement of £0.107m (20.11%).

1.4 The overall 2022/26 Capital Programme budget is £81.804m with projects totalling £84.683m. This represents a £2.879m (3.52%) over allocation which is within the approved 5% tolerance. It should be noted that this is based on a 4 year capital resource and the over provision will represent approximately 4.21% of the reduced, 3 year, resources of the 2023/26 programme which remains within acceptable levels. In the current year net slippage of £5.910m, 25.50% is being reported, this is an increase of £1.445m from the last reporting period. Expenditure at 28 February was £13.936m (80.70% of projected spend).

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee notes the current position of the 2022/26 Policy & Resources Capital Budget and the current position of the 2022/26 Capital Programme.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 On 2 March 2023 the Council approved the 2023/26 Capital Programme as part of the overall Budget approval factoring in additional funding to fund the shortfall in annual capital grant compared to the annual capital allocations. This report shows the current position of the approved Policy & Resources Capital Programme as well as the position of the overall extended 2022/26 Capital Programme.
- 3.2 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 capital projects. 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

2022/26 Policy & Resources Capital Position

- 3.3 The Policy & Resources capital budget is £6.769m. The current projection is £6.769m which means total projected spend is on budget.
- 3.4 The budget for 2022/23 is £0.532m and the Committee is projecting to spend £0.639m in 2022/23, advancement of £0.107m (20.11%) relating mainly to the Server & Switch Replacement Programme and Rolling Replacement of PC's. The spend as at 28 February is £0.586m (91.70%) of current projection.
- 3.5 PC Refresh Programme – Phase 1 of the Schools PC Refresh programme, in conjunction with the Smartboard Refresh Programme completed by Property Services as part of the SEMP, was completed in the October 2022 holiday week. 631 Whiteboard/Teacher Desktop PCs were replaced with laptops. The first tranche of Phase 2 replacement programme to refresh 240 PCs in 1 x Business Education and 1 x Computing Science suites in each of the high schools was completed in the February mid-term break. A small programme to deploy outstanding docking stations delayed by manufacturing and supply issues completed the PC Refresh Programme for this FY. The remaining devices in suites and offices will be refreshed in Phase 2 tranche 2 during 2023/24. It has been agreed with Education that this will be scheduled during term time, working with the schools to ensure minimal disruption within the classroom and provide the fastest timeline for completion. A small refresh of School Senior Management Teams devices is planned prior to the main refresh programme.
- 3.6 Server and Switch Replacement – An implementation programme to replace and expand the Corporate Network Storage system is near completion and final is being scheduled for mid May 2023. 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

- 3.7 ICT & Digital Strategies – As part of New Ways of Working a programme to identify systems and services to support Hybrid Meetings has been completed. Six initial meeting rooms have been equipped with equipment and are available for use to host both traditional and Hybrid Meetings; Boardroom 2 and CSC Meeting Room 4 had replacement screens and videoconferencing systems installed in January 2023. The Chief Executive, Finance, ICT and HR Meeting Rooms have all had small room systems deployed as upgrades to existing systems. Engagement with suppliers to evaluate equipment for future programmes is underway
- 3.8 As part of the 2023/26 budget setting process £4m has been allocated to meet potential cost increases across the full capital programme and to protect core service delivery from unexpected fluctuations in costs. This budget has been allocated to Policy and Resources and will be allocated by Committee following the receipt of relevant reports.

Overall 2022/26 Capital Programme

- 3.9 The overall 2022/26 Capital Programme reflects both the previously confirmed 2022/23 capital grant as well as the confirmed 2023/24 capital grant. While the total grant for 2023/24 of £8.228m is significantly higher than previously estimated £6.0m this includes both the second year of the additional funding package for the Local Authority pay award (£1.872m) leaving a core grant of £6.079m. The estimated capital grant allocation for 2024/25 and 2025/26 remains £6.0m.
- 3.10 The Scottish Government provided 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 the same amount leaving no net impact on the Capital Programme.
- 3.11 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 £2.879m which represents 3.52% of the 2022/26 resources. It should be noted that this is based on a 4-year capital resource and the over provision will represent approximately 4.21% of the reduced, 3 year, resources of the 2023/26 programme which remains within acceptable levels.
- 3.12 In terms of the overall Capital Programme, it can be seen from Appendix 2 that as at 28 February 2023 expenditure in 2022/23 was 80.70% 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 3.13 of this report. Overall Committees are projecting to outturn on budget.
- 3.13 In the current year net slippage of £5.910m, (25.50%) is currently being reported, this is an increase of £1.445m since the last reporting period. This is due to slippage within the Environment & Regeneration Committee (£4.232), Education & Communities Committee (£0.939m) and Health & Social Care Committee (£0.846m) offset by advancement within the Policy & Resources Committee (£0.107m).

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

Policy & Resources

Expenditure as at 28 February 2023 is £0.586m against an approved budget of £0.532m. Advancement of £0.107m (20.11%) is being reported at this stage within the Server and Switch Replacement Programme and Rolling Replacement of PC's (£0.200m) offset with other minor slippage across the rest of the programme.

Environment & Regeneration

Expenditure as at 28 February 2023 is £9.333m against an approved budget of £16.677m. Net slippage of £4.232m (25.46%) and is mainly due to slippage in Port Glasgow Town Regeneration (£0.528m), Town & Village Centre projects (£0.681m) and Place Based Funding (£1.000m), Cycling, Walking & Safer Streets (£0.107k), SPT (£0.400m), Cremator Costs (£0.621m) as well as the Vehicle Replacement Program (£0.815m) offset with other minor advancements across the program within the Property projects as well as other minor movements across the remaining elements of the capital programme

Education & Communities

Expenditure as at 28 February 2023 is £3.633m against an approved budget of £4.623m. Net slippage of £0.939m (20.31%) is being reported mainly due to the removal of the Indoor Tennis Facility (£0.503m slipped and then total remaining £0.741m removed), the Waterfront Leisure Centre Moveable Pool Floor (£0.320m) and PG New Community Hub (£0.721m) offset by advancement of Lady Alice Bowling Club (£0.130m), Leisure Pitches (£0.231m), the Lifecycle fund (£0.095m) and Gourock Primary School Extension (£0.067m) along with other minor movements across the remaining elements of the capital programme.

Health & Social Care

Expenditure as at 28 February 2023 is £0.384m against an approved budget of £1.346m. Net slippage of £0.846m (60.30%) is being reported due to slippage in the New Learning Disability Facility (£0.784m), the Swift upgrade (£0.100m) and an advancement in the Crosshill Children's home replacement (£0.050m).

3.15 2022/23 was another challenging year for delivery of the capital programme and officers will provide a detailed update on performance to the August meeting of the Committee.

4.0 PROPOSALS

4.1 The Committee is asked to note the progress on the Policy & Resources Capital Programme and the position of the 2022/26Capital Programme.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation is 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

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

	1	2	3	4	5	6	7	8	9
Project Name	Est Total Cost	Actual to 31/3/22	Approved Budget 2022/23	Revised Est 2022/23	Actual to 28/02/23	Est 2023/24	Est 2024/25	Est 2025/26	Future Years
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Environment, Regeneration & Resources</u>									
<u>ICT</u>									
Storage/Backup Devices/Minor Works and Projects	25		13	23	18	2	0		0
Rolling Replacement of PC's	442		73	429	429	13	0		0
Meeting Room, Videoconferencing & Hybrid Working Equipment	60	-	30	9	6	51	0		0
Server & Switch Replacement Programme	195		26	178	133	17	0		0
Home Working Allocation	25	15	10	0		10	0		0
Annual Allocation	1,779	-	380	0		500	635	644	0
<u>ICT Total</u>	2,526	15	532	639	586	593	635	644	0
<u>Finance</u>									
Modernisation Fund	112	112	0	0		0	0		0
Medium Term Capital Program Support	4,000						2,000	2,000	
Cost Pressure Contingency	131	-	0	0		131	0		0
<u>Finance Total</u>	4,243	112	0	0	0	131	2,000	2,000	0
TOTAL	6,769	127	532	639	586	724	2,635	2,644	0

Appendix 2a

Capital Programme - 2022/23 - 2025/26

Available Resources

	A	B	C	D	E	F
	2022/23	2023/24	2024/25	2025/26	Future	Total
	£000	£000	£000	£000	£000	£000
Government Capital Support	8,664	8,228	6,000	6,000	-	28,892
Capital Receipts (Note 1)	67	890	315	315	-	1,587
Capital Grants (Note 2)	4,796	3,190	-	-	-	7,986
Prudential Funded Projects (Note 3)	350	6,211	7,957	2,574	125	17,217
Balance B/F From 21/22	14,846	-	-	-	-	14,846
Capital Funded from Current Revenue	386	1,938	5,813	3,264	380	11,781
	<u>29,109</u>	<u>20,457</u>	<u>20,085</u>	<u>12,153</u>	<u>505</u>	<u>82,309</u>

Overall Position 2022/26

Available Resources (Appendix 2a, Column A-C)	<u>£000</u>
Projection (Appendix 2b, Column B-D)	81,804
(Shortfall)/Under Utilisation of Resources	<u>84,683</u>
	<u>(2,879)</u>
(Shortfall)/Under Utilisation of Resources %	<u>(3.52)%</u>

Notes to Appendix 2a

Note 1 (Capital Receipts)

	2022/23	2023/24	2024/25	2025/26	Future	Total
	£000	£000	£000	£000	£000	£000
Sales	15	615	315	315	-	1,260
Contributions/Recoveries	52	275	-	-	-	327
	67	890	315	315	-	1,587

Note 2 (Capital Grants)

	2022/23	2023/24	2024/25	2025/26	Future	Total
	£000	£000	£000	£000	£000	£000
Government Grant - Place Based Funding	584	-	-	-	-	584
Cycling, Walking & Safer Streets	493	-	-	-	-	493
SPT	1,275	-	-	-	-	1,275
Nature Restoration Fund	160	-	-	-	-	160
CO2 Monitors in Schools	42	-	-	-	-	42
Electric Vehicles	13	-	-	-	-	13
Sustrans	420	2,200	-	-	-	2,620
SFA Pitches	75	-	-	-	-	75
VDLIP - New Learning Disability Hub	-	990	-	-	-	990
RCGF - King George VI	1,734	-	-	-	-	1,734
	4,796	3,190	-	-	-	7,986

Note 3 (Prudentially Funded Projects)

	2022/23	2023/24	2024/25	2025/26	Future	Total
	£000	£000	£000	£000	£000	£000
Vehicle Replacement Programme	172	314	1,314	964	-	2,764
Borrowing in lieu of VRP Reduction	-	-	636	-	-	636
Asset Management Plan - Depots	159	-	300	-	-	459
Capital Works on Former Tied Houses	15	-	110	110	125	360
CCTV	-	15	-	-	-	15
Clune Park Regeneration	276	-	-	-	-	276
Neil Street Childrens Home Replacement - CoS	1	12	-	-	-	13
Crosshill Childrens Home Replacement	299	-	-	-	-	299
New Learning Disability Facility	200	2,970	4,097	-	-	7,267
Interactive Whiteboard Replacement	28	-	-	-	-	28
Additional Prudential Borrowing to Fund Capital Programme	(1,000)	1,500	1,500	1,500	-	3,500
Additional Prudential Borrowing to meet anticipated Cost Pressures	200	1,400	-	-	-	1,600
	350	6,211	7,957	2,574	125	17,217

Capital Programme - 2022/23 - 2025/26

Agreed Projects

Committee	A Prior Years £000	B 2022/23 £000	C 2023/24 £000	D 2024/25 £000	E 2025/26 £000	F Future £000	G Total £000	H Approved Budget £000	I (Under)/ Over £000	J 2022/23 Spend To 28/02/2023 £000
Policy & Resources	127	639	724	2,635	2,644	-	6,769	6,769	-	586
Environment & Regeneration	7,075	12,388	15,293	15,573	9,610	125	60,064	60,064	-	9,333
School Estate	2,423	2,525	1,503	4,266	4,000	1,001	15,718	15,718	-	2,522
Education & Communities (Exc School Estate)	270	1,159	1,410	320	51	500	3,710	3,710	-	1,111
HSCP	2,149	557	3,182	6,204	-	-	12,092	12,092	-	384
Total	12,044	17,268	22,112	28,998	16,305	1,626	98,353	98,353	-	13,936