
Report To:	Policy & Resources Committee	Date:	15 August 2023
Report By:	Chief Financial Officer	Report No:	FIN/43/23/MT/GS
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	Capital Programme Out-Turn 2022/23		

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 the delivery of the 2022/23 Capital Programme and to highlight issues which could continue to impact upon the delivery of the 2023/26 Capital Programme.
- 1.3 The Capital Out-turn for the prior financial year and explanations for material variances from the approved Budget 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 2022/23 Annual Accounts, the Capital out-turn for 2022/23 is reporting slippage of 26.3% which is materially above the 10% threshold. The difficulties in progressing projects on time and within original budgets has been highlighted to Committee over the last three years and more details on this and action taken by officers are included in the report.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes the 2022/23 Capital Out-Turn position and that officers have factored in these on-going challenges when estimating the planned 2023/24 spend levels approved by the Council in March 2023.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 For the last 10 years the August meeting of the Policy & Resources Committee has considered a report detailing the capital expenditure out-turn for the previous year against the budget approved. This has resulted in changes in the way capital spend estimates are arrived at and the creation of more robust internal processes.
- 3.2 Subject to the audit of the Final Accounts, the capital out-turn for 2022/23 shows slippage of 26.3%. Appendix 2 provides an analysis of the main reasons for any slippage whilst Appendix 3 contains a commentary on material variances by the Lead Officer 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 £6.345 million (70.59% 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 £2.887m.
- 3.4 Directorate performance was as follows:

Environment, Regeneration & Resources – overall slippage of 29.26%/£4.879million (2021/22: 16.2% slippage) this was mainly due to slippage within Roads (SPT & Feasibility Studies), Environmental (Cremator Replacement, Vehicle Replacement and Play Areas) and Town and Village Centre Regeneration offset by advancement across the Roads Asset Management Plan, Park, Cemeteries & Open Spaces AMP and the Property Services projects.

Education, Communities & Organisational Development – overall project advancement of 11.2%/£0.516million (2021/22: 19.9% advancement) mainly as a result of advancement across the School Estate and Early Years programme partially offset by slippage arising from the Indoor Tennis Facility, preparation for the P6/7 Free School Meals and the Waterfront Pool Floor.

Health & Social Care – overall slippage of 57.0%/£0.767million (2021/22: 51.7% slippage) mainly because of slippage in the New Learning Disability Facility and SWIFT upgrade offset by increased costs 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. Road's investment lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. During 2022/23 a total of £2.887m (2021/22: £5.530m) was advanced, mainly within the School Estate Programme, Roads, and Property Minor Works.

Continuing Challenges in Capital Programme Delivery

- 3.6 Over the past 3 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 the impact of the invasion of Ukraine by Russia. This has created an 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.
- 3.7 The above plus difficulties in attracting contractors to bid for certain contracts, recruitment challenges within the Council and uncertainty in future funding levels from some of the Council's partners have resulted in a high level of capital slippage in 2022/23.

3.8 Officers have considered these on-going challenges and have progressed the following actions over the last year:

- A supplier event took place to increase the number of medium size contractors tendering for Council contracts. Feedback was positive and officers hope this will increase competition.
- The Committee approved a Recruitment & Retention report plus associated actions in May and an update on progress is due later in the year. Within this are specific actions to make the Council a more attractive employer for professional workers, a number of which are key in the progression of capital projects.
- A £4.0 million contribution from General Fund Reserves to create a contingency within the 2023/26 Capital Programme was approved as part of the March 2023 Budget. This will help reduce delays if project costs increase.
- 2023/24 expenditure estimates were reviewed by the Capital Programme officer group taking these challenges into account prior to approval as part of the March 2023 Budget.

4.0 PROPOSALS

4.1 There are no specific proposals within the report aside from that the Committee note the 2022/23 Capital Programme out-turn, the reasons for the higher than anticipated slippage and the actions taken to improve performance from 2023/24 onwards.

5.0 IMPLICATIONS

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

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

5.2 Finance

The Council increased the sums allocated to Property projects, Roads, ICT and Scheme of Assistance as part of the Budget to try and offset some of the financial pressures highlighted above however, there is the risk that the resulting level of spend is unsustainable in the current financial climate. This will be reviewed in more detail as part of the forthcoming budget.

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 is a risk that high levels of slippage will delay the delivery of key Council projects and result in further cost increases and impact upon the delivery of policy objectives.

5.4 Human Resources

There are no HR implications arising from this report.

5.5 Strategic

The Capital Programme plays a key role in the delivery of the Council's policy objectives via the Council Plan and as such it is important that slippage is minimised.

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>
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%
2022/23	23,178	6,101	26.3%
5 year average	22,134	1,379	6.2%

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>Slippage involving 3rd Party</u> £000	<u>Minor Slippage</u> £000	<u>Accelerated Projects</u> £000	<u>Total</u> £000 %age	
Policy & Resources	-	-	-	-	21	(117)	(96)	(18.0)%
Environment, Regeneration & Resources	785	595	2,772	1,554	399	(1,226)	4,879	29.3%
Education & Lifelong Learning	503	-	1,067	-	(9)	(340)	1,221	50.5%
School Estate	295	-	67	-	42	(1,074)	(670)	(30.4)%
Health & Social Care	-	-	885	-	12	(130)	767	57.0%
Total	1,583	595	4,791	1,554	465	(2,887)	6,101	26.3%
 <u>Directorate</u>								
Environment, Regeneration & Resources	785	595	2,772	1,554	420	(1,343)	4,783	27.8%
Education, Communities & Organisational Development	798	-	1,134	-	33	(1,414)	551	11.9%
Health & Social Care	-	-	885	-	12	(130)	767	57.0%
Total	1,583	595	4,791	1,554	465	(2,887)	6,101	26.3%
 <u>Movements as %age</u>								
Movement per Category as %age of Capital Programme	6.8%	2.6%	20.7%	6.7%	2.0%	(12.5)%		26.3%
Movement per Category as %age of total Slippage (Excluding Acceleration)	17.6%	6.6%	53.3%	17.3%	5.2%			100.0%

Capital Slippage Summary 2022-23

Appendix 3

	Approved Budget 2022/23 £000's	Draft 2022/23 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	Variation Category	Additional Comments
Policy & Resources						
Rolling Replacement of PC's	301	418	(117)	(38.87)%	6 Accelerated Projects	
Various Projects	231	210	21	9.09%	5 Minor Slippage	Minor Slippage across several projects
TOTAL Policy & Resources	532	628	(96)	(18.05)%		
Environment & Regeneration						
Environmental Services - Roads						
Cycling, Walking & Safer Streets	493	428	65	13.18%	2 Project Cost Reduced	Scope of project reduced.
Sustrans	420	337	83	19.76%	2 Project Cost Reduced	Scope of project reduced.
SPT	1,275	828	447	35.06%	2 Project Cost Reduced	Change to scope of project and project programme.
Feasibility Studies	90	12	78	86.67%	3 Internal Slippage	Slippage due to the availability of internal resources.
Various Projects	598	539	59	9.87%	3 Internal Slippage	Slippage due to the availability of internal resources.
Roads Asset Management Plan						
Carriageways	1,578	1,922	(344)	(21.80)%	6 Accelerated Projects	
Footways	320	424	(104)	(32.50)%	6 Accelerated Projects	
Structures	136	236	(100)	(73.53)%	6 Accelerated Projects	
Lighting	368	321	47	12.77%	4 Slippage involving 3rd Party	Delays with external contractor programme delivery.
Other Assets	203	188	15	7.39%	5 Minor Slippage	
Staff Costs	318	417	(99)	(31.20)%	6 Accelerated Projects	Requirement for additional external resources to assist with programme delivery.
Environmental Services						
Cremator Replacement	1,161	595	566	48.75%	3 Internal Slippage	Complex phased procurement. Progress impacted by bond agreement and then via unforeseen site conditions.
Zero Waste Fund	100	21	79	79.00%	5 Minor Slippage	Minor Slippage across several projects
Vehicles Replacement Programme	1,015	434	581	57.24%	1 Policy Decision	Decision taken to delay vehicle replacement due to market conditions and subsequently to move replacement programme from 5 years to 7 years. Orders will be made this year. Subject to further report
Play Area Strategy	414	324	90	21.74%	4 Slippage involving 3rd Party	Difficulty in procuring a suitably qualified contractors due to the levels of activity nationally.
Nature Restoration Fund	248	89	159	64.11%	3 Internal Slippage	Contractor now appointed
Park, Cemeteries & Open Spaces AMP	95	163	(68)	(71.58)%	3 Internal Slippage	Internal Slippage
Various Projects	901	723	178	19.76%	5 Minor Slippage	Minor Slippage across several projects
Regeneration and Planning						
Port Glasgow Town Centre Regeneration	528	3	525		3 Internal Slippage	Slippage due to Committee Decision to examine other funding sources to optimise the available funding, options being progressed.
T&VC - West Blackhall Street	487		487	100.00%	4 Slippage involving 3rd Party	Delays in external funding confirmation.
Jamaica St Car Park	94	34	60	63.83%	4 Slippage involving 3rd Party	Scottish Government Grant monies freed up existing budgets
Babylon Purchase & Demolition	314	132	182	57.96%	4 Slippage involving 3rd Party	Scottish Government Grant monies freed up existing budgets
T&VC - Other	601	25	576	95.84%	4 Slippage involving 3rd Party	Scottish Government Grant monies freed up existing budgets and delays to various projects partly impacted by suspension of Town Centre forums.
Place Based Funding	800	216	584	73.00%	3 Internal Slippage	Delays due to difficulties obtaining materials, and suitable contractors.
Various Projects	25		25	100.00%	5 Minor Slippage	Minor slippage across several projects
Public Protection						
Clune Park Regeneration	276	164	112	40.58%	4 Slippage involving 3rd Party	Spend from the Clune Park capital budget is entirely dependent on the willingness of owners to sell. It had been hoped that in 22-23 at least one portfolio owner might have sold their interest but this was not the case.
Various Projects	655	672	(17)	(2.60)%	5 Minor Slippage	Minor Slippage across several projects
Property Services						
General Provision	398	12	386	96.98%	3 Internal Slippage	Expenditure is through other individual project lines, this line is the general allocation and not project specific.
Greenock Municipal Buildings - Air Handling	86	0	86	100.00%	3 Internal Slippage	Single tender returned, unable to be progressed due to access concerns. Alternative design being progressed.
Greenock Cemetery - Ivy House Replacement	295	347	(52)		6 Accelerated Projects	Project cost increased.
Various Garages/Stores Replacement	104	5	99	95.19%	1 Policy Decision	Project on hold pending review of future garages provision.
Watt Institute - Risk/DDA Works	106	26	80	75.47%	3 Internal Slippage	Project involves Category A Listed building.
Net Zero	50	0	50	100.00%	3 Internal Slippage	Progress linked to resource limitations and recruitment for Energy & Climate Change Team.
New Ways of Working	0	140	(140)		6 Accelerated Projects	James Watt building vacated and expenditure linked to alterations for relocated staff.
Inverclyde Leisure Properties	73	277	(204)		6 Accelerated Projects	Multiple projects, linked to general provision allocations (line 51 above).
General Works	111	294	(183)	(164.86)%	6 Accelerated Projects	Multiple projects, linked to general provision allocations (line 51 above).
Kirn Drive Civic Amenity Site / Craigmuschat Recycling Facility	146	41	105	71.92%	1 Policy Decision	Committee decision to delay approved to allow consideration as part of budget process.
Complete on Site Allocation	427	160	267	62.53%	3 Internal Slippage	Delays in agreeing final accounts. Also some project costs reduced.
Various Projects	1,368	1,249	119	8.70%	5 Minor Slippage	Minor Slippage across several projects
TOTAL Environment & Regeneration	16,677	11,798	4,879	29.26%		

Capital Slippage Summary 2022-23

Appendix 3

	Approved Budget 2022/23 £000's	Draft 2022/23 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	Variation Category	Additional Comments
Education & Lifelong Learning						
Non-SEMP						
Education & Communities (Non-SEMP)						
Safer Communities						
Lady Alice Bowling Club Toilets	92	222	(130)	(141.30)%	6 Accelerated Projects	
Indoor Sports Facility for Tennis	503	0	503	100.00%	1 Policy Decision	Committee decision not to proceed, combination of affordability and limits of external funding contribution.
Leisure Pitches AMP - Lifecycle Fund	384	594	(210)	(54.69)%	6 Accelerated Projects	Multiple projects identified through asset management plan.
Waterfront Leisure Centre Training Pool Moveable Floor	346	26	320	92.49%	3 Internal Slippage	Complex procurement involving specialist supplier and long lead times for manufacture.
PG New Community Hub (King George VI Building)	1072	325	747	69.68%	3 Internal Slippage	Delays encountered due to unforeseen ground conditions involving listed heritage asset.
Complete On Site - Inverclyde Leisure Spend to Save	21	30	(9)	(42.86)%	5 Minor Slippage	
TOTAL Education & Lifelong Learning (excl School Estate)	2,418	1,197	1,221	50.50%		
SEMP						
Lifecycle Fund	805	1335	(530)	(65.84)%	6 Accelerated Projects	Multiple projects progressed associated with lifecycle replacement.
Gourock PS Extension	706	1198	(492)	(69.69)%	6 Accelerated Projects	Project cost increased necessitating additional funding.
Free School Meals grant	350	55	295	84.29%	1 Policy Decision	Funding announcement made at advanced stage of financial year with limited opportunity to progress.
Complete on site	71	123	(52)	(73.24)%	6 Accelerated Projects	Multiple project final accounts progressed to conclusion.
ELC Complete On Site	71	4	67	94.37%	3 Internal Slippage	Delays in agreeing final accounts. Also some project costs reduced.
Various Projects	202	160	42	20.79%	5 Minor Slippage	
TOTAL SEMP	2,205	2,875	(670)	(30.39)%		
Health & Social Care Committee						
Crosshill Childrens Home Replacement	249	379	(130)	(52.21)%	6 Accelerated Projects	Project cost increased necessitating additional funding.
New Learning Disability Facility	884	199	685	77.49%	3 Internal Slippage	Complex project which required review of proposals and approval of additional funding to progress.
Swift Upgrade	200	0	200	100.00%	3 Internal Slippage	Delays in finalising procurement and scope of deliverables as reported to IJB
Complete on Site	13	1	12	92.31%	5 Minor Slippage	
Total Health & Social Care	1,346	579	767	56.98%		
Council Total	23,178	17,077	6,101	26.32%		
Movement per Category as %age of Capital Programme				26.32%		
Movement per Category as %age of total Slippage (Excluding Acceleration)				100.00%		

Summary of Reported Slippage by Period

Appendix 4

	<u>July'22- Period 4</u>		<u>Sept' 22 - Period 6</u>		<u>Nov '22 - Period 8</u>		<u>Jan '23 - Period 10</u>		<u>March'23 - Period 12</u>		<u>Provisional Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	(200)	(36.8)%	(200)	(36.8)%	(200)	(37.6)%	(200)	(37.6)%	(107)	(20.1)%	(96)	(18.0)%
Environment, Regeneration & Resources	133	0.8%	1,468	9.0%	3,428	21.1%	3,621	21.6%	4,232	25.5%	4,822	29.0%
Education & Lifelong Learning	136	5.6%	639	26.4%	1,154	47.7%	441	26.3%	1,259	52.1%	1,221	50.5%
School Estate	(3)	(0.2)%	-	0.0%	(183)	(8.3)%	(231)	(10.5)%	(368)	(16.7)%	(670)	(30.4)%
Health & Social Care	-	0.0%	784	58.2%	784	58.2%	834	62.0%	846	60.3%	824	58.7%
Total	66	0.3%	2,691	12.0%	4,983	21.9%	4,465	19.8%	5,862	25.3%	6,101	26.3%

	<u>Movement Sept'22</u> <u>(Period 6) v Outturn</u>		<u>2Movement Nov'22</u> <u>(Period 8) v Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	104	18.8%	104	19.5%
Environment, Regeneration & Resources	3,354	20.0%	1,394	7.9%
Education & Lifelong Learning	582	24.1%	67	2.8%
School Estate	(670)	(30.4)%	(487)	(22.1)%
Health & Social Care	40	0.5%	40	0.5%
Total	3,410	14.3%	1,118	4.4%