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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>13 August 2024</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/46/24/MT/GS</b>
<b>Contact Officer:</b>	<b>Matt Thomson</b>	<b>Contact No:</b>	<b>01475 712256</b>
<b>Subject:</b>	<b>Capital Programme Outturn 2023/2024</b>		

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## **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 2023/24 Capital Programme and to highlight issues which are expected to continue to impact upon the delivery of the 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 compared to approved budget over the last 5 years
  - Appendix 2 – Summary of Slippage by Category and by Committee
  - Appendix 3 – Capital Slippage Summary by Service/Project
  - Appendix 4 – Reported Slippage by Period
- 1.4 Subject to the audit of the 2023/24 Annual Accounts, the Capital out-turn for 2023/24 is reporting advancement of 2.9% compared to 26% slippage in 2022/23. This represents a good performance albeit the challenges in delivering capital projects on time and within budget largely remain and are set out in section 3 of the report.

## **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee notes the improved 2023/24 Capital Out-Turn position and that officers continued to take account of the on-going challenges in delivering capital projects when estimating the planned 2024/25 expenditure levels approved by the Council in March 2024.

**Alan Puckrin**  
**Chief Financial Officer**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 Since 2012 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. The reporting of performance in this area has resulted in changes in the way capital spend estimates are arrived at and helped with the creation of more robust internal processes.
- 3.2 Subject to the audit of the 2023/24 Accounts, the capital out-turn for 2023/24 shows advancement of 2.9%. 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 at a project level plus a categorisation of the reasons for any 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 £3.987 million (95.8% of all slippage) arose from internal slippage with the largest single item being within the Community Hub new build project. Overall slippage was more than offset by project acceleration and unbudgeted projects of £4.613m.
- 3.4 Committee performance was as follows:

Policy & Resources – overall slippage of 2.3%/£0.014m (2022/23: 18% advancement). This was all minor slippage across the committee.

Environment & Regeneration – overall advancement of 18.9%/£1.940million (2022/23: 29.3% slippage) this was mainly due to advancement within Roads (Sustrans & Flooding Strategy), Environmental (Cremator Replacement, Parks & Open Spaces AMP and Play Areas) and Properties (Greenock Town Hall Roofing, Net Zero and Minor Works) all partially offset by slippage across the directorate (Coastal Change Adaptions, Place Based Funding & the Watt Institute works).

Education & Communities – overall project advancement of 36.2%/£0.982million (2022/23: 11.2% advancement) mainly as a result of advancement across the School Estate and Early Years programme partially offset by slippage arising from the Port Glasgow New Community Hub.

Health & Social Care – overall slippage of 94.3%/£2.454million (2022/23: 57.0% slippage) due to slippage in the New Community Hub Facility and SWIFT upgrade.

#### **Continuing Challenges in Capital Programme Delivery**

- 3.5 Over the past 4 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 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.
- 3.6 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 recent years however Officers have acted positively where possible to mitigate these, including advancement of projects where possible, resulting in a net advancement in 2023/24.

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

- A £4.0 million contribution from General Fund Reserves to create a contingency within the 2024/28 Capital Programme was approved as part of the March 2023 Budget. This is helping to reduce delays where project costs increase.
- Contractor/market engagement: Regular contact with Contractors on forthcoming programmes of work including through 'Meet the Buyer' events and provision of information to SFT Construction Pipeline Forecast Tool. Governance document review and procurement procedures have also assisted in widening the pool of contractors through review of thresholds for quick quote, performance bonds and financial test risk indicators. Tender documents have also been reviewed to improve quality and clarity with tender validity periods adjusted to align with market conditions.
- 2024/25 expenditure estimates were reviewed by the Capital Programme officer group taking these challenges into account prior to approval as part of the March 2024 Budget.

#### 4.0 PROPOSALS

4.1 There are no specific proposals within the report aside from that the Committee note the 2023/24 Capital Programme out-turn, the reasons for the higher than anticipated advancements and the actions taken to improve performance from 2024/25 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 extended the Capital Programme by one year to a 4 year programme to 2027/28 being the last year of the existing Council term. This will help with the medium term planning of Capital Projects funding which should assist in reducing the risk of slippage and improve project planning.

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**

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>
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%
2023/24	16,165	(467)	(2.9)%
5 year average	19,768	1,315	6.7%

**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	-	-	-	-	14	-	14	2.3%
Environment & Regeneration	-	-	1,342	52	106	(3,440)	(1,940)	(18.9)%
Education & Communities	-	-	191	-	-	(1,173)	(982)	(36.2)%
Health & Social Care	-	-	2,454	-	-	-	2,454	94.3%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3,987</b>	<b>52</b>	<b>120</b>	<b>(4,613)</b>	<b>(454)</b>	<b>(2.9)%</b>
 <u>Movements as %age</u>								
Movement per Category as %age of Capital Programme	0.0%	0.0%	24.7%	0.3%	0.7%	(28.5)%		-2.9%
Movement per Category as %age of total Slippage (Excluding Acceleration)	0.0%	0.0%	96.2%	1.3%	2.9%			100%

## Capital Slippage Summary 2023-24

## Appendix 3

	Approved Budget 2023/24 £000's	Draft 2023/24 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	Variation Category	Additional Comments
<b>Policy &amp; Resources</b>						
Various Projects	604	590	14	2.32%	5 Minor Slippage	Minor Slippage across several projects
<b>TOTAL Policy &amp; Resources</b>	<b>604</b>	<b>590</b>	<b>14</b>	<b>2.32%</b>		
<b>Environment &amp; Regeneration</b>						
<b>Environmental Services - Roads</b>						
Sustrans	195	445	(250)	(128.21)%	6 Accelerated Projects	
Flooding Strategy - Future Schemes	167	417	(250)	(149.70)%	6 Accelerated Projects	
Various Projects	0	25	(25)		5 Minor Slippage	Minor Slippage across several projects
<b>Roads Asset Management Plan</b>						
Carriageways	1,478	1,733	(255)	(17.25)%	6 Accelerated Projects	
Footways	26	230	(204)	(784.62)%	6 Accelerated Projects	
Lighting	129	179	(50)	(38.76)%	6 Accelerated Projects	
Other Assets	112	174	(62)	(55.36)%	6 Accelerated Projects	
Staff Costs	271	327	(56)	(20.66)%	6 Accelerated Projects	
<b>Environmental Services</b>						
Cremator Replacement	1,125	1,289	(164)	(14.58)%	6 Accelerated Projects	
Vehicles Replacement Programme	695	643	52	7.48%	4 Slippage involving 3rd Party	Fleet items ordered but not delivered until into 2024/25
Play Area Strategy	246	389	(143)	(58.13)%	6 Accelerated Projects	
Park, Cemeteries & Open Spaces AMP	159	314	(155)	(97.48)%	6 Accelerated Projects	
Various Projects	125	56	69	55.20%	5 Minor Slippage	Minor Slippage across several projects
<b>Regeneration and Planning</b>						
Port Glasgow Town Centre Regeneration	97	0	97	100.00%	3 Internal Slippage	Town Centre Action Plan consultation carried out in June which includes PG Lower Quarter
T&VC - West Blackhall Street	1,150	1,850	(700)	(60.87)%	6 Accelerated Projects	External funds now confirmed which will allow project to progress to completion
T&VC - Other	776	327	449	57.86%	3 Internal Slippage	Town Centre Action Plan consultation took place in June. The final draft will set out projects which will utilise funds.
Place Based Funding	991	591	400	40.36%	3 Internal Slippage	Projects at various stages of implementation with many historic projects nearing completion.
Various Projects	20	18	2	10.00%	5 Minor Slippage	Minor Slippage across several projects
<b>Public Protection</b>						
Scheme of Assistance	914	854	60	6.56%	5 Minor Slippage	
<b>Property Services</b>						
Waterfront Leisure Centre Lifecycle Works	20	178	(158)	(790.00)%	6 Accelerated Projects	
Coastal Change Adaptions	150	0	150	100.00%	3 Internal Slippage	No internal resource to progress. Progression is subject to recruitment.
Watt Institute - Risk/DDA Works	114	16	98	85.96%	3 Internal Slippage	Project delayed due to specialist lift contractor.
Whinhill Golf Club - External Fabric Works	77	0	77	100.00%	3 Internal Slippage	Project delayed due to slow contractor progress pushing project into winter and inclement weather.
Greenock Town Hall Roofing, Ventilation & Windows	0	316	(316)		6 Accelerated Projects	
Net Zero	417	608	(191)	(45.80)%	6 Accelerated Projects	
Vehicle Replacement Programme - Ultra Low Emission Vehicles	103	32	71	68.93%	3 Internal Slippage	Vehicle purchases impacted by lead times.
Minor Works	524	680	(156)	(29.77)%	6 Accelerated Projects	
Complete on Site Allocation	76	406	(330)	(434.21)%	6 Accelerated Projects	
Various Projects	90	103	(13)	(14.44)%	5 Minor Slippage	Minor Slippage across several projects
<b>TOTAL Environment &amp; Regeneration</b>	<b>10,247</b>	<b>12,200</b>	<b>(1,953)</b>	<b>(19.06)%</b>		

Capital Slippage Summary 2023-24

	Approved Budget 2023/24 £000's	Draft 2023/24 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	Variation Category	Additional Comments
<b>Education &amp; Lifelong Learning</b>						
<b>Non-SEMP</b>						
<b>Education &amp; Communities (Non-SEMP)</b>						
<b>Safer Communities</b>						
Waterfront Leisure Centre Training Pool Moveable Floor	280	340	(60)	(21.43)%	6 Accelerated Projects	
PG New Community Hub (King George VI Building)	1075	884	191	17.77%	3 Internal Slippage	Project experiencing delays on site.
Various Projects	21	61	(40)	(190.48)%	6 Accelerated Projects	
<b>TOTAL Education &amp; Lifelong Learning (excl School Estate)</b>	<b>1,376</b>	<b>1,285</b>	<b>91</b>	<b>6.61%</b>		
<b>SEMP</b>						
Lifecycle Fund	1317	2126	(809)	(61.43)%	6 Accelerated Projects	
Free School Meals grant	0	95	(95)	%	6 Accelerated Projects	
Complete on site	20	156	(136)	(680.00)%	6 Accelerated Projects	
Various Projects	0	33	(33)		6 Accelerated Projects	
<b>TOTAL SEMP</b>	<b>1,337</b>	<b>2,410</b>	<b>(1,073)</b>	<b>(80.25)%</b>		
<b>Health &amp; Social Care Committee</b>						
Inverclyde Community Hub	2,401	147	2,254	93.88%	3 Internal Slippage	Project delayed in procurement.
Swift Upgrade	200	0	200	100.00%	3 Internal Slippage	Project delayed in due diligenece stage presently with aim to spend majority in 2024/25.
<b>Total Health &amp; Social Care</b>	<b>2,601</b>	<b>147</b>	<b>2,454</b>	<b>94.35%</b>		
<b>Council Total</b>	<b>16,165</b>	<b>16,632</b>	<b>(467)</b>	<b>(2.89)%</b>		
<b>Movement per Category as %age of Capital Programme</b>				<b>(2.89)%</b>		
<b>Movement per Category as %age of total Slippage (Excluding Acceleration)</b>				<b>100%</b>		



**Summary of Reported Slippage by Period by Committee**

**Appendix 4**

	<u>July'23- Period 4</u>		<u>Sept' 23 - Period 6</u>		<u>Nov '23 - Period 8</u>		<u>Jan '24 - Period 10</u>		<u>March'24 - 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	(131)	(21.7)%	(131)	(21.7)%	-	0.0%	-	0.0%	-	0.0%	14	2.3%
Environment & Regeneration	(372)	(2.8)%	(4)	(0.0)%	69	0.5%	(992)	(7.6)%	(1,524)	(11.6)%	(1,953)	(14.9)%
Education & Communities	55	2.0%	-	0.0%	(12)	(0.4)%	(210)	(7.7)%	(982)	(36.2)%	(982)	(36.2)%
Health & Social Care	-	0.0%	1,641	63.1%	1,741	66.9%	2,281	87.7%	2,278	87.6%	2,454	94.3%
<b>Total</b>	<b>(448)</b>	<b>(2.4)%</b>	<b>1,506</b>	<b>7.9%</b>	<b>1,798</b>	<b>9.4%</b>	<b>1,079</b>	<b>5.7%</b>	<b>(228)</b>	<b>(1.2)%</b>	<b>(467)</b>	<b>(2.5)%</b>

	<u>Movement Sept'23</u>		<u>Movement Nov'23</u>	
	<u>(Period 6) v Outturn</u>		<u>(Period 8) v Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	145	24.0%	14	2.3%
Environment & Regeneration	(1,949)	(14.8)%	(2,022)	(15.4)%
Education & Lifelong Learning	(982)	(36.2)%	(970)	(35.8)%
Health & Social Care	813	31.3%	713	27.4%
<b>Total</b>	<b>(1,973)</b>	<b>(10.3)%</b>	<b>(2,265)</b>	<b>(11.9)%</b>