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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>11 August 2020</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/55/20/AP/MT</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>Capital Budget, Revision of 2020/23 Base Budgets</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Committee with an update of the 2020/23 Capital Programme in light of the significant impact the Covid pandemic has had on the construction industry as well as other areas relating to the Capital Programme.

## 2.0 SUMMARY

- 2.1 On 12 March 2020 the Council set the 2020/21 Revenue Budget and 2020/23 Capital Programme.
- 2.2 In terms of Capital a 3 year Capital Programme was agreed, the 2020/21 element of that is then adjusted to reflect the final outturn for 2019/20 to form the approved 2020/21 Capital Budget. This approved budget is then used to monitor performance during the year with slippage being measured against this approved budget.
- 2.3 Due to the impact of the Covid pandemic from late March construction work effectively ceased meaning work stopped on existing projects and new projects could not be progressed. Officers have reviewed the phasings of the 2020/23 Capital Programme in light of this and based on present estimates the slippage for 2020/21 is projected to be 47.25%.
- 2.4 It is proposed that given the unprecedented nature of the Covid emergency the Committee approves the latest projections as the 2020/21 Capital Budget against which the capital performance will be measured. The current approved budgets and latest projections are included at Appendix 1.
- 2.5 In addition to the impact on the timing of delivery of the Capital Programme it is becoming clear that there are likely to be significant cost increases resulting from the Covid pandemic. Officers currently estimate these at £2.994m arising from costs associated with new working practices, increased prices and costs arising from 2 contractors going into Administration. The Capital Programme does not contain sufficient funding to contain the estimated cost increases and a report elsewhere on the agenda addresses this issue.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee approves the revised Capital Programme and specifically that the revised 2020/21 projections are adopted as the approved budget for measuring 2020/21 Capital delivery performance.
- 3.2 It is recommended that the Committee notes the estimated cost increases as a result of the Covid pandemic and that these increases will be addressed in a report elsewhere on this agenda.

## 4.0 BACKGROUND

- 4.1 Inverclyde Council formally approved the Council's Budget on 12 March 2020, the Budget comprised the 2020/21 Revenue Budget and 2020/23 Capital Programme.
- 4.2 In terms of Capital a 3 year Capital Programme was agreed, the 2020/21 element of that is then adjusted to reflect the final outturn for 2019/20 to form the approved 2020/21 Capital Budget. This approved budget is then used to monitor performance during the year with slippage being measured against this approved budget.

## 5.0 COVID IMPACT AND CAPITAL PERFORMANCE

- 5.1 Members will be aware through updates to the Policy & Resources Executive Sub-Committee of the significant impact the Covid pandemic has had across most areas of the Council's operations. On commencement of lockdown in late March construction work effectively ceased meaning work stopped on existing projects and new projects could not be progressed. The approved Capital Budget for 2020/21 is £19.965m, officers have reviewed the projections for the 2020/23 Capital Programme in light of this and the current projection is £10.531m giving slippage of £9.434m or 47.25%.
- 5.2 The Capital outturn is reported to this Committee annually and is included elsewhere on this agenda. This report summarises both the amount and reasons for slippage for the year as well as giving a 5 year average for slippage levels. The inclusion of slippage at the levels currently being indicated will not give a meaningful measure of capital performance for 2020/21 and will impact on the average slippage reported for the next 5 years.
- 5.3 It is therefore proposed that given the unprecedented nature of the Covid emergency the Committee approves the latest projections as the 2020/21 Capital Budget against which the capital performance will be measured. The current approved budgets and latest projections are included at Appendix 1.

## 6.0 COVID IMPACT, COST PRESSURES

- 6.1 In addition to the impact on the timing of delivery of the Capital Programme it is becoming clear that there are likely to be significant cost increases resulting from the Covid pandemic. Officers currently estimate these at £2.994m, as detailed below. Members should be aware that these are only a current estimate as the full, longer term, impact of restricted work practices are not known.

<u>Area</u>	<u>Estimated Additional Cost £000's</u>	<u>Assumption</u>
Property etc*	£2,054	Assessment of individual projects currently on site or in development
Roads	£600	Estimate 20% increases across 1 year RAMP Allocation
ICT	£90	Estimate 25% increases across 1 year allocation
Vehicles	£250	Increase short term costs
Total	£2,994	

\* Includes all areas for which Property Services provides technical support, ie Property, School Estate, HSCP and some Environmental and Communities projects.

- 6.2 The Capital Programme does not contain sufficient funding to contain these cost increases and action will require to be taken to address any resultant funding shortfall. The Members' Budget Working Group has considered options to revise the Capital Programme to contain these cost increases and are reported elsewhere in this agenda. The Committee is asked to note that this report excludes the 3 City Deal Projects which standalone via their own funding model.

## 7.0 IMPLICATIONS

### 7.1 Finance

#### Financial Implications:

Members are asked to approve the revised phasings within the overall Capital Programme.

#### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Capital	Various	2020/23	£2.994m		Increased funding needed or cost reductions required.

#### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments

### 7.2 Legal

All legal issues are as highlighted in the report.

### 7.3 Human Resources

There are no HR issues to highlight

### 7.4 Equalities

#### Equalities

- (a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

- (b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

**7.5 Repopulation**

There are no repopulation implications arising from this report.

**8.0 CONSULTATIONS**

8.1 This report is supported by the CMT.

**9.0 BACKGROUND PAPERS**

9.1 None.

**Capital Programme - 2020/23****Available Resources**

	<b>Approved Budget 2020/21 £000</b>	<b>Proposed Budget 2020/21 £000</b>	<b>Budget 2021/22 £000</b>	<b>Budget 2022/23 £000</b>	<b>Total £000</b>
Government Capital Support	6,470	6,470	7,100	7,100	20,670
Capital Receipts	543	552	148	95	795
Capital Grants	1,844	1,720	89	-	1,809
Prudential Funded Projects	2,169	640	7,038	4,653	12,331
Balance B/F From 19/20	15,808	15,982	-	-	15,982
Capital Funded from Current Revenue	4,883	8,777	346	893	10,016
<b>Available Resources</b>	<b>31,717</b>	<b>34,141</b>	<b>14,721</b>	<b>12,741</b>	<b>61,603</b>
<b>Total Expenditure</b>	<b>19,965</b>	<b>10,531</b>	<b>33,409</b>	<b>23,022</b>	<b>66,962</b>
<b>(Shortfall)/Under Utilisation of Resources</b>					<b>(5,359)</b>
<b>Approved 5% Overcommitment</b>					<b>(3,069)</b>
<b>Shortfall in Resources</b>					<b>(2,290)</b>

**Notes:****Funding Deficit**

Overprovision within the Capital Programme of 5% against available resources has been approved. This over provision allows for either increases in resources or cost reductions. In the event neither of these occur then funding from 2023/24 will be required to complete the programme.

Allowing for the projected cost increases as a result of Covid the overprovision exceeds the approved 5% overprovision, the Members Budget Working Group have considered options to revise the Capital Programme to contain these cost increases and are reported elsewhere in this agenda.

**Government Capital Support**

2020/21 Scottish Government grant support based on settlement announcement.

2021/22 & 2022/23 grant is estimated.

Approved Programme

	Approved Budget 2020/21 £000	Proposed Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Total £000
<b><u>Environment, Regeneration &amp; Resources (Policy &amp; Resources)</u></b>					
<u>Finance</u>					
Annual Allocation (ICT)	254	254	423	423	1,100
Modernisation Fund	11	11	-	-	11
<b><u>Environment, Regeneration &amp; Resources (Policy &amp; Resources) Total</u></b>	<b>265</b>	<b>265</b>	<b>423</b>	<b>423</b>	<b>1,111</b>

Approved Programme

	Approved Budget 2020/21 £000	Proposed Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Total £000
<b><u>Environment &amp; Regeneration</u></b>					
<b><u>Roads &amp; Environmental</u></b>					
Cycling, Walking and Safer Streets	344	194	-	-	194
SPT	116	116	-	-	116
Flooding Works	481	281	601	500	1,382
Kirn Drive Passing Places	-	-	192	-	192
Drumshantie Road Carpark	80	80	-	-	80
Complete on Site	9	8	-	-	8
RAMP - Carriageways	1,252	652	1,850	2,150	4,652
RAMP - Footways	272	272	300	300	872
RAMP - Structures	96	96	250	250	596
RAMP - Lighting	531	431	550	450	1,431
RAMP - Other Assets	153	153	150	150	453
RAMP -Staff Costs	402	292	480	370	1,142
Vehicle Replacement Programme	1,798	598	1,780	977	3,355
Cemetery Development	482	150	1,332	-	1,482
Cremator Replacement	809	20	789	772	1,581
Play Areas/Park Assets	110	60	450	-	510
Park, Cemeteries & Open Spaces AMP	130	60	290	300	650
Zero Waste Fund	65	65	60	60	185
<b><u>Roads &amp; Environmental Total</u></b>	<b>7,130</b>	<b>3,528</b>	<b>9,074</b>	<b>6,279</b>	<b>18,881</b>
<b><u>Regeneration &amp; Planning</u></b>					
Regeneration of Port Glasgow Town Centre	71	-	50	571	621
Central Gourock	20	20	-	-	20
Regeneration of Town & Village Centres - West Blackhall Street	73	3	-	1,500	1,503
Regeneration of Town & Village Centres - Lyle Fountain	97	-	117	-	117
Regeneration of Town & Village Centres - Jamaica Street Car Park	140	140	-	-	140
Regeneration of Town & Village Centres - Other	654	654	1,375	-	2,029
Scheme of Assistance/Aids & Adaptations	702	560	1,376	875	2,811
Clune Park	9	-	378	-	378
Public Space CCTV	15	15	-	-	15
<b><u>Regeneration &amp; Planning Total</u></b>	<b>1,781</b>	<b>1,392</b>	<b>3,296</b>	<b>2,946</b>	<b>7,634</b>

Approved Programme

	Approved Budget 2020/21 £000	Proposed Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Total £000
<u>Legal &amp; Property Services</u>					
General Provision	50	-	2,132	2,000	4,132
Feasibility Studies	8	10	142	50	202
Greenock Municipal Buildings - Window Replacement	40	15	25	-	40
Greenock Municipal Buildings Carriageway Glazed Roof	96	96	17	-	113
Greenock Municipal Buildings - Flue replacement	59	59	-	-	59
Greenock Municipal Buildings - Finance Wing First Floor Refurbishment	9	9	-	-	9
Greenock Municipal Buildings - Clyde Square Re-roofing	858	400	558	-	958
Greenock Cemetery _ Ivy House Replacement	95	25	370	-	395
King George VI Refurbishment	385	385	50	-	435
Waterfront Leisure Centre Lifecycle Works	178	18	260	-	278
Boglestone Community Centre Roof	220	20	250	-	270
Inverclyde Center for Independent Living - Re-roofing	68	68	-	-	68
Caladh House Residential Care Home - Remedial Works	118	100	18	-	118
Sea Walls/Retaining Walls	-	15	85	-	100
Whinhill Golf Club Lifecycle Works	-	-	125	-	125
Customhouse Square/Watt Institute - Risk/DDA Works	-	20	380	-	400
Minor Works	65	115	255	-	370
Statutory Duty Works	86	69	206	-	275
Capital Works on Former Tied Houses	-	-	97	290	387
Complete on Site	66	-	149	-	149
<u>Asset Management Plan:</u>					
Depot Demolitions	42	34	108	-	142
Kirn Drive Civic Amenity Site	30	15	249	-	264
AMP Complete on site	-	-	89	-	89
<u>Legal &amp; Property Services Total</u>	2,473	1,473	5,565	2,340	9,378
<b>Environment &amp; Regeneration Total</b>	<b>11,384</b>	<b>6,393</b>	<b>17,935</b>	<b>11,565</b>	<b>35,893</b>



Approved Programme

	Approved Budget 2020/21 £000	Proposed Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Total £000
<b><u>Education, Communities &amp; Organisational Development</u></b>					
<b><u>Inclusive Education, Culture &amp; Communities</u></b>					
Lady Alice Bowling Club Toilets	-	-	193	-	193
Indoor Sports Facility for Tennis	-	-	500	-	500
Leisure Pitches AMP - Lifecycle Fund	50	250	593	780	1,623
Grieve Road Community Centre	108	90	18	-	108
Wemyss Bay Community Centre Refurbishment	54	70	16	-	86
Whinhill Golf Club Lifecycle Works	-	50	75	-	125
Complete On Site - Inverclyde Leisure Spend to Save	7	7	-	-	7
Complete on Site	-	-	37	-	37
<b><u>Inclusive Education, Culture &amp; Communities Total</u></b>	<b>219</b>	<b>467</b>	<b>1,432</b>	<b>780</b>	<b>2,679</b>
<b><u>Education (SEMP)</u></b>					
Lifecycle Fund	447	400	2,700	3,760	6,860
Gourock PS Extension	553	250	323	-	573
St Mary's PS - Refurb & Extension	611	611	31	-	642
Hillend Children's Centre - Refurbishment	1,003	500	639	-	1,139
Demolish Kelly Street CC	57	57	-	-	57
Demolish Sacred Heart PS	100	-	366	-	366
Whiteboard refresh	700	75	625	-	700
Complete on site	10	-	407	-	407
<b><u>Education (Early Learning &amp; Childcare Expansion)</u></b>					
Refurbishment - Craigmarloch/Gourock YAC	50	50	20	-	70
New Build - Larkfield CC/Park Farm (Rainbow FC)	3,339	400	3,789	-	4,189
Outdoor	10	10	-	-	10
Infrastructure project support - CFCR	678	678	-	-	678
Wellpark Children's Centre Alterations - CFCR	80	80	-	-	80
Glenpark Early Learning Centre Outdoor Expansion - CFCR	120	120	-	-	120
<b><u>Education Total</u></b>	<b>7,758</b>	<b>3,231</b>	<b>8,900</b>	<b>3,760</b>	<b>15,891</b>
<b><u>Education, Communities &amp; Organisational Development Total</u></b>	<b>7,977</b>	<b>3,698</b>	<b>10,332</b>	<b>4,540</b>	<b>18,570</b>

Approved Programme

	Approved Budget 2020/21 £000	Proposed Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Total £000
<b><u>Health &amp; Social Care Partnership</u></b>					
Crosshill Childrens Home Replacement	339	100	271	-	371
New Learning Disability Facility	-	75	3,825	3,500	7,400
Swift Upgrade	-	-	600	-	600
Complete on Site	-	-	23	-	23
<b>Health &amp; Social Care Partnership Total</b>	<b>339</b>	<b>175</b>	<b>4,719</b>	<b>3,500</b>	<b>8,394</b>
<b><u>Cost Pressures</u></b>					
Property etc				2,054	2,054
Roads				600	600
ICT				90	90
Vehicles				250	250
<b>Cost Pressures Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,994</b>	<b>2,994</b>
<b>Total Expenditure</b>	<b>19,965</b>	<b>10,531</b>	<b>33,409</b>	<b>23,022</b>	<b>66,962</b>