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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>1 February 2022</b>
<b>Report By:</b>	<b>Interim Director Finance &amp; Corporate Governance</b>	<b>Report No:</b>	<b>FIN/02/22/AP/MT</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 2021/24 Capital Programme</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to provide Committee with the latest position of the Policy & Resources Capital Programme and the 2021/24 Capital Programme.

## 2.0 SUMMARY

- 2.1 On March 18 2021 the Council approved the 2021/24 Capital Programme as part of the overall Budget approval.
- 2.2 The Capital Programme reflects the recently announced 2022/23 capital grant as well as an estimate of capital grant for 2023/24. 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 it is felt prudent at this stage to further reduce the 2023/24 estimated grant to £6.0m per year.
- 2.3 In order to address the reduction in resources the Council approved a number of measures including a reduction in the RAMP allowance to £2.4m from 2023/24 and the allocation of £1.7m from General Fund Reserves. The Council also requested officers to develop proposals to enhance the Capital Programme without adding further to the funding gap. Various decisions to free up reserves which could support the Capital Programme were agreed at the December 2021 Council.
- 2.4 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 £4.222m which represents 7.06% of the 2021/24 resources. This is in excess of the acceptable over commitment due to the inclusion of a further £1m for Clune Park, and the estimated reduction in the Capital Grant. The deficit will require to be addressed through the Budget process.
- 2.5 The Policy & Resources capital budget is £3.161m and the current projection is on budget. The budget for 2021/22 is £1.427m with slippage of £0.698m (49.91%) being reported at this stage. Spend to date is £0.266m which is 36.5% of projected spend however significant further spend is committed. Further detail on the Policy & Resources Capital Programme can be found in Appendix 1 and section 5 of the report.
- 2.6 As a result of material shortages and potential resultant project delays and price increases in the construction industry Policy & Resources Committee on 10<sup>th</sup> August approved the use of £100,000 Prudential Borrowing to borrow up to £1.6m to meet the potential increase in capital costs throughout 2021/22 and 2022/23. This £1.6m allowance is reflected in the Policy & Resources Capital Budget and will be allocated out to specific projects as the need is identified. All such allocations will be reported to this Committee.

- 2.7 In terms of the overall Capital Programme it can be seen from Appendix 2 that as at 30<sup>th</sup> November 2021 expenditure in 2021/22 was 46.8% 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 Section 6 of the report. Overall committees are projecting to outturn on budget.
- 2.8 In the current year net slippage of £2.690m, 12.88% is currently being reported, this is an increase of £2.552m, 12.22%, from the previous Committee. This is due to slippage within the Environment & Regeneration Committee (£1.733m), Policy & Resources Committee (£0.698m), Education & Communities Committee (£0.052m) and Health & Social Care (£0.207).
- 2.9 The Council's City Deal projects lie outwith the General Fund Capital Programme and are not included in this report. Progress on the 3 City Deal projects is reported to Environment & Regeneration Committee.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Committee note the current position of the 2021/24 Policy & Resources Capital Budget.
- 3.2 It is recommended that Committee note the current position of the 2021/24 Capital Programme and that the deficit in excess of the acceptable over commitment will require to be addressed through the 2022/23 Budget process.

**Alan Puckrin**  
**Interim Director, Finance & Corporate Governance**

## **4.0 BACKGROUND**

- 4.1 On March 18 2021 the Council approved the 2021/24 Capital Programme as part of the overall Budget approval.
- 4.2 The Capital Programme reflects the confirmed 2021/22 capital grant and the recently announced 2022/23 capital grant as well as an estimate of capital grant for 2023/24. 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 it is felt prudent at this stage to further reduce the 2023/24 estimated grant to £6.0m per year.
- 4.3 In order to address the reduction in resources the Council approved a number of measures including a reduction in the RAMP allowance to £2.4m from 2023/24 and the allocation of £1.7m from General Fund Reserves. The Council also requested officers to develop proposals to enhance the Capital Programme without adding further to the funding gap. Various decisions to free up reserves which could support the Capital Programme were agreed at the December 2021 Council.
- 4.4 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 £4.222m which represents 7.06% of the 2021/24 resources. This is in excess of the acceptable over commitment due to the inclusion of a further £1m be allocated to Clune Park, and the estimated reduction in the Capital Grant. The deficit will require to be addressed through the Budget process.
- 4.5 The Policy & Resources Capital Programme contains the previously reported 2021/24 allocations as well as a £1.6m Cost Pressures allowance added to the Policy & Resources programme to address anticipated price increases in the construction industry as a result of cost increases and project delays arising from material shortages and supply chain issues. This allowance will be allocated out to specific projects as the need is identified. All such allocations will be reported to this Committee.

## **5.0 POLICY & RESOURCES CAPITAL BUDGET UPDATE**

- 5.1 The Policy & Resources capital budget is £3.161m and the current projection is on budget. The budget for 2021/22 is £1.427m with slippage of £0.698m (49.91%) being reported at this stage. Spend to date is £0.266m which is 36.5% of projected spend however significant further spend is committed.
- 5.2 PC Refresh Programme – ICT has moved to a laptop refresh strategy to provide flexibility for home and hybrid working. It completed the next tranche of equipment to be replaced during the refresh programme in November 2021. ICT have identified and advanced an additional 240 devices to be refreshed by March 2022.
- 5.3 Server and Switch Replacement – A number of maintenance replacements are scheduled and are being scoped including the core VMWare Host Server Estate and School Estate Domain Controllers. Refresh of core Firewall and Anti-Virus appliances (£78k) completed and on-site awaiting deployment.
- 5.4 ICT & Digital Strategies - Business Cases for investment as part of the Council's Digital Strategy in Electronic Document Management to enable home and hybrid working have been developed and approved by the CMT.

## **6.0 2021/24 CAPITAL PROGRAMME UPDATE**

- 6.1 Appendix 2 shows that over the 2021/24 period the Capital Programme is reporting a £4.222m deficit. This is in excess of an acceptable level of up to 5% over provision and will be addressed through the 2022/23 Budget process.

6.2 The position in respect of individual Committees for 2021/22 is as follows:

Policy & Resources

Expenditure as at 30<sup>th</sup> November 2021 is £0.136m against an approved budget of £1.427m. Slippage of £0.698m (48.91%) is being reported at this stage due to slippage within the Cost Pressure Contingency (£0.600m) and the annual allocation (£0.098m).

Environment & Regeneration

Expenditure as at 30<sup>th</sup> November 2021 is £3.988m against an approved budget of £12.619m. Net slippage of £1.733m (13.73%) is being reported mainly due to advancement within the Cemetery Development (£0.125m), offset by slippage in the SPT projects (£0.214m), Spaces for People (£0.310m), Flooding Strategy (£0.226m), Cremator Development (£0.252m), Babylon Demolition (£0.180m), Ivy House Replacement (£0.254m), Waterfront Leisure Centre Lifecycle Works (£0.160m) and Boglestone Community Centre Roof (£0.100m).

Education & Communities

Expenditure as at 30<sup>th</sup> November 2021 is £4.083m against an approved budget of £5.617m. Net slippage of £0.052m (0.93%) is being reported mainly due to advancement/cost increases in Gourrock Primary School Extension (£0.284m) and Lifecycle Fund (£0.263m) offset by slippage in Indoor Tennis Facility (£0.503m) and Waterfront Leisure Centre Moveable Pool Floor (£0.274m).

Health & Social Care

Net Slippage of £0.207m is being reported due to advancement within the Crosshill Children’s Home Replacement (£0.499m) offset by slippage in the new Learning Disability Facility (£0.206m) and SWIFT Upgrade (£0.500m), with spend of £0.183m for the year to date against an approved budget of £1.229m.

6.3 Overall in 2021/22 expenditure is 46.8% of projected spend for the year and projected net slippage of the programme is £2.690m (12.88%). Officers are examining ways to accelerate spend in order to reduce the level of slippage.

**7.0 CONSULTATION**

7.1 This report reflects the detail reported to Service Committees.

**8.0 IMPLICATIONS**

**Finance**

8.1 Financial Implications

All financial implications are shown in detail within the report and in Appendices 1 & 2

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

**Legal**

8.2 There are no legal implications.

**Human Resources**

8.3 There are no direct staffing implications in respect of this report and as such the Head of Organisational Development, Policy & Communications has not been consulted.

**8.4 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

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

**Repopulation**

8.5 The Council's continuing significant capital investment levels will have a positive impact on regeneration, job creation and hence repopulation.

**9.0 BACKGROUND PAPERS**

9.1 None.

**COMMITTEE: POLICY & RESOURCES**

Project Name	1	2	3	4	5	6	7	8
	Est. Total Cost	Actual to 31/3/21	Approved Budget 2021/22	Revised Est 2021/22	Actual to 30/11/21	Est.2022/23	Est.2023/24	Future Years
	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Environment, Regeneration &amp; Resources</u></b>								
<b><u>ICT</u></b>								
Storage/Backup Devices/Minor Works and Projects	25		25	25	6	0	0	0
Rolling Replacement of PC's	305		305	305	131	0	0	0
Whiteboard/Projector Refresh	30		90	30	0	0	0	0
Server & Switch Replacement Programme	169		169	169	129	0	0	0
Annual Allocation	884		38	0	0	521	363	0
<b><u>ICT Total</u></b>	<b>1,413</b>	<b>0</b>	<b>627</b>	<b>529</b>	<b>266</b>	<b>521</b>	<b>363</b>	<b>0</b>
<b><u>Finance</u></b>								
Modernisation Fund	123	112	0	0	0	11	0	0
Cost Pressure Contingency	1,600		800	200	0	1,400		
<b><u>Finance Total</u></b>	<b>1,723</b>	<b>112</b>	<b>800</b>	<b>200</b>	<b>0</b>	<b>1,411</b>	<b>0</b>	
<b>TOTAL</b>	<b>3,136</b>	<b>112</b>	<b>1,427</b>	<b>729</b>	<b>266</b>	<b>1,932</b>	<b>363</b>	<b>0</b>

**Appendix 2a**

Capital Programme - 2021/22 - 2023/24

	<u>Available Resources</u>					Total £000
	A 2021/22 £000	B 2022/23 £000	C 2023/24 £000	D Future £000	E	
Government Capital Support	6,405	6,353	6,000	-	-	18,758
Capital Receipts (Note 1)	835	275	296	-	-	1,406
Capital Grants (Note 2)	2,242	1,871	-	-	-	4,113
Prudential Funded Projects (Note 3)	291	4,231	7,827	342	-	12,691
Balance B/F From 20/21	15,105	-	-	-	-	15,105
Capital Funded from Current Revenue	5,961	1,652	483	-	-	8,096
	<u>30,839</u>	<u>14,382</u>	<u>14,606</u>	<u>342</u>		<u>60,169</u>

Overall Position 2021/24

	£000
Available Resources (Appendix 2a, Column A-C)	59,827
Projection (Appendix 2b, Column B-D)	64,049
(Shortfall)/Under Utilisation of Resources	<u>(4,222)</u>
(Shortfall)/Under Utilisation of Resources %	<u>(7.06)%</u>

Available Resources (Appendix 2a, Column A-C)

Projection (Appendix 2b, Column B-D)

(Shortfall)/Under Utilisation of Resources

(Shortfall)/Under Utilisation of Resources %

**Notes to Appendix 2a**

**Note 1 (Capital Receipts)**

	2021/22	2022/23	2023/24	Future	Total
	£000	£000	£000	£000	£000
Sales	525	275	296	-	1,096
Contributions/Recoveries	310	-	-	-	310
	835	275	296	-	1,406

**Note 2 (Capital Grants)**

	2021/22	2022/23	2023/24	Future	Total
	£000	£000	£000	£000	£000
Government Grant - Place Based Funding	675	-	-	-	675
Renewal of Play Parks	65	-	-	-	65
Cycling, Walking & Safer Streets	406	337	-	-	743
SPT	575	-	-	-	575
Spaces for People	168	-	-	-	168
Nature Restoration Fund	88	-	-	-	88
CO2 Monitors in Schools	95	-	-	-	95
HES - Watt Complex	26	-	-	-	26
Electric Vehicles	19	-	-	-	19
Sustrans	70	-	-	-	70
Watt Complex Creativity Space	55	-	-	-	55
RCGF - King George VI	-	1,534	-	-	1,534
	2,242	1,871	-	-	4,113

**Note 3 (Prudentially Funded Projects)**

	2021/22	2022/23	2023/24	Future	Total
	£000	£000	£000	£000	£000
Vehicle Replacement Programme	(375)	172	839	-	636
Asset Management Plan - Offices	-	84	-	-	84
Asset Management Plan - Depots	37	305	-	-	342
Capital Works on Former Tied Houses	-	76	90	207	373
CCTV	15	-	-	-	15
Clune Park Regeneration	27	334	-	-	361
Neil Street Childrens Home Replacement - CoS	2	11	-	-	13
Crosshill Childrens Home Replacement	185	106	-	-	291
New Learning Disability Facility	200	1,500	5,498	135	7,333
SWIFT Upgrade	-	243	-	-	243
Additional Prudential Borrowing to Fund Capital Programme	200	1,400	1,400	-	1,400
Additional Prudential Borrowing to meet anticipated Cost Pressures	291	4,231	7,827	342	12,691

**Appendix 2b**

Capital Programme - 2021/22 - 2023/24

Agreed Projects Committee	A	B	C	D	E	F	G	H	I
	Prior Years £000	2021/22 £000	2022/23 £000	2023/24 £000	Future £000	Total £000	Approved Budget £000	(Under)/ Over £000	2021/22 Spend To 30/11/2021 £000
Policy & Resources	112	729	1,957	363	-	3,161	3,161	-	266
Environment & Regeneration	6,110	10,886	17,605	7,152	364	42,117	42,117	-	3,988
School Estate	5,488	4,908	3,685	3,500	1,001	18,582	18,582	-	3,712
Education & Communities (Exc School Estate)	360	657	3,049	420	-	4,486	4,486	-	371
HSCP	1,556	1,022	2,618	5,498	135	10,829	10,829	-	183
<b>Total</b>	<b>13,626</b>	<b>18,202</b>	<b>28,914</b>	<b>16,933</b>	<b>1,500</b>	<b>79,175</b>	<b>79,175</b>	<b>-</b>	<b>8,520</b>