
Report To:	Policy & Resources Committee	Date:	22 March 2022
Report By:	Interim Director, Finance & Corporate Governance	Report No:	FIN/20/22/AP/MT
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	Policy & Resources Capital Budget and 2021/24 Capital Programme		

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. A revised 2022/25 Capital Programme was agreed by the Council on 24 February 2022 and will be the basis for future reports to Committee
- 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 An over provision 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 6.81% of the 2021/24 resources.
- 2.4 The Council on 24th February 2022 approved a revised Capital programme which both addressed the ongoing deficit in excess of the 5% acceptable limit and extended the programme to 2024/25, factoring in additional funding to fund the shortfall in annual capital grant compared to the annual capital allocations. In addition further projects funded from Revenue reserves were approved. Due to the timing of submission dates this report does not reflect the Council decisions, these will be included in future reports.
- 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 £0.898m (62.93%) being reported at this stage. The vast majority of this slippage (£0.8million) relates to the Covid Cost Pressure allowance. This allowance was reduced by £0.8million as part of the approved 2022/25 Capital Programme. Spend to date is £0.307m which is 58.0% 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 In terms of the overall Capital Programme it can be seen from Appendix 2 that as at 31st January 2022 expenditure in 2021/22 was 63.2% 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.

- 2.7 In the current year net slippage of £3.431m, 16.42% is currently being reported, this is an increase of £0.741m, 3.54%, from the previous Committee. This is due to slippage within the Environment & Regeneration Committee (£2.679m), Policy & Resources Committee (£0.898m), and Health & Social Care (£0.307) offset by advancement within the Education & Communities Committee (£0.453m).
- 2.8 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 was 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 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 6.81% of the 2021/24 resources.
- 4.4 The Council on 24th February 2022 approved a revised Capital programme which both addressed the ongoing deficit in excess of the 5% acceptable limit and extended the programme to 2024/25, factoring in additional funding to fund the shortfall in annual capital grant compared to the annual capital allocations. In addition further projects funded from Revenue reserves were approved. Due to the timing of submission dates this report does not reflect the Council decisions, these will be included in future reports.
- 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.

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 £0.898m (62.93%) being reported at this stage. Spend to date is £0.307m which is 58.0% 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 previous refresh phase in December 2021. ICT identified and advanced an additional 240 devices being refreshed by March 2022, project nearing completion. The next phase of refresh will concentrate on the Education Estate to support the Schools Digital Strategy
- 5.3 Server and Switch Replacement – Refresh of core Firewall and Anti-Virus appliances (£78k) completed and on-site deployment completed.
- 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.

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 however this has been addressed as part of the Council budget set on 24th February, decisions made at that budget approval will be included in future reports to Committee.
- 6.2 The position in respect of individual Committees for 2021/22 is as follows:

Policy & Resources

Expenditure as at 31st January 2022 is £0.307m against an approved budget of £1.427m.

Slippage of £0.898m (62.93%) is being reported at this stage due to slippage within the Cost Pressure Contingency (£0.800m) which was removed as part of the 2022/25 Capital Programme and the annual ICT allocation (£0.098m).

Environment & Regeneration

Expenditure as at 31st January 2022 is £5.912m against an approved budget of £12.619m. Net slippage of £2.679m (21.23%) is being reported mainly due to advancement within the Cemetery Development (£0.125m), Vehicle Replacement Programme (£0.175m), SPT projects (£0.111m) and Minor Works/Statutory Duties (£0.272m), offset by slippage in Spaces for People (£0.310m), Flooding Strategy (£0.226m), Cremator Development (£0.252m), Play Area Strategy (£0.300), T&VC Other (£0.316m), Town & Village Centres (£0.180m), Place Based Funding (£0.600), Ivy House Replacement (£0.304m), Waterfront Leisure Centre Lifecycle Works (£0.195m) and Boglestone Community Centre Roof (£0.220m).

Education & Communities

Expenditure as at 31st January is £4.443m against an approved budget of £5.617m. Net advancement of £0.453m (8.06%) is being reported mainly due to advancement of Interactive Whiteboard Replacement (£0.625m), advancement/cost increases in Gourock Primary School Extension (£0.134m) 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

Expenditure as at 31st January is £0.381m against an approved budget of £1.229m. Net Slippage of £0.307m 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 (£0.600m).

- 6.3 Overall in 2021/22 expenditure is 63.2% of projected spend for the year and projected net slippage of the programme is £3.431m (16.42%). Officers will continue to examine 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
	<u>Est Total Cost</u>	<u>Actual to 31/3/21</u>	<u>Approved Budget 2021/22</u>	<u>Revised Est 2021/22</u>	<u>Actual to 31/1/22</u>	<u>Est 2022/23</u>	<u>Est 2023/24</u>	<u>Future Years</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Environment, Regeneration & Resources</u>								
<u>ICT</u>								
Storage/Backup Devices/Minor Works and Projects	25		25	25	6	0	0	0
Rolling Replacement of PC's	305		305	305	170	0	0	0
Whiteboard/Projector Refresh	30		90	30	0	0	0	0
Server & Switch Replacement Programme	169		169	169	131	0	0	0
Home Working Allocation	25		0	0	0	25	0	0
Annual Allocation	884		38	0	0	350	534	0
<u>ICT Total</u>	1,438	0	627	529	307	375	534	0
<u>Finance</u>								
Modernisation Fund	123	112	0	0	0	11	0	0
Cost Pressure Contingency	1,600		800	0	0	200	1,400	
<u>Finance Total</u>	1,723	112	800	0	0	211	1,400	
TOTAL	3,161	112	1,427	529	307	586	1,934	0

Appendix 2a

Capital Programme - 2021/22 - 2023/24

Available Resources

	A	B	C	D	E
	2021/22	2022/23	2023/24	Future	Total
	£000	£000	£000	£000	£000
Government Capital Support	6,405	6,353	6,000	-	18,758
Capital Receipts (Note 1)	835	275	296	-	1,406
Capital Grants (Note 2)	2,567	1,871	2,100	-	6,538
Prudential Funded Projects (Note 3)	946	1,757	9,346	1,342	13,391
Balance B/F From 20/21	15,105	-	-	-	15,105
Capital Funded from Current Revenue	5,849	1,388	905	-	8,142
	<u>31,707</u>	<u>11,644</u>	<u>18,647</u>	<u>1,342</u>	<u>63,340</u>

Overall Position 2021/24

	<u>£000</u>
Available Resources (Appendix 2a, Column A-C)	61,998
Projection (Appendix 2b, Column B-D)	66,220
(Shortfall)/Under Utilisation of Resources	<u>(4,222)</u>
(Shortfall)/Under Utilisation of Resources %	<u>(6.81)%</u>

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	900	-	-	-	900
Spaces for People	168	-	2,100	-	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
	2,567	1,871	2,100	-	4,438

Note 3 (Prudentially Funded Projects)

	2021/22	2022/23	2023/24	Future	Total
	£000	£000	£000	£000	£000
Vehicle Replacement Programme	(245)	42	839	-	636
Asset Management Plan - Offices	-	-	84	-	84
Asset Management Plan - Depots	37	130	175	-	342
Capital Works on Former Tied Houses	7	9	150	207	373
CCTV	15	-	-	-	15
Clune Park Regeneration	120	241	-	-	361
Neil Street Childrens Home Replacement - CoS	2	11	-	-	13
Crosshill Childrens Home Replacement	185	56	50	-	291
New Learning Disability Facility	200	750	5,248	1,135	7,333
SWIFT Upgrade	-	243	-	-	243
Interactive Whiteboard Replacement	625	75	-	-	700
Additional Prudential Borrowing to Fund Capital Programme	-	-	1,400	-	1,400
Additional Prudential Borrowing to meet anticipated Cost Pressures	-	200	1,400	-	1,600
	946	1,757	9,346	1,342	13,391

Capital Programme - 2021/22 - 2023/24

Agreed Projects

Committee	A Prior Years	B 2021/22	C 2022/23	D 2023/24	E Future	F Total	G Approved Budget	H (Under)/ Over	I 2021/22 Spend To 31/1/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Policy & Resources	112	529	586	1,934	-	3,161	3,161	-	307
Environment & Regeneration	6,110	9,940	11,960	16,073	364	44,447	44,447	-	5,912
School Estate	5,488	5,408	2,476	5,050	1,001	19,423	19,423	-	3,977
Education & Communities (Exc School Estate)	360	662	2,371	1,093	-	4,486	4,486	-	466
HSCP	1,556	922	1,718	5,498	1,135	10,829	10,829	-	381
Total	13,626	17,461	19,111	29,648	2,500	82,346	82,346	-	11,043