
Report To:	Policy & Resources Committee	Date:	12 August 2014
Report By:	Acting Corporate Director Environment, Regeneration & Resources	Report No:	2014/P&R/AP/12
Contact Officer:	Alan Puckrin	Contact No:	712764
Subject:	2013/14 Capital Programme Performance		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee on the performance of the 2013/14 Capital Programme and to seek approval for proposed actions.

2.0 SUMMARY

- 2.1 Capital slippage has been an issue which has arisen over a number of years within the Council. This issue, however, is not confined to Inverclyde Council and annual surveys carried out by Directors of Finance would indicate that the majority of Councils experience difficulties in this area.
- 2.2 Following a high level of slippage in 2011/12, robust action was taken led by the Corporate Director Environment, Regeneration & Resources to significantly improve matters and a major improvement was achieved in 2012/13. However, in 2013/14 slippage increased albeit in percentage terms it represents less than half the level of slippage experienced in 2011/12.
- 2.3 Appendix 2 provides a summary of the main areas of slippage with reasons for the slippage being provided by Lead Officers. This Appendix has been reviewed by the Asset Management CIG. As has previously been the case, it is clear that slippage is not attributable to either a single project or a single reason.
- 2.4 Areas for improvement proposed by the Corporate Management Team centre around earlier identification of slippage and greater support and challenge by DMTs during the consultation on Capital Reports to Committee. This earlier identification will give more time for the identification of substitute expenditure or remedial action to be taken.
- 2.5 It is clear that some of the slippage is attributable to a lack of capacity within the Council to progress projects in the originally envisaged timescales. Heads of Service have a clear role in identifying where there are capacity issues in order that this can be addressed via either the appointment of temporary resource or external consultants to assist in project delivery, with these costs funded from the Project budget.
- 2.6 There is a specific issue within Property Services where there is an ongoing reduction in staffing numbers based on the future core level of Capital Spend envisaged. There has however been the addition of ancillary projects funded by Prudential Borrowing and Earmarked Reserves. There is also an increase in the number of projects which now require liaison with other Partners, the Third Sector or Community Groups where project formulation, design and delivery will take longer and this requires to be factored into both Capital Projections and Member expectations.

- 2.7 Corporate Directors have been set an upper limit of 10% for slippage in 2014/15 as part of their appraisal process. Clearly the intention is to minimise any slippage rather than view 10% as a target.
- 2.8 The Audit Committee raised the issue of capital slippage as part of the review of the 2013/14 Unaudited Accounts and requested that this report be remitted to the Audit Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the 2013/14 Capital Out-turn Position.
- 3.2 It is recommended that the Committee support the actions identified in Section 7 of this report and note that actions have already been progressed.
- 3.3 It is recommended that the Committee agree to the report being remitted to the Audit Committee for consideration.

Alan Puckrin

Acting Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 The issue of Capital Slippage has been one which has been regularly identified and reported on by the Council's External Auditors for many years. This situation is not unique to Inverclyde Council and based on the results of annual surveys carried out by Directors of Finance, it would indicate that the majority of Councils have difficulties in this area.
- 4.2 In 2012, following a significant level of slippage reported as part of the 2011/12 accounts, the Corporate Director Environment, Regeneration & Resources undertook action as part of the budget setting process to significantly reduce slippage and this was highly successful in 2012/13 when slippage reduced to less than 10%. Appendix 1 shows a breakdown of Capital Slippage levels over the last six years within Inverclyde Council.

5.0 2013/14 CAPITAL DELIVERY PERFORMANCE

- 5.1 Subject to the audit of the Final Accounts, the Capital Slippage for 2013/14 has increased from 9% in 2012/13 to 14.5% in 2013/14. Whilst this is an increase in slippage from 2012/13 performance, the CMT is asked to note that this still is a level of slippage which is less than half that experienced in 2011/12. However this has been highlighted both in Committee reports and by Audit Scotland as part of the AIP process.
- 5.2 Appendix 2 provides an analysis prepared by Officers and approved by the Asset Management CIG of the main areas of slippage. This analysis contains a commentary by the Lead Officer and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of what the main reason for the slippage are.
- 5.3 It can be seen that whilst there is no single reason or single project which caused the increase in slippage in 2013/14, most relate to internal delays, delays due to external factors or poor initial estimates. There were a relatively small number of major projects which contributed to the majority of the slippage.
- 5.4 The Committee is asked to bear in mind that the slippage in 2013/14 has a knock on impact to the potential performance in 2014/15, as it has increased the size of the 2014/15 required spend. As such, it is imperative that action is taken now to identify 2014/15 slippage and take appropriate action. Within the Environment, Regeneration & Resources Directorate an exercise identified slippage within the 2014/15 Capital Programme and as such a report seeking acceleration of spend originally planned for 2015/16 was approved by Committee in June.

6.0 PROPERTY SERVICES

- 6.1 A specific issue is in relation to capacity. It has previously been agreed that there will be a significant reduction in Property Services personnel to reflect the anticipated reduction in Capital Funding from 2016. Some Officers have already been released with more due to leave in March 2015 and March 2016. The current level Capital Slippage will put an increased Capital Spend burden on a reduced number of Officers.
- 6.2 In addition to the above, the continued identification of new projects funded by either Prudential Borrowing, Earmarked Reserves or Partner / External Funding was not factored in to the reduced employee levels and as such there is undoubtedly a capacity issue within Property Services in the medium term (2014/17).
- 6.3 Whilst the logical answer would be to make better use of consultants or bring in temporary employees, the practicalities of this can present challenges. In terms of consultants, then these require management and direction. Both the Head of Service and a Senior Manager on the Technical side have left the Council in recent months as part of the wider management restructure. There is therefore limited capacity to manage an increase in consultants by the remaining two Managers who are having to adjust workloads to absorb the work of their two

colleagues.

- 6.4 In terms of temporary employees, it is not always easy to attract the right type of employees especially for the professional disciplines. It takes time for any new employees to get up to speed on projects and there it remains the risk that the temporary employees will move on if a permanent job offer arises. Finally, there are certain disciplines where the offer of a temporary contract is not attractive and as such the Council requires to utilise consultants.
- 6.5 The Acting Corporate Director Environment, Regeneration & Resources and Head of Legal & Property Services have already taken steps to increase capacity funded from fee income and this will be kept under close review.

7.0 PROPOSED ACTION

7.1 The Corporate Management Team have agreed improvements as follows:

- a) Early notification of slippage – the main area of concern regarding the 2013/14 slippage was the late notification reporting of slippage to Committee. It can be seen from Appendix 3 that the level of Capital Slippage reported to Committee increased significantly between the late October Committee cycle and the January Committee cycle. Discussions at the CIG have confirmed that the slippage had been building up from the start of the financial year, but had not been highlighted or reported. The key role in making improvements here lies with the budget holder. The CMT have agreed that Corporate Directors need to robustly review the phasings with relevant Officers before signing off Committee Capital reports.
- b) 2014/15 Performance Targets - the Chief Executive has set an upper limit of 10% slippage for each Corporate Director as part of the Performance Appraisal process and performance against this will be closely monitored. The clear expectation is that actual slippage will be under 10%.
- c) Identify possible acceleration – allied to the early identification of slippage is the potential to identify alternative projects which could be accelerated. Roads investment in particular lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. An example of this has been the recent request to accelerate £600,000 of carriageway projects from 2015/16 to 2014/15 to absorb slippage in others parts of the RAMP.
- d) Anticipate delays due to external factors – more projects require working with other Partners, the Third Sector or the Community. These issues are often linked to the potential to apply for external funding which will lead to delays, some of which can be substantial. A more realistic view of the timescales for the delivery of projects has to be taken at the time of agreeing phasing as aspects of the project will be outwith the Council's direct control.

8.0 IMPLICATIONS

Finance

- 8.1 Whilst there are no direct financial implications which can be quantified arising from general slippage, there can be an opportunity cost to the Council from the late delivery of projects. An increase in resources within Property Services to address the increase in projects within the existing Capital Programme would be off-set by increased fee income.

Financial Implications:

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 arising from this report.

Human Resources

- 8.3 The issues highlighted in respect of Property Services have been supported by HR.

Equalities

- 8.4 There are no direct equalities implications arising from this report.

Repopulation

- 8.5 Delivery of projects on time and within budget helps increase public confidence in the Council and will improve the perception of Inverclyde. As such, reducing Capital Slippage and improving delivery performance will make the area more attractive to residents and potential incomers.

9.0 CONSULTATIONS

- 9.1 This report has been produced in consultation with the Corporate Management Team.

10.0 LIST OF BACKGROUND PAPERS

- 10.1 None.

Annual Slippage Summary

Appendix 1

<u>Year</u>	<u>Budget</u> <u>£000's</u>	<u>Slippage</u> <u>£000's</u>	<u>%age</u>
2008/09	29,739	5,466	18.4%
2009/10	24,878	9,342	37.6%
2010/11	33,626	14,633	43.5%
2011/12	45,730	14,130	30.9%
2012/13	54,302	5,072	9.3%
2013/14	38,975	5,632	14.5%
6 year average	37,875	9,046	23.9%

	Approved Budget 2013/14 £000's	2013/14 Final Position £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Project Cost Reduced £000's	2 Internal Slippage £000's	3 Delay involving 3rd Party £000's	4 Accelerated Projects £000's	5 Minor Slippage	Variation Category	Comments
Policy & Resources											
Storage/Backup Devices	132	68	(64)	(48.5)%		(64)				2 Internal Slippage	Primarily this budget is used for network storage and backup upgrades. This spend needs to be phased over a number of years as there is an ongoing requirement for additional storage.
Minor Works & Projects	81	30	(51)	(63.0)%		(51)				2 Internal Slippage	This is a budget line that was consolidated from several others a number of years ago. It is used to support small projects throughout the year that require ICT input (eg Network infrastructure) as well as the annual ICT health check for PSN etc. The spend needs to be phased over a number of years.
Rolling Replacement of PC's	502	425	(77)	(15.3)%		(77)				2 Internal Slippage	The original estimate is based on indicative figures. The actual spend varies with annual price changes as well as differences highlighted in site audits.
2013/15 Indicative Allocation	89	0	(89)	(100.0)%		(89)				2 Internal Slippage	This was from 13/14 Core Allocation due to timing of refresh project.
Modernisation Fund	117	62	(55)	(47.0)%		(55)				2 Internal Slippage	Budget was a general estimate which was not achieved.
Various Projects	286	230	(56)	(19.6)%					(56)	5 Minor Slippage	
TOTAL Policy & Resources	1,207	815	(392)	(32.5)%	0	(336)	0	0	(56)		
Environment & Regeneration											
Environmental Services - Roads											
SPT	481	230	(251)	(52.2)%	(251)					1 Project Cost Reduced	Delays in getting agreement with land owner on cycle track (N743). Actual projects costs (including design) coming in well below projected estimates and funding was returned to SPT at their request. New funding in line with current estimates approved by SPT for FY14/15.
Various Projects	519	381	(138)	(26.6)%					(138)	5 Minor Slippage	
Roads Asset Management Plan											
Carriageways	2,817	2,997	180	6.4%				180		4 Accelerated Projects	Spend was accelerated although essential drainage work requirements on the B788 has postponed the bringing forward £140k from 14/15 programme for resurfacing works on this road.
Structures	150	3	(147)	(98.0)%		(147)				2 Internal Slippage	Temporary reduction in staffing due to technical transferring to Roads Network due to recruitment process timescales. Inspector post still remains unfilled as a result of previous inspector taking up vacated post of Technician. Hold put on Resident Engineers post from RAMP funding. Review required on Nittingshill bridge design calculations (2005) to ensure that it meets current structural standards.
Lighting	460	113	(347)	(75.4)%		(347)				2 Internal Slippage	Shared service strategy and move to column survey works, with deferral of main programme pending survey and business case outcome. Increased resource required on maintenance contract following non-performance of contractor and claims situation.
Capitalised Staff Costs	330	269	(61)	(18.5)%		(61)				2 Internal Slippage	See recruitment/turnover above.
Various Projects	230	248	18	7.8%					18	5 Minor Slippage	
Environmental Services											
Knocknairhill Cemetery Ph5c	65	0	(65)	(100.0)%		(65)				2 Internal Slippage	Budget slipped into 14/15 & 15/16 for cemetery feasibility studies.
Zero Waste Fund	87	29	(58)	(66.7)%		(58)				2 Internal Slippage	
Vehicles - Prudentially Funded per Transport Review (incl)	380	542	162	42.6%				162		4 Accelerated Projects	
Play Areas (includes £76k of Supported Borrowing & £22k)	363	71	(292)	(80.4)%			(292)			3 Delay involving 3rd Party	The slippage relates to Skatepark + Sir Michael St + Jacobs Drive (on-site at present) Delay has been with consultations with skatepark design and St Michael St, land use agreement between play area group and network rail.
Various Projects	100	80	(20)	(20.0)%					(20)	5 Minor Slippage	
Regeneration and Planning											
Gourock Pier & Railhead Development Area (includes £3k)	722	94	(628)	(87.0)%			(628)			3 Delay involving 3rd Party	Delay in issuing tenders due to scheme redesign & discussions with 3rd parties.
Broomhill Regeneration	96	1	(95)	(99.0)%			(95)			3 Delay involving 3rd Party	Slippage in 3rd Party spend.
Parklea Pavilion and Juniors Facility	17	128	111	652.9%				111		4 Accelerated Projects	
Leisure & Pitches Complete on site	99	4	(95)	(96.0)%	(95)					1 Project Cost Reduced	Contingency not used
SV Comet	134	18	(116)	(86.6)%		(116)				2 Internal Slippage	Delay in tendering & final design.
Regeneration of Port Glasgow Town Centre	184	88	(96)	(52.2)%			(96)			3 Delay involving 3rd Party	Slippage in project being progressed via ri
Various Projects	1,361	1,271	(90)	(6.6)%					(90)	5 Minor Slippage	
Property Assets and Facilities Management											
Battery Park Sea Defences	170	26	(144)	(84.7)%		(144)				2 Internal Slippage	Delay in commencing due to debate about detail of scheme
Various Rewiring Projects	175	24	(151)	(86.3)%		(151)				2 Internal Slippage	Fewer projects progressed than planned, only £100k committed. These projects were on site in March but spend delayed due to on site problems.
DDA Works	60	0	(60)	(100.0)%	(60)					1 Project Cost Reduced	Budget reallocated
Complete on Site Allocation	98	31	(67)	(68.4)%	(67)					1 Project Cost Reduced	Final accounts not settled
Greenock Municipal Buildings Customer Service Centre	71	4	(67)	(94.4)%		(67)				2 Internal Slippage	Final account not yet settled.
Greenock Municipal Buildings Balance	133	54	(79)	(59.4)%		(79)				2 Internal Slippage	Delay in commencing District Court detail design
Wellington Academy/Highholm Primary Demolition	54	4	(50)	(92.6)%	(50)					1 Project Cost Reduced	
Central Library Conversion	1,731	1,671	(60)	(3.5)%		(60)				2 Internal Slippage	slight slippage against original programme.
Lease Expiry	100	0	(100)	(100.0)%			(100)			3 Delay involving 3rd Party	Allowance unused due to negotiation of favourable lease termination conditions.
Replacement Depot	1,709	312	(1,397)	(81.7)%		(1,397)				2 Internal Slippage	Delay in commencing civic amenity site - had to be retendered which worsened position allied with unrealistic initial estimate
Kirn Drive Civic Amenity Site	145	1	(144)	(99.3)%		(144)				2 Internal Slippage	Delay in progressing design - debate about layout plus redesign of building due to reduced staff numbers.
Various Projects	1,109	888	(221)	(19.9)%					(221)	5 Minor Slippage	
TOTAL Environment & Regeneration	14,150	9,582	(4,568)	(32.3)%	(523)	(2,836)	(1,211)	453	(451)		

	Approved Budget 2013/14 £000's	2013/14 Final Position £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Project Cost Reduced £000's	2 Internal Slippage £000's	3 Delay involving 3rd Party £000's	4 Accelerated Projects £000's	5 Minor Slippage	Variation Category	Comments
Education & Lifelong Learning											
Non-SEMP											
Inclusive Education, Culture & Corporate Policy											
Pitch Upgrading	0	31	31	#DIV/0!				31		4 Accelerated Projects	
Cultural & Sports											
New Community Facility Broomhill	50	123	73	146.0%				73		4 Accelerated Projects	
Watt Complex Refurbishment (includes £1,000K CFCR)	171	47	(124)	(72.5)%			(124)			3 Delay involving 3rd Party	Funding application resulted in delays.
Inverkip Community Facility	264	25	(239)	(90.5)%			(239)			3 Delay involving 3rd Party	Planning application not submitted due to SEPA assessment. In addition a potential benefactor donation offering scope to increase the project size arose during the year.
Housing											
Scheme of Assistance (previously PSHG)	1,833	1,199	(634)	(34.6)%			(634)			3 Delay involving 3rd Party	slippage is due to authorised grants not being taken up within the financial year.
TOTAL Education & Lifelong Learning (excl School E	2,318	1,425	(893)	(38.5)%	0	0	(997)	104	0		
SEMP											
Sacred Heart Decant School Upgrade	264	375	111	42.0%				111		4 Accelerated Projects	
Gourock HS - Refurb for St Columba's HS	4,367	5,619	1,252	28.7%				1,252		4 Accelerated Projects	
Demolish St Stephens HS	150	3	(147)	(98.0)%		(147)				2 Internal Slippage	Project on hold as school now being used as decant facility
Demolish Lilybank	77	3	(74)	(96.1)%		(74)				2 Internal Slippage	Delay in commencement due to later opening of Port Glasgow Community Campus
Primary School Accelerated Programme	628	562	(66)	(10.5)%		(66)				2 Internal Slippage	
Ardgowan PS Refurbishment	1,657	464	(1,193)	(72.0)%		(1,193)				2 Internal Slippage	Pre contract delays due to redesign, planning issues and resourcing issues
Balance of Contingency	489	0	(489)	(100.0)%	(489)					1 Project Cost Reduced	Unspent contingency greater than anticipated due to underspends
Complete on site	226	542	316	139.8%				316		4 Accelerated Projects	
Port Glasgow Community Campus Secondary School	8,565	8,831	266	3.1%				266		4 Accelerated Projects	
Lomond View Academy	483	656	173	35.8%				173		4 Accelerated Projects	
Prudential Funding - Capital Project Contributions	0	393	393	#DIV/0!				393		4 Accelerated Projects	
Complete on Site	105	0	(105)	(100.0)%	(105)					1 Project Cost Reduced	
Various Projects	4,106	4,048	(58)	(1.4)%					(58)	5 Minor Slippage	
TOTAL SEMP	21,117	21,496	379	1.8%	(594)	(1,480)	0	2,511	(58)		
Health & Social Care Committee											
Kylemore Childrens Home	123	8	(115)	(93.5)%		(115)				2 Internal Slippage	Final account in dispute.
Various Projects	60	17	(43)	(71.7)%					(43)	5 Minor Slippage	
Total Health & Social Care	183	25	(158)	(86.3)%	0	(115)	0	0	(43)		
Council Total	38,975	33,343	(5,632)	(14.45)%	(1,117)	(4,767)	(2,208)	3,068	(608)		
%age Variation					(2.87)%	(12.23)%	(5.67)%	7.87%	(1.56)%		

Slippage Categories:
1 Project Cost Reduced
2 Internal Slippage
3 Delay involving 3rd Party
4 Accelerated Projects
5 Minor Slippage

Summary of Reported Slippage by Period

Appendix 3

	<u>Aug'13 - Period 3</u>		<u>Sept'13 - Period 4</u>		<u>Nov'13 - Period 6</u>		<u>Feb'14 - Period 7</u>		<u>March'14 - Period 9</u>		<u>May'14 - Period 11</u>		<u>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>	<u>£000's</u>	<u>%</u>
Policy & Resources	265	22.0%	262	21.7%	276	22.9%	301	24.9%	361	29.9%	347	28.7%	392	32.5%
Environment, Regeneration & Resources	12	0.1%	294	2.1%	470	3.3%	2,710	19.2%	3,640	25.7%	4,453	31.5%	4,568	32.3%
Education & Lifelong Learning	(204)	-9.0%	71	3.1%	71	3.1%	895	38.6%	814	35.1%	1,092	47.1%	943	40.7%
School Estate	0	0.0%	0	0.0%	0	0.0%	2	0.0%	3	0.0%	27	0.1%	(379)	(1.8)%
Health & Social Care	0	0.0%	116	38.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	158	86.3%
Total	73	0.2%	743	1.9%	817	2.1%	3,908	10.0%	4,818	12.4%	5,919	15.2%	5,682	14.6%

	<u>Movement Nov'13</u>	
	<u>(Period 6) v Outturn</u>	
	<u>£000's</u>	<u>%</u>
Policy & Resources	116	9.6%
Environment, Regeneration & Resources	4,098	28.9%
Education & Lifelong Learning	872	37.6%
School Estate	(379)	(1.8)%
Health & Social Care	158	86.3%
Total	4,865	12.5%