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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>9 August 2016</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/75/16/MT/AP</b>
<b>Contact Officer:</b>	<b>Matt Thomson</b>	<b>Contact No:</b>	<b>712256</b>
<b>Subject:</b>	<b>2015/16 Capital Programme Out-turn</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to advise Committee on the performance in respect of the delivery of the 2015/16 Capital Programme.

## **2.0 SUMMARY**

- 2.1 The Committee receives an annual report detailing the Capital Programme out-turn against approved budget. Capital spend against budget has been a recurring theme for a number of years in External Audit Annual Reports.
- 2.2 Action has been taken by officers over the last few years to reduce slippage and the impact of these actions can be seen in 2015/16 where there has been a net acceleration of spend of 3.0%.
- 2.3 Appendix 1 summarises the reduction in slippage since 2011/12 following the action taken and it can be seen that the 5 year average slippage is 14.3%.
- 2.4 Appendix 2 provides a summary of the main areas of slippage/advancement with reasons for the slippage being provided by Lead Officers. As has previously been the case, it is clear that slippage is not attributable to either a single project or a single reason.
- 2.5 Areas for improvement previously proposed by the Corporate Management Team centre around earlier identification of slippage and greater support and challenge during the consultation on Capital Reports to Committee and acceleration of projects from future years. These actions have had a positive impact as can be seen in 2015/16.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the 2015/16 Capital Out-turn Position.
- 3.2 It is recommended that the Committee note the positive impact which the previously agreed actions have had on expenditure levels in 2015/16.

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

## 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. 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 successful in 2012/13 when slippage reduced to less than 10%.
- 4.3 However, in 2013/14 and 2014/15 slippage increased and further actions were identified to address this. It was anticipated that the full benefit of the actions introduced in 2014 would not be realised until 2015/16.

## 5.0 2015/16 CAPITAL DELIVERY PERFORMANCE

- 5.1 Subject to the audit of the Final Accounts, the Capital Slippage for 2015/16 has decreased from 15.3% in 2014/15 to an acceleration of 3.0% in 2015/16. As stated this is partly as a result of the actions taken by Officers to reduce slippage and partly as a result of accelerating capital spend such as the advancement of the School Estate Programme. Appendix 1 shows the movement in slippage over the last 5 years.
- 5.2 Appendix 2 provides an analysis prepared by Officers of the main areas of slippage. This analysis contains a commentary by the Lead Officer where appropriate and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of the main reasons for the slippage.
- 5.3 It can be seen from Appendix 2a that slippage of £5.692m (18.8%) mainly due to project cost reductions, internal slippage and slippage involving 3<sup>rd</sup> Parties was more than offset by actions taken by Officers to actively offset slippage or as a result of acceleration of projects. These positive impacts total £6.887m (22.9%).
- 5.4 Committee agreed improvements to address slippage in August 2014; these improvements were as follows:
  - a) Early notification of slippage – the CMT agreed that Corporate Directors needed to robustly review the phasings with relevant Officers before signing off Committee Capital reports. It can be seen from Appendix 3 acceleration of capital spend was reported to Committee in September/November cycle as Officers actively sought to advance projects in anticipation of offsetting slippage in other projects as the year advanced. Slippage was reported to the February/March Committees before further advancements and the acceleration of the School Estate Programme brought the overall position into a small net advancement. The action taken to identify slippage early can be seen to be effective in that Officers were able to accelerate projects in anticipation of and to mitigate further slippage.
  - b) Performance Targets - the Chief Executive has set an upper limit of 10% slippage for each Corporate Director for 2014/15 as part of the Performance Appraisal process and performance against this was closely monitored. The clear expectation was that actual slippage would be under 10%.

Appendix 2a summarises slippage by Committee and by Directorate; from this it can be seen that the Directorate performance was as follows:

Corporate Director, Environment, Regeneration & Resources – overall slippage 7.3% (2014/15: 17.8%) this was mainly due to internal slippage and delays involving third parties partly offset by advancement of projects mainly through the Roads Asset

Management Plan, Regeneration Projects (delivered in conjunction with Riverside Inverclyde) and Property Services.

Corporate Director, Education, Communities & Organisational Development – overall project advancement of 33% (2014/15: 12.1% slippage) mainly as a result of acceleration of projects within the School Estate Programme.

Corporate Director, Health & Social Care Partnership – overall slippage of 46.4% (2014/15: 41% advancement); it should be recognised however that the programme is effectively a single project which will lead to large swings in performance.

- 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 shorter timescale than many other capital projects. During 2015/16 a total of £6.887m (22.9%) (2014/15: £3.6m (12.1%)) was advanced. While some of this was as a result of Council policies such as the advancement of the School estate Programme much of it was as a result of Officers actively seeking to advance projects to mitigate slippage. This approach will continue and officers have already identified projects for advancement in 2016/17 and this will be reported as part of the routine Capital monitoring reports during the year.
- d) Anticipate delays due to external factors – the increasing number of projects requiring working with other Partners, the Third Sector or the Community presents potential for delays, often linked to applications for external funding. It was recognised that a more realistic view of the timescales for the delivery of projects should be taken at the time of agreeing phasing as aspects of the project will be outwith the Council's direct control. While this was done when setting the 2015/16 budget, slippage in this area reduced by only 1.4% to 6.2% in 2015/16, mainly due to issues with Flooding works impacting on other parties land/assets. This has been taken into consideration when agreeing the 2016/17 budget and it is expected that slippage should continue to reduce as a result.

## 6.0 IMPLICATIONS

### Finance

- 6.1 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. It can be seen from Appendix 3 that projections have improved with the movement from Period 6 reporting to out-turn being only 1.3%.

#### 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**

6.2 There are no legal implications arising from this report.

## **Human Resources**

6.3 The Corporate Director, Environment Regeneration and Resources convenes cross-Directorate meetings to review resourcing levels to ensure sufficient resources are in place to deliver the capital programme supported by the use of framework agreements where appropriate to access resources timeously.

## **Equalities**

6.4 There are no direct equalities implications arising from this report.

## **Repopulation**

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

## **7.0 CONSULTATIONS**

7.1 This report has been produced in consultation with the CMT plus relevant budget holders as well as technical officers from Legal & Property Services and Environmental Services.

## **8.0 LIST OF BACKGROUND PAPERS**

8.1 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>
2011/12	45,730	14,130	30.9%
2012/13	54,302	5,072	9.3%
2013/14	38,975	5,632	14.5%
2014/15	29,772	4,566	15.3%
2015/16	30,070	(903)	(3.0)%
5 year average	39,770	5,699	14.3%

**Summary of Reported Slippage by Category**

**Appendix 2a**

Committee	Policy Decision		Project Cost Reduced		Internal Slippage		Delay involving 3rd Party		Minor Slippage		Accelerated Projects		Total	
	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age
Policy & Resources	-	0.0%	-	0.0%	-	0.0%	-	0.0%	70	12.4%	(300)	(53.3)%	(230)	(40.9)%
Environment, Regeneration & Resources	138	0.7%	419	2.1%	2,551	13.0%	1,596	8.2%	87	0.4%	(3,109)	(15.9)%	1,682	8.6%
Education & Lifelong Learning	-	0.0%	95	3.2%	-	0.0%	117	4.0%	-	-	(811)	(27.7)%	(599)	(19.2)%
School Estate	-	0.0%	177	3.0%	-	0.0%	-	0.0%	-	-	(2,522)	(42.1)%	(2,345)	(39.2)%
Health & Social Care	10	0.8%	-	0.0%	547	45.6%	-	0.0%	-	0.0%	-	0.0%	557	46.4%
<b>Total</b>	<b>148</b>	<b>0.5%</b>	<b>691</b>	<b>2.3%</b>	<b>3,098</b>	<b>10.2%</b>	<b>1,713</b>	<b>5.7%</b>	<b>157</b>	<b>0.5%</b>	<b>(6,742)</b>	<b>(22.3)%</b>	<b>(935)</b>	<b>(3.0)%</b>
<b>Directorate</b>														
Environment, Regeneration & Resources	138	0.7%	419	2.1%	2,551	12.7%	1,596	7.9%	157	0.8%	(3,409)	(16.9)%	1,452	7.2%
Education, Communities & Organisational Development	-	0.0%	272	3.1%	-	0.0%	117	1.3%	-	-	(3,333)	(37.4)%	(2,944)	(33.0)%
Health & Social Care	10	0.8%	-	0.0%	547	45.6%	-	0.0%	-	0.0%	-	0.0%	557	46.4%
<b>Total</b>	<b>148</b>	<b>0.5%</b>	<b>691</b>	<b>2.3%</b>	<b>3,098</b>	<b>10.2%</b>	<b>1,713</b>	<b>5.7%</b>	<b>157</b>	<b>0.5%</b>	<b>(6,742)</b>	<b>(22.3)%</b>	<b>(935)</b>	<b>(3.0)%</b>

Approved Expenditure 2015/16 £000's	Diff. 2015/16 Approved Expend. £000's	Slippage from Approved Budget £000's	Slippage from Budget %AGE	1.Police Decision £000's	2.Project Cost Reduced £000's	3.Internal Slippage £000's	4.Develop. Involving 3rd Party £000's	5.Minor Slippage £000's	6.Accelerated Projects £000's	Variation Category	Additional Comments
<b>Policy &amp; Resources</b>											
243	158	85	34.98%					85			
84	149	(65)	(77.98%)					(65)			
0	300	(300)							(300)		New project added to the capital programme.
236	186	50	21.19%					50			
<b>963</b>	<b>793</b>	<b>(230)</b>	<b>(40.85%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>(300)</b>		
<b>Environment &amp; Regeneration</b>											
<b>Environmental Services - Roads</b>											
53	119	(66)	(124.53%)						(66)		
141	21	120	85.11%			120					
114	78	36	31.58%		90						Includes £100k for the procurement of King St car park. Ongoing discussions with owners.
1,064	449	1,415	75.91%				1,415				Project reduced in size and additional match funding grant was provided by SUSTRANS
105	18	87	82.85%					87			Failure of contractor to agree an acceptable design with Network Rail. Options being reviewed
<b>Roads Asset Management Plan</b>											
3,429	4,315	(886)	(25.84%)						(886)		Advancements to projects
355	385	(30)	(84.79%)						(30)		Advancements to projects
102	163	(61)	(79.41%)						(61)		Advancements to projects
261	898	(636)	(243.33%)						(636)		Advancements to projects
298	445	(147)	(49.33%)						(147)		Advancements to projects
<b>Environmental Services</b>											
2,024	1,974	50	2.47%			50					
201	20	181	90.05%				181				Network Rail associated delay - will be completed September 2016
195	355	(160)	(82.05%)						(160)		
<b>Recreation and Planning</b>											
3,322	3,741	(419)	(12.61%)						(419)		
<b>Port Glasgow Town Centre Regeneration</b>											
416	199	217	52.16%			217					
658	746	(88)	(13.37%)						(88)		
<b>Property Services</b>											
1,041	1,335	(294)	(28.24%)						(294)		
283	346	(63)	(22.26%)						(63)		
181	4	177	97.79%			177					
<b>Waterfront Leisure Complex Combined Heat and Power Plant</b>											
794	452	342	43.07%						342		Difficulties aligning tender document package with market expectation led to re-tendering exercise. Later start on site due to extensive pre-tender stage and difficulties encountered on site early in the contract in connection with structure / restricted working space.
77	141	(64)	(83.12%)						(64)		Tenders returned below budget. Note additional works will be required here in connection with adjacent structures which is set to be quantified and brought back to Committee.
224	100	124	55.36%	124							
103	0	103	100.00%		103						Unallocated balance / contingency to be allocated
142	55	87	61.27%			87					Reflects number of projects progressed to final account / payment stage within the period.
2,036	669	1,368	67.19%			1,368					Party due to re-scoping of depot rationalisation (Policy Decision) and lower progress early in the contract on groundworks and frame erection.
502	400	102	20.32%	102							Clarification of project scope reduced overall cost.
138	0	138	100.00%	138							Re-phasing of the depot works linked to policy decision to reduce budget.
200	10	190	95.00%			190					
294	270	24	8.16%						24		Delayed pre-tender stage and no returns from initial tendering exercise led to re-tendering and delay to start.
<b>19,553</b>	<b>17,871</b>	<b>1,682</b>	<b>8.60%</b>	<b>138</b>	<b>419</b>	<b>2,551</b>	<b>1,656</b>	<b>87</b>	<b>(3,109)</b>		

	Approved Budget 2015/16 £000's	Draft 2015/16 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget % rate	1. Ethical Decision £000's	2. Project Cost Reduced £000's	3. Internal Slippage £000's	4. Delay in opening 3rd Party £000's	5. Minor Slippage £000's	6. Accelerated Projects £000's	Validation Category	Additional Comments
<b>Education &amp; Lifelong Learning</b>												
<b>Non-SEMP</b>												
Whinall/Kilncomen/Nilman's PS - Pitch Upgrading	26	94	(68)	(261.54)%						(68)	6 Accelerated Projects	
Various Projects	486	556	(70)	(14.40)%						(70)	6 Accelerated Projects	
<b>Safeguarding</b>												
Schemes of Assistance	807	1101	(294)	(36.43)%		95				(294)	6 Accelerated Projects	Higher completion on grant work than first estimated
Wheat Complex Refurbishment	152	57	95	62.50%				65			2 Project Cost Reduced	Tenders returned below budget for initial rot works.
Community Facilities Investment Woodhall	100	35	65	65.00%							4 Delay involving 3rd Party	
New Community Facility Broomhill	53	1	52	98.11%				52			4 Delay involving 3rd Party	
Ravensraig Sports Barn	400	600	(200)	(50.00)%						(200)	6 Accelerated Projects	
Ranbar Park Cycle Track	0	179	(179)	-						(179)	6 Accelerated Projects	New Project
Various Projects	501	864	(371)	4.11%								
<b>TOTAL Education &amp; Lifelong Learning (excl School Estate)</b>	<b>2,925</b>	<b>3,487</b>	<b>(562)</b>	<b>(19.21)%</b>	<b>0</b>	<b>95</b>	<b>0</b>	<b>117</b>	<b>0</b>	<b>(811)</b>		
<b>SEMP</b>												
Demulish Greenock Academy	71	133	(62)	(77.24)%						(62)	6 Accelerated Projects	
Logan PS - Refurbishment & Extension	333	942	(609)	(182.91)%						(609)	6 Accelerated Projects	
St Andrew's PS - Refurbishment & Extension	1,975	2,963	(978)	(49.52)%						(978)	6 Accelerated Projects	
Kilncomen PS - Refurbishment	668	1,520	(852)	(58.66)%						(852)	6 Accelerated Projects	
Early Years (C&VPS - 600 Hrs + 2 yr olds)	314	464	(150)	(44.69)%		112				(140)	2 Project Cost Reduced	Tenders returned below budget
St Francis PS - external works	327	215	112	34.25%						(126)	6 Accelerated Projects	Tenders returned below budget
Balance of Lifecycle Fund	210	336	(126)	(60.00)%		65				(22)	2 Project Cost Reduced	Unallocated balance / contingency to be allocated
Balance of Contingency	65	0	65	100.00%								
Various projects	1,755	1,757	(2)	-								
<b>TOTAL SEMP</b>	<b>5,888</b>	<b>8,333</b>	<b>(2,345)</b>	<b>-39.16%</b>	<b>0</b>	<b>177</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,522)</b>		
<b>Health &amp; Social Care Committee</b>												
Neil Street Childrens Home Replacement	861	114	547	82.75%			547				3 Internal Slippage	Part issues with public consultation and planning in connection with access road and part internal slippage through extended pre-contract phase.
Various Projects	539	529	10	-	10						1 Policy Decision	Not initially in capital programme
<b>Total Health &amp; Social Care</b>	<b>1,200</b>	<b>643</b>	<b>557</b>	<b>46.42%</b>	<b>10</b>	<b>0</b>	<b>547</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Council Total</b>	<b>30,229</b>	<b>31,127</b>	<b>(898)</b>	<b>(2.97)%</b>	<b>148</b>	<b>681</b>	<b>3,088</b>	<b>1,713</b>	<b>157</b>	<b>(6,742)</b>		
<b>%age Variation</b>					<b>.49%</b>	<b>2.29%</b>	<b>10.25%</b>	<b>5.67%</b>	<b>.52%</b>	<b>(22.30)%</b>		



Summary of Reported Slippage by Period

Appendix 3

	Sept'15 - Period 4	Nov'15 - Period 6	Feb'16 - Period 8	March'16 - Period 2	May'16 - Period 11	Outturn
	£000's	£000's	£000's	£000's	£000's	£000's
	%	%	%	%	%	%
Policy & Resources	(323) (57.4)%	(323) (57.4)%	(280) (49.7)%	(258) (45.8)%	(245) (43.5)%	(230) (40.9)%
Environment, Regeneration & Resources	(1,674) (8.6)%	(765) (3.9)%	794 4.1%	1,940 10.0%	1,881 9.7%	1,677 8.7%
Education & Lifelong Learning	(65) (2.2)%	(347) (11.9)%	(47) (1.6)%	95 3.3%	(132) (4.5)%	(562) (19.2)%
School Estate	(276) (4.6)%	(151) (2.5)%	(389) (6.5)%	(1,014) (16.9)%	(2,241) (37.4)%	(2,345) (39.2)%
Health & Social Care	(1,000) (149.0)%	315 46.9%	515 76.8%	515 76.8%	515 76.8%	557 46.4%
<b>Total</b>	<b>(3,338) (11.3)%</b>	<b>(1,271) (4.3)%</b>	<b>593 2.0%</b>	<b>1,278 4.3%</b>	<b>(222) (0.8)%</b>	<b>(903) (3.0)%</b>

Movement Nov'15  
(Period 5) v. Outturn

	£000's	%
Policy & Resources	93	16.6%
Environment, Regeneration & Resources	2,442	12.6%
Education & Lifelong Learning	(215)	(7.4)%
School Estate	(2,194)	(36.6)%
Health & Social Care	242	(0.5)%
<b>Total</b>	<b>368</b>	<b>1.3%</b>