

7 July 2021		ITEM: 13 Decision: 110569
Cabinet		
2021/22 Capital Programme Update		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance		
Accountable Assistant Director: Jonathan Wilson, Assistant Director of Finance		
Accountable Director: Sean Clark, Corporate Director of Resource and Place Delivery		
This report is Public		

Executive Summary

The capital programme represents the sum of all capital budgets in respect of capital projects that are in progress and planned.

Total capital expenditure for 2020/21 amounted to £92.195m.

The underlying capital bids represents a high level assessment of the anticipated costs of each individual project at the point funding approval is sought. Depending on their nature, complexity and the timescale for delivery, capital projects can be subject to significant unforeseen challenges and hence financial risk.

The more significant and complex projects are subject to detailed monitoring to manage the project risks and to control the costs of delivery. Where additional risk is identified at an early stage of a project there is consideration of whether to further progress projects within the funding envelope available.

Covid-19 caused the Cabinet, and the Council, to reconsider capital priorities and the associated exposure to financial risk from the capital programme to the value of £19.3m being removed from the programme, and another £12.3m deferred whilst further assessments are made to ensure post-Covid realities are fully considered. This report sets out suggested actions to refocus the priorities of the capital programme within the overall funding envelope.

1. Recommendations

That the Cabinet:

- 1.1 Note the outturn position on the 2020/21 Capital Programme and the current Authorised Capital Expenditure between 2021/22 and 2022/23;**
- 1.2 Note the outcome of the review of the Capital Programme and the funding associated with projects that are not expected to progress;**
- 1.3 Approve the proposed capital virements to reallocate capital funding within the programme to Grays South and the Stanford-le-Hope Interchange; and**
- 1.4 Approve the proposal to address further financial risk within the existing capital programme.**

2. Introduction and Background

- 2.1 Members will be aware the capital programme represents the sum of all capital expenditure approved by Council in respect of capital projects that are in progress. Funding is added to the programme on a project by project basis as part of the annual budget setting. The capital programme is cumulative and, with some projects delivered over a time scale greater than one year, the funding at any point in time will include projects approved over several municipal years.
- 2.2 The capital bids represent a high level assessment of the anticipated costs of each individual projects at the point funding approval is sought. Depending on the nature and complexity of the project these initial assessments are then followed by a full scoping and feasibility assessments which confirms the final funding required for the project.
- 2.3 Depending on their nature and complexity capital projects can be subject to significant project and hence financial risk. While a reasonable allowance for this is made in the scoping of the projects there are many factors that can cause further financial risk to crystallise.
- 2.4 The more significant and complex projects are subject to a higher level of monitoring to manage the project risks and hence the financial risks. Where this identified additional risk is at an early stage of a project there is consideration of whether to further progress projects within the funding envelope available.
- 2.5 Covid-19 caused the Council to reconsider capital priorities and the associated exposure to financial risk from the capital programme.

3. Capital Programme

- 3.1 Total capital expenditure for 2020/21 amounted to £92.195m. A summary of this expenditure analysed by service, is set out below:

Directorate	Budget £m	Total Spend £m	Variance £m
Adults, Housing and Health	3.255	1.923	(1.332)
Children's Services	11.635	9.247	(2.388)
Environment and Highways	13.031	8.400	(4.631)
Finance, Governance and Property	8.006	4.963	(3.043)
Housing Revenue Account	19.492	18.933	(0.559)
HR, OD & Transformation	6.843	5.419	(1.424)
Strategy, Communications & Customer Services	0.249	0.156	(0.093)
Place	44.826	43.154	(1.672)
Total	107.337	92.195	(15.142)

- 3.2 The capital outturn detail is included in the financial outturn report on the agenda of this cabinet meeting. The underspend against budget arises from a combination of extended project timescales, the impact of the pandemic and the decision to pause progress on specific projects while the wider financial consequences of the pandemic were more fully understood.
- 3.3 Furthermore the Council has current authorised expenditure for use between 2021/22 and 2023/24 of £223.1m across the capital programme. The wider impact of Covid-19 on the financial sustainability of the Council has prompted a reassessment of the capital projects to ensure they continue to meet priorities and do not increase the level of financial risk faced by the Council.
- 3.4 This capital programme includes projects that, following further assessment, will not progress further. This is because they have been considered in terms of both the revised priorities of the Council and in the context of specific project and financial risks which have been identified and are not considered to support the wider objective of the financial sustainability of the Council. These projects have a combined value of £19.3m
- 3.5 There are further projects that are currently on hold within the capital programme following a reassessment of priority projects which enabled the deferral of the longer term revenue impacts of the schemes to support the financial sustainability of the Council. These projects have a combined value of £12.3m. Consequently there is a limited expectation the associated funding will be required in the short term. This was based on an assessment of capital priorities by Cabinet in response to the financial challenges faced by the Council in light of Covid-19.

3.6 Conversely within the current capital programme there are projects which remain a priority for the Council but have faced significant project challenges since the originally funding envelopes were agreed. Where this has been identified the wider scope of the projects have been reassessed to deliver the best schemes for residents, local business and wider stakeholders. This has taken significant time since the original funding envelopes were agreed and hence the underlying costs have been subject to inflationary pressures which have arisen while the full feasibility and scoping work to support the revised schemes has been completed. This develops a clear project scope and associated costing to deliver the schemes and confirms that the outline capital bids required additional funding. There are two specific priority projects in this position which are considered further below:

- Grays South – The current forecast budget was based on concept designs and has now been reassessed following receipt of the a detailed cost plan that reflects further design work and a better understanding of the proposed construction methodology from Network Rail which significantly increased. The projected costs of the infrastructure elements of the scheme have significantly increased. Subsequent challenge has reduced the forecast costs but, combined with the land assembly and adjacent public realm elements, the funding envelope will need to increase by a forecast £11m as set out in the report later on this agenda. This brings the overall budget envelope to £37.3m although further challenges to Network Rail will continue; and
- Stanford-le-Hope Interchange – The scheme has been subject to significant design change over the last 18 months following the assessment of the original design which identified significant project complications and financial risks. This was linked to a technical solution that sought to deliver the infrastructure requirements of the scheme on a relatively small land area, as opposed to building over the River Hope, and bringing the station footprint closer to neighbouring residential properties. Concerns over the proposed design and the associated costs alongside renewed availability of land adjacent to the car park, enabled a significant redesign of the scheme. As is common in larger developments, this redesign proposed two new and separate phases to the project split between the delivery of a replacement train station and a second phase covering the wider facilities including parking on the footprint to the north of London Road. Planning approval was sought for Phase 1 but this was postponed in February 2021 to enable visibility of the Phase 2 component. Work has continued which now considers the impact of Covid-19 on local transport use including further discussion on the final design with key stakeholders. Hence since project inception there has been a significant reassessment to deliver the best design solution for the project and ultimately for local residents and wider stakeholders. The costs associated with the scheme have increased as the process evolved alongside inflationary pressures and the wider impacts of Covid-19. The final scheme will be reconsidered by the Planning Committee in due course. The provisional assessment of the revised

budget requires the current envelope to be increased by £10m to deliver the scheme. This remains an estimate which is now linked to a final proposed design and will be market tested through the subsequent and rigorous procurement exercise. The additional funding will ultimately bring a much improved design with additional benefits to users of the station and the wider community in terms of access, increased parking for cars and cycles and better integration with local transport.

- 3.7 In light of the wider reassessment of the capital programme as set out above there is an opportunity to both reduce the overall projected cost of the programme over the next 3 years while refocussing current approved resources to two priority projects. These projects will ensure that two core pieces of infrastructure can be delivered for the benefit of the borough and link to the wider infrastructure investment from the Towns Fund and the Freeport.
- 3.8 It is therefore proposed to refocus the existing resources through budget virements to increase the priority project budgets by £21m and furthermore to hold funding from the wider projects on hold within the programme totalling £12m. This can then provide some further financial resilience in the programme as a whole and be considered further by Cabinet in due course. While the funding remains held the impact on revenue is deferred.

4. Reasons for Recommendation

- 4.1 The report presents the position on the capital programme as at 31 March 2021. The report proposes a reassessment of the current funding within the capital programme and recommends redirecting resource to two priority projects to ensure they are deliverable while also reducing the overall scope of the programme to improve financial sustainability.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Planning, Transportation and Regeneration Overview and Scrutiny Committee has received regular updates on both schemes that have set out some of the challenges. The recommendations are to reallocate resources to deliver these priority schemes and remove non-priority projects.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 This report sets out an approach to support the delivery of Council priority projects.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Finance Manager

The financial implications are set out in the report.

7.2 **Legal**

Implications verified by: **Tim Hallam**
Deputy Head of Legal and Deputy Monitoring Officer

There are no direct legal implications arising from this report. This report provides an update and allows members to review the financial outturn in 2019/20.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**
Community Development and Equalities Manager

There are no specific diversity and equalities implications as a result of this report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- NA

8. **Background papers used in preparing the report**

- N/A

9. **Appendices to the report**

- NA

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