

<p>Cabinet</p> <p>24 November 2021</p>	 <p>TOWER HAMLETS</p>
<p>Joint report of Ann Sutcliffe, Corporate Director of Place Kevin Bartle, Corporate Director of Resources</p>	<p>Classification: Unrestricted</p>
<p>Additions to Approved Capital programme 2021-22 to 2023-24</p>	

Lead Member	Councillor Blake, Deputy Mayor and Cabinet Member for Adults, Health and Wellbeing and Capital Delivery
Originating Officer(s)	Jane Abraham, Interim Head of Capital Delivery
Wards affected	ALL
Key Decision?	Yes
Forward Plan Notice Published	Yes – 13 September 2021
Reason for Key Decision	Financial Threshold
Strategic Plan Priority / Outcome	<ol style="list-style-type: none"> 1. People are aspirational, independent and have equal access to opportunities; 2. A borough that our residents are proud of and love to live in; 3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

EXECUTIVE SUMMARY

The purpose of this report is to seek approval of **£8.408m** for additions and amendments to the 2021-24 Approved Capital Programme, which have progressed through the capital governance process and where funding sources have been identified and approval required to enable expenditure in 2021/22 and onwards.

This follows the reports to Full Council on 4th March 2021 and Cabinet on 30th June and 28th July 2021, which approved the capital programme, and subsequent additions and slippages, for 2021/22 to 2023/24 and set out the principle that new schemes will not be brought forward until funding sources have been identified and allocated. Funding sources have been identified and allocated for all additions and amendments to the programme listed in this report.

RECOMMENDATIONS

The Cabinet is recommended to:

1. Approve the inclusion of the additional capital schemes and amendments to existing capital schemes, as set out in the report, into the council's 2021-2024 Approved Capital Programme
2. Note the funding sources for the additional schemes being added to the Approved Capital Programme 2021/22 to 2023/24
3. Agree that approval to proceed to award contracts for works and services be delegated to the Corporate Director of Place, in consultation with the Corporate Director of Resources, subject to approval through the capital governance process and tenders being within the approved capital estimate

1 REASONS FOR DECISIONS

- 1.1 Additional capital schemes have progressed through the capital governance process since the current capital programme was updated in June 2021. Identified funding sources for the new additions to the General Fund capital programme are from external grant, s106 contributions and CIL, including LIF. These have been identified and allocated. No capital receipts or borrowing is required. In accordance with the council's financial regulations, formal approval from Cabinet is required for these schemes to be included in the 2021-24 Approved Capital Programme. The report includes changes to existing capital schemes which have progressed through the capital governance process and require approval totalling **£8.408m**.

2 ALTERNATIVE OPTIONS

- 2.1 In previous years, an alternative route for capital programme approvals has been through the Quarterly Monitoring Report prepared by Corporate Finance, however, a stand-alone report for approvals and additions to the capital programme is more open and transparent.
- 2.2 In order to maintain the pace of delivery, this report seeks approval for the schemes listed, in line with the approach agreed by the Mayor in Cabinet in June 2019.

3 DETAILS OF THE REPORT

- 3.1 In March 2021, Full Council approved a capital programme for 2021/22 to 2023/24 totalling **£626.566m**, of which **£395.471m** is for the General Fund programme and **£231.095m** is for the Housing Revenue Account, identifying and allocating founding sources for each programme area. The 2021-24 Approved Capital Programme for the General Fund was increased by

£14.651m in June 2021 and the 2020-21 provisional outturn forecast reported slippage of **£22.184m** in July 2021.

- 3.2 This report seeks approval for additional capital schemes and amendments to existing schemes, having progressed through the capital governance process to the Capital Strategy Board, to be formally approved by Cabinet and adopted into the 2021-24 Approved Capital Programme.

4 SCHEME DETAILS FOR ADDITIONS/AMENDMENTS TO 2021-24 CAPITAL PROGRAMME

- 4.1 The capital schemes for which budget approval is sought are set out in Table 1. Funding sources have been identified for each of these schemes and allocated through the capital governance process.

- 4.2 The funding used for these additions and amendments to the capital programme comes from either external grant (from Department of Education, Transport for London etc.), s106 contributions, CIL funding or available Right-to-Buy receipts. Some grants are paid in arrears, once works have been carried out. No capital receipts or prudential borrowing is required.

Table 1: Summary of scheme details

Project	Narrative	Total original approved budget	New/ Additional budget required	Funding source for additional budget requested
New schemes				
Electric charging points (ECV) for council fleet	To fund the installation of a total of 84 vehicle charging points at the following locations: Poplar Recreation Ground, Toby Lane, Victoria Park and Blackwall Depot. This will provide capacity to charge 180 council vehicles.	0	£0.975m	£0.975m CIL
Victoria Park Toilet Project	To improve and increase toilet facilities and provide two 'Changing Places' facilities	0	£0.640m	£0.640m CIL [^]
Victoria Park – electric charging for ice cream vans	To install six electric charging points for ice cream vans to enable them to operate without keeping their engines running.	0	£0.160m	£0.160m CIL
EV charging/ power bollards for Petticoat	To upgrade and update market infrastructure by providing electrical connectivity to local	0	£0.327m	£0.327m CIL

Lane and Brick Lane Markets	traders.			
Improvements to road safety (Chrisp Street and Morris Road corridor)	To improve road safety and enhance conditions for walking and cycling between Barchester Road and Cordelia Street. (see Appendix 1a)	0	£0.670m	£0.670m CIL
Preston's Road: Vision Zero	To improve safety, create more space and priority for buses and cycles to reduce vehicle speeds. (see Appendix 1b)	0	£0.650m	£0.442m s106; £0.208m CIL
Poplar High Street public realm and bus service improvements	To improve the public realm and the journey experience for bus users travelling through Poplar.	0	£0.889m	£0.200m grant; £0.220m LIF; £0.469m s106
Flat Recycling Package	To improve access to recycling and waste infrastructure for residents living in existing purpose-built flats.	0	£2.133m	£2.133m CIL
TfL grant-funded programme	To funded specific highways projects funded in full by TfL	£1.017m	£0.957m	£0.957m TfL grant
Sub-Total		£1.017m	£7.401m	
Amendments to existing schemes				
Conditions and Improvement programme (for schools)	To undertake essential roof works at Thomas Buxton School	£3.000m	£0.645m	£0.645m School Condition Allocation Grant (DfE)
St Georges Town Hall Refurbishment	To cover the additional project costs resulting from the increase in the programme, material shortages and the extended scope of the project which include increased security controls, signage, landscaping	£1.988m	£0.362m	£0.362m s106
Sub-Total		£4.988m	£1.007m	
Total		£6.005m	£8.408m	

^ Once grant funding for Changing Places is received, this will replace the CIL allocation

4.3 Approval is sought for an increase to the capital programme of **£8.408m** for the above schemes, in order for them to be adopted into the 2021-24 Approved Capital Programme

4.4 The schemes listed below require changes to funding sources:

Project	Narrative	Total original approved budget	New/ Additional budget or virement required £m	Revised Budget £m	Funding source for additional budget requested
Quality Parks	To increase the Quality Parks Programme; 11 additional projects are to be funded by LIF (£1.312m transferred from LIF total). The Quality Parks Programme is expected to complete in March 2024	5.000	1.312	6.312	£1.300m LIF (virement from LIF)
LIF Prog 1/2	Transfer to Quality Parks from LIF 1 & 2	22.444	-1.312	21.132	
Aberfeldy Village Health Centre	£0.780m virement from Wood Wharf to Aberfeldy Village HC	3.868	0.780	4.648	£0.780m s106 (no change to s106 allocation to health)
Wood Wharf	Decrease in budget £0.780m virement to Aberfeldy Village	5.780m	-0.780	5.000	-£0.780m s106 (no change to s106 allocations to health)
First 1,000 homes allocated schemes	Transfer to first 1,000 homes allocated schemes: <ul style="list-style-type: none"> HAP (Clichy Estate) feasibility for the appointment of a multi-disciplinary team to planning and the EA appointment 137a Solander Gardens 91a Wapping Lane 	2.000 0 0	0.753 0.160 0.150	2.753 0.160 0.150	£1.063m is required from the contingency budget in the approved first 1,000 homes budget

First 1,000 homes unallocated contingency	Transfer from first 1,000 homes unallocated contingency	1.837	-1.063	0.774	
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5 IMPACT OF BREXIT AND THE PANDEMIC ON CONSTRUCTION COSTS

- 5.1 The BCIS Price Adjustment Formula Indices for May 2021 shows the most significant cost increase is in materials. The highest increase is in the cost of structural steel which increased by more than 30% between May 2020 and May 2021 (Source: BCIS). Other increases are lower (e.g. cost of composite windows and doors increased by around 15%; hardwood fittings by 7%; ready mixed concrete and tile cladding by 3%), but will still have an impact on total scheme costs. Added to this, lead-in times for materials and components have lengthened resulting in delays in delivery and the associated increase in costs.
- 5.2 Rising labour costs, combined with shortage of skills in certain trades, is also having an impact on project costs and delivery timetables. Contractors who rely on sub-contractors rather than their own directly employed labour force are most affected. Some workers have left the industry permanently due to pandemic and post-Brexit immigration rules have resulted in a reduction in the pool of workers available for construction activity.
- 5.3 The impact of increased energy costs is expected to have a further impact on the cost of capital projects, although the extent of this is as yet unknown.
- 5.4 In addition to changes in market conditions, new Health and Safety rules including the Fire Safety Bill, Building Safety Bill and Construction and Design Management Regulations will add further cost to construction projects, as will the target of meeting net carbon zero by 2025.
- 5.5 Turner and Townsend estimate that tender prices will be inflated over the next three years, increasing from 1.5% in 2021 to 4.5% in 2024 for built product and from 2% in 2021 to 5% in 2024 for infrastructure projects. However, recent returns for projects in the capital programme tendered in the last three months have seen prices increase by up to 15% as a result of material, supply chain and labour costs.
- 5.6 The impact of fluctuations in the market are more noticeable for smaller and medium-sized construction firms and many will struggle to remain competitive in the short term.
- 5.7 Whilst the market should level out in time, in the medium to long term, the cost of capital projects are expected to increase over the period of the next three-year capital programme. Where programme costs can be reduced through value engineering, without compromising design quality, this will take place, but increased contingency provision will be required across the capital programme to mitigate the risk of price increases.

6 EQUALITIES IMPLICATIONS

- 6.1 All residents of the Borough are likely to be affected to varying degrees by the proposals in the Capital Programme. To ensure there is not a disproportionate impact on individuals or groups that share a protected characteristic under the Equality Act 2010, An Equality Impact Assessment is required to be undertaken for each individual project as part of the Capital Governance approval process.
- 6.2 The Council's Capital Governance approval process prevents any proposal which amounts to discrimination from being implemented and any project that is likely to lead to differential impact is varied to mitigate the differential impact.
- 6.3 It is intended all projects included in the proposed capital programme will reduce inequality and foster cohesion in the borough.

7 OTHER STATUTORY IMPLICATIONS

This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

7.1 CRIME AND DISORDER (SECTION 17) IMPLICATIONS

Under Section 17 of the Crime and Disorder Act 1998, the Council is under a legal duty when exercising its various functions to have due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area, including anti-social behaviour adversely affecting the local environment and the quality of life of residents; the misuse of drugs, alcohol and other substances and re-offending. It is anticipated that a number of the capital schemes proposed will have beneficial consequences for crime and disorder in the borough through the enhancement of the public realm, improving life chances for children and young people, improving our counter terrorism resilience and through the upgrade of critical infrastructure like CCTV.

8 COMMENTS OF THE CHIEF FINANCE OFFICER

- 8.1 This report asks Cabinet to approve a net increase of £8.408m to the General Fund programme 2021-24. This will increase the existing approved General Fund 3-year programme for 2021/22 to 2023/24 from £432.306m to £440.714m.
- 8.2 The proposed changes to funding sources to the existing approved General Fund capital programme as a result of proposals contained within the report are detailed in paragraph 4.4.
- 8.3 The required funding sources that underpin the proposals have been identified and allocated for the proposed projects. All projects will need to be taken through the councils capital governance process before proceeding.
- 8.4 All projects can only commence once the cash has been received by the council in regards to the identified funding source in relation to the project.

9 COMMENTS OF LEGAL SERVICES

- 9.1 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control and the expenditure of different funding streams. It is consistent with these arrangements for Cabinet to receive information and requests relating to the allocation of funding.
- 9.2 The allocations of the various funding streams referred to in this report are in line with the various legal frameworks which relate to each funding stream.
- 9.3 Where reference is made to the allocation of S.106 funds, such allocation will occur (or has occurred as the case may be) in line with the Council's application procedure and in any event the money will be applied to schemes which conform to the conditions under the relevant S.106 agreement.
- 9.4 Recommendation 3 refers to a delegation to the Corporate Director to commit the Council to expenditure of the various sources of funds. Any such commitment will be subject to the Council running an appropriate level of procurement exercise having regard to the Council's constitution and the relevant domestic and European Law.
- 9.5 The winning bidder for each exercise will be chosen against pre-published evaluation criteria which will represent an appropriate blend of price and quality with respect to the subject matter of each procurement. The award to the best scoring bidder on this basis will not only comply with the relevant procurement law and the Council's constitution but will also assist the demonstration of the Council's compliance with its Best Value Duty.

Linked Reports, Appendices and Background Documents

Appendices

Appendix 1 – Maps

Appendix 2 – S106 Details

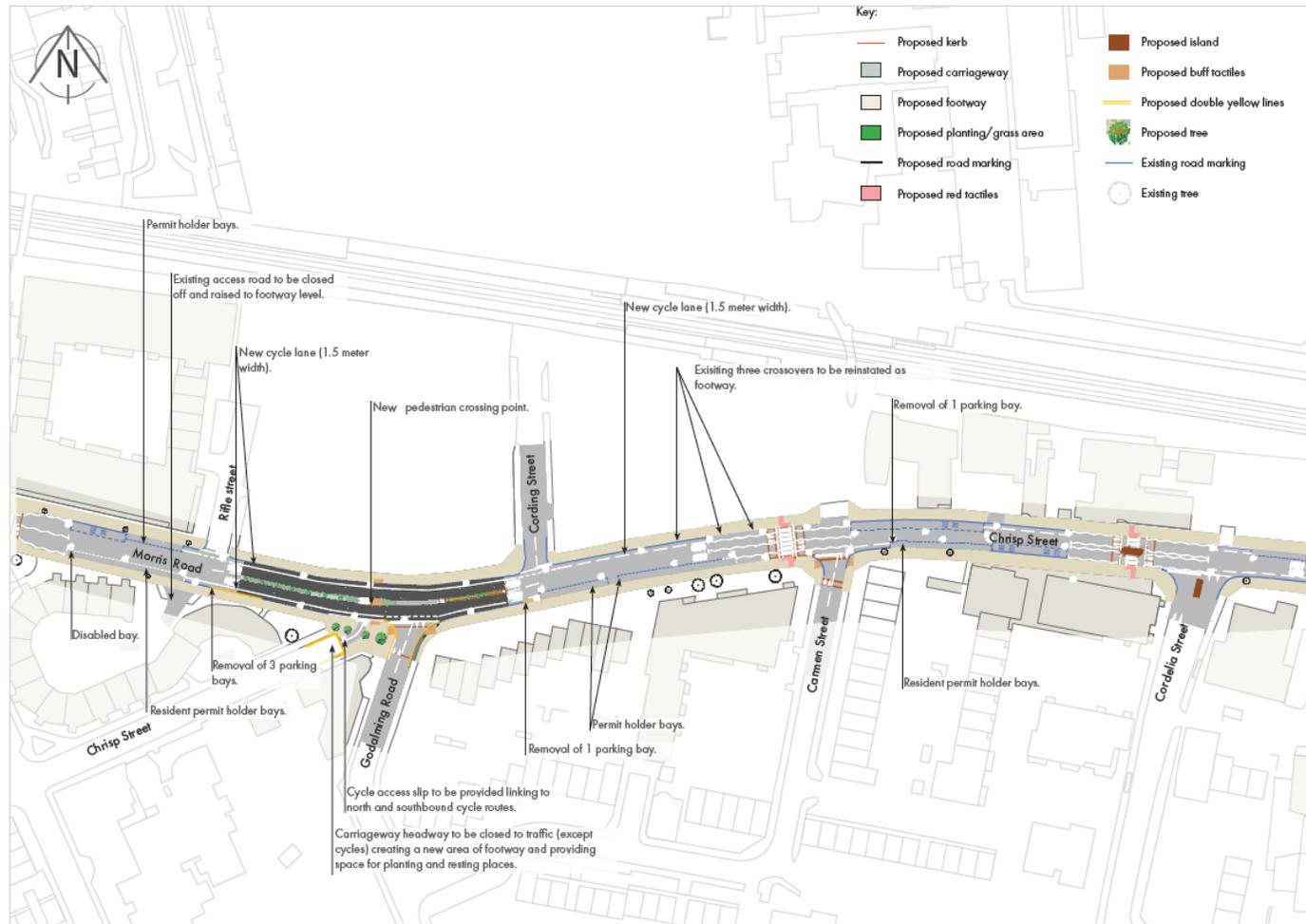
Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

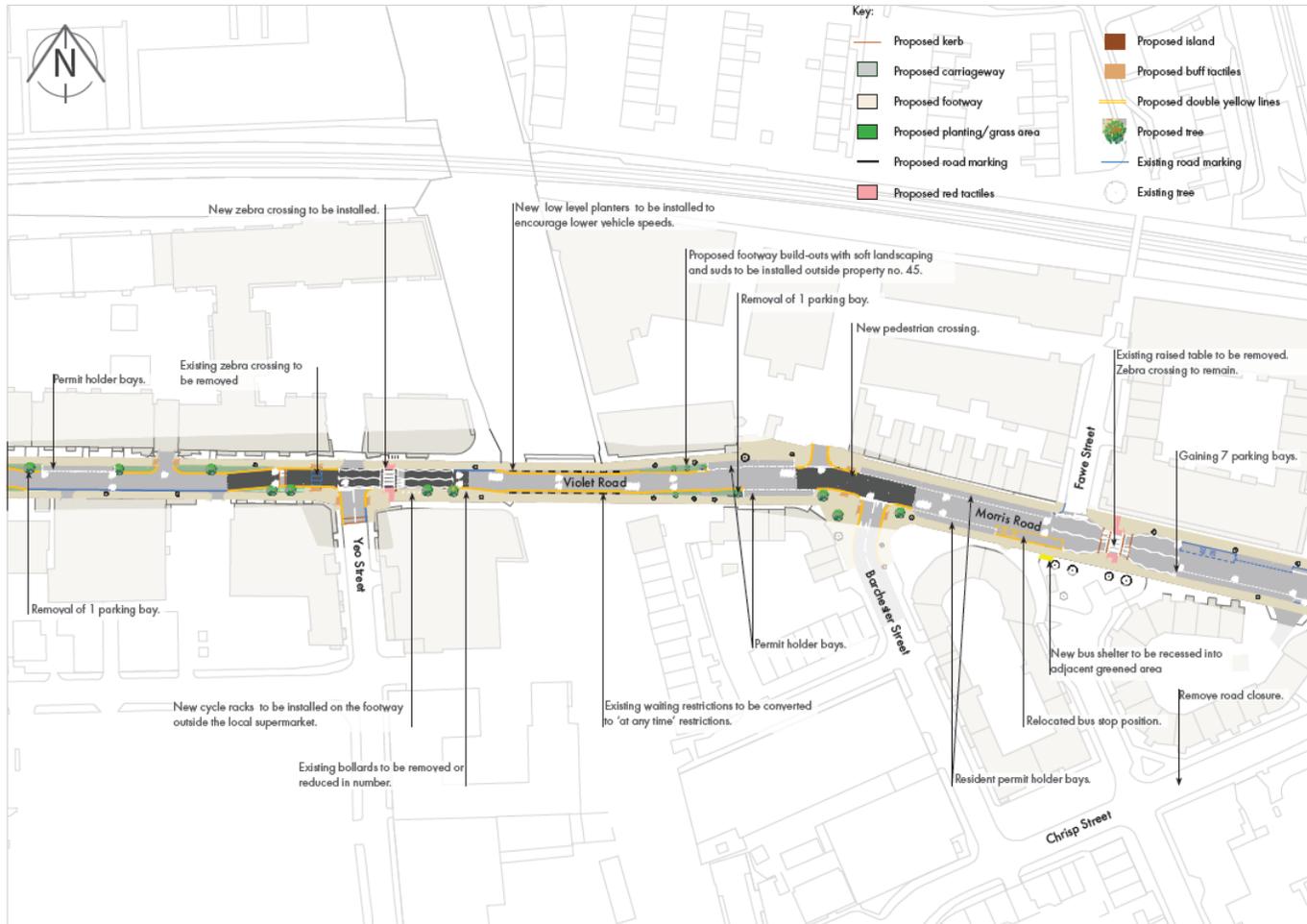
- NONE

Officer contact details for documents:

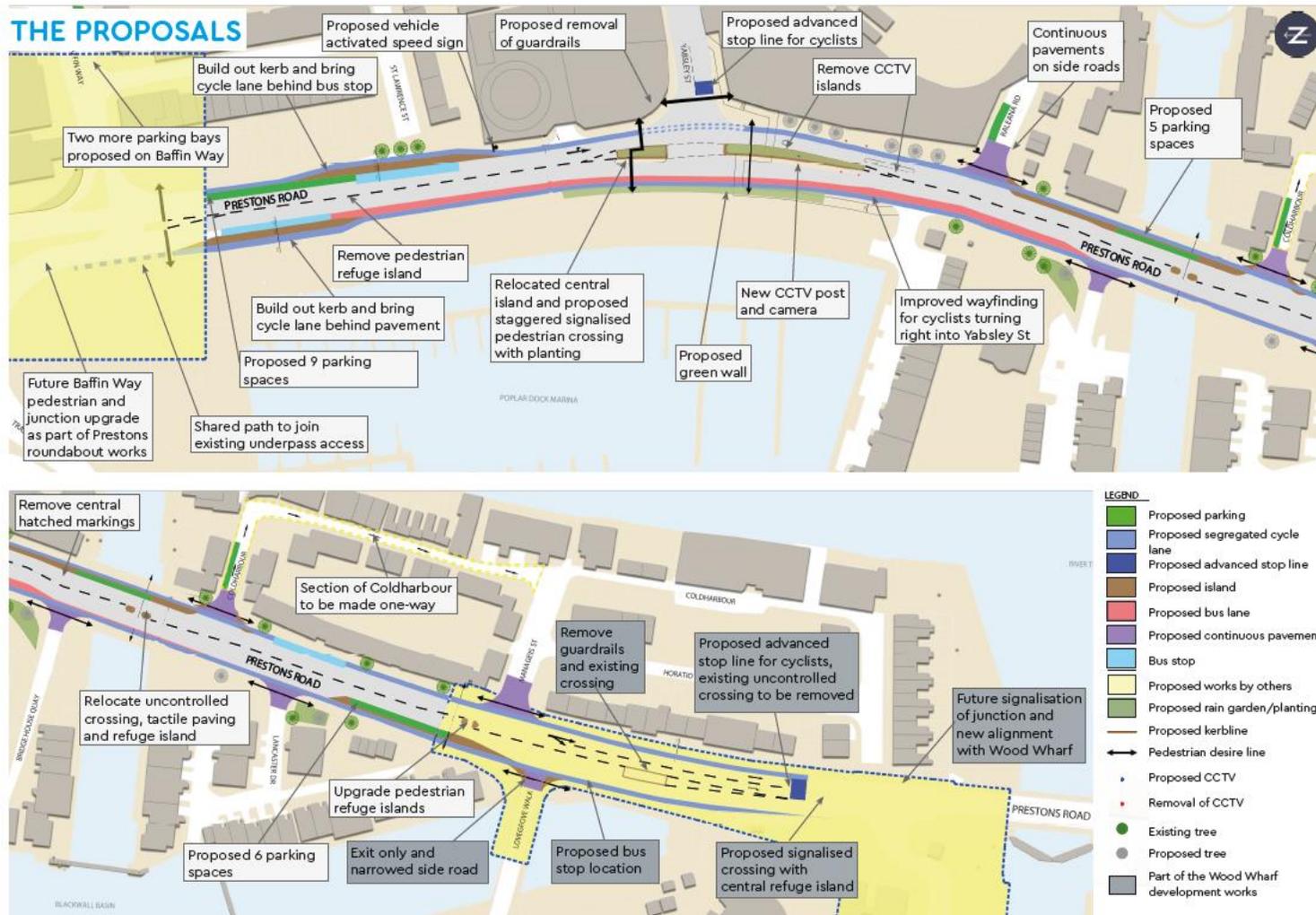
N/A

Improvements to road safety (Chrisp Street and Morris Road corridor) – designs agreed





Preston's Road: Vision Zero – design subject to refinement



Appendix 2

S106 contributions used to fund additions and amendments to the Approved Capital Programme

Project	S106 contribution allocated £m	PA ref	Application detail	Allocation £m
Preston's Road: Vision Zero	£0.442m	PA/13/02966 PA/13/02966 PA/12/02107 PA/08/01666		£0.305m £0.062m £0.030m £0.045m
Poplar High Street public realm and bus service improvements	£0.469m	PA/11/03375	Poplar Business Park development	£0.301m
St Georges Town Hall Refurbishment	£0.362m	PA/10/01734 PA/13/01455	Bow Enterprise Park Newfoundland community facilities	£0.118m £0.244m
Wood Wharf – virement to Aberfeldy Village Health Centre	£0.780m	tbc		