

	<p>Financial Performance and Contracts Committee</p> <p>17 March 2021</p>
<p>Title</p>	<p>Capital Projects</p>
<p>Report of</p>	<p>Assistant Director, Capital Delivery</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>None</p>
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Summary

The Council has a broad Capital Programme which ranges across relatively small-scale initiatives to significant infrastructure projects and programmes.

The Council's approach to delivery of Capital projects aims to be proportionate to the scale and complexity of the individual schemes.

Generally, smaller schemes that do not involve a form of construction are governed separately directly within services. Those projects of a more significant value follow the Council's Project and Programme Management Methodology and are grouped by portfolio. The Brent Cross Programme, Housing and Highways are the exception to this approach as they are governed and reported separately.

This report outlines the status of project delivery across the Capital Portfolios and aims to provide visibility of the live projects between delivery and closure stages. The report is intended to identify projects where there has been a variance to the full business case in terms

of time cost and quality with a view to providing assurance on lessons learned for continued improvement in the performance of the Council's Capital Project Delivery.

It is intended that this report becomes a regular item on the Financial Performance and Contracts Committee agenda. This is the first report of this type. Therefore, it is expected that the content and format will develop through future versions.

Since the impact of Covid-19 a key focus on delivery has been to insulate the Council as far as possible from financial pressure in relation to live projects. This means that projects currently in delivery stages remain viable and deliverable within the currently allocated budgets. In this respect the impact from each wave of Covid-19 has been largely mitigated although the sensitivity within project contingency allowances has increased.

The most significant impact from Covid-19 on the Delivery of the Capital Programme has related to projects that are currently sitting in early stages and are therefore not yet established. This has delayed the initiation of future projects due to the need to reprioritise resource during the lockdown period, the need to focus on mitigating impact on live projects and the need to reassess assumptions within business cases.

Overall the Capital Delivery Programme remains on track to deliver live schemes within the defined time, cost and quality envelopes. However, it should be noted that Covid-19 has introduced new risk within both current and prospective projects within the programme. The council is working to improve its approach to the tracking of change to project cost and benefits profiles from business case stage. This report starts to provide transparency into some of the changes to progress and identifies opportunities to feed back on lessons learned and new approaches to keep benefits more aligned to the original plan.

Officers Recommendations

The Committee is asked to note the content of this report updating on the current status of the Council's Capital Projects

1 PURPOSE OF REPORT

- 1.1 The Council has a broad Capital Programme which ranges across relatively small-scale initiatives to significant infrastructure projects and programmes.
- 1.2 The Council's approach to delivery of Capital projects aims to be proportionate to the scale and complexity of the individual schemes.
- 1.3 Generally, smaller schemes that typically do not involve a form of construction are reviewed by officers separately directly within services. Those projects of a more significant value follow the Councils Project and Programme Management Methodology and are grouped by portfolio. Highways and Housing and the Brent Cross Programme are the exception to this approach as they are governed and reported separately.
- 1.4 This report outlines the status of project delivery across the Capital Portfolios.
- 1.5 The value of the Capital Programme approved by Full Council on 02 March 2021 is £1,239,510,000. This figure represents projected future spend within the programme and comprises a mixture of capital budgets, some covered by this paper and some covered by the separate papers for programmes such as Housing, Highways, and the Brent Cross Programme. A large proportion relates to Housing, Highways and the Brent Cross programmes.
- 1.6 Many projects within the programme started in previous years. Therefore, the total value of individual schemes may be higher than the values contained within the approved 2021-2025 budget as this money was spent in previous years.
- 1.7 The table below sets out the breakdown of the published capital programme to show the proportion of the budget that relates to Capital Project Delivery.

Budget Type	Total
Asset Management	6,394,000
Brent Cross	383,749,000
Capital Delivery	101,214,000
Highways	75,762,000
Housing	597,811,000
ICT	3,741,000
Other - Funds, Loans, Opportunities	70,838,000
Grand Total	1,239,509,000

- 1.8 The Council splits the delivery of the Capital Programme into 6 Portfolios each internally reviewed by a officer Portfolio or Programme Board. There are 3 large infrastructure programmes that are run separately.

- 1.9 The following Programmes and Portfolios are within the scope of this report
- Greenspaces, Parks and Leisure Capital
 - Education and Families Capital
 - Depot Programme
 - Hendon Hub Programme
 - Town Centres Capital
 - Property and Operations Portfolio
- 1.10 The following Programmes and Portfolios are out of scope of this report as they are reported separately.
- Brent Cross
 - Highways Programme
 - Housing
- 1.11 The total value of all live projects within the scope of the Capital Project Delivery Portfolio is £187,036,610. The portfolio typically consists of buildings (excluding housing) such as schools, leisure centres, community centres parks and open spaces as well as corporate projects such as office accommodation and operations bases. This figure includes all costs to date from previous years and the projected costs to complete the projects. The figure also includes projects that have not yet reached full business case stage.
- 1.12 The remaining allocated budget for capital delivery projects is £101,214,000. There are projects within the programme that are well underway. Therefore, this figure only represents a proportion of the total value of the Capital Delivery programme. This is because a large volume of schemes are now approaching project closure with the majority of costs already incurred. The value is expected to grow in future periods as projects delayed due to the pandemic reach business case stage and particularly through the identification of new schemes required through the development of the Council's Infrastructure Delivery Plan.
- 1.13 The table below provides a breakdown of the total value by portfolio and captures variance from the previous reporting period. As this is the first report, of this type the reporting on variance is limited. As the programme expands and as time progresses this table should provide a greater level of measurement, insight and assurance into the status of the projects. The table covers projects that are post Full Business Case and/or have started on site works and remain live. There is a 9% total variance between current estimates and estimates made at Full Business Case stage, the variance is mainly attributed to the Leisure Centre Projects and Blessed Dominic & St James School Project. These are discussed later in this report.

Portfolio	Total Remaining Budget	Estimated Total Project Cost	Estimated Project Cost at Full Business Case Stage	% Variance (Current Estimate vs FBC Estimate)
Education & Families Capital Programme	31,177,000	66,016,492	62,520,903	6%
Greenspaces & Leisure Capital Portfolio	4,314,000	44,413,000	38,898,252	14%
Grand Total	35,491,000	110,429,492	101,419,155	9%

1.14 The table below sets out the overall status and direction of travel of the in-scope projects from a time, cost quality perspective.

Category	Direction of Travel	Comment	RAG
Time	→	Programme broadly on schedule. Covid-19 introducing new risk to project timescales due to availability of materials and contractors considering impact should second wave occur.	Amber
Cost	→	Majority of live schemes remain containable within allocated budgets. The impact of Covid19 has largely been contained within the programme although there are some examples which have placed the budget under pressure. Covid-19 may impact the affordability of future schemes	Green
Quality	→	Urgent plant replacement has been needed at some schools earlier than expected The Council is withholding retention payments on projects that have defects outstanding until resolution. Covid19 has complicated the ability to register defects as in some cases restrictions have prevented the usual maintenance regimes at buildings	Amber
H&S	→	Access to sites have been restricted, H&S visits are continuing	Amber
Benefits	→	All projects in contract are on track to deliver expected benefits	Green

1.15 The section below outlines the highlights of each in scope portfolio or programme

1.16 Depot Programme

1.17 The Depot Programme aims to reduce the property related costs associated with running the Streetscene services. The programme is reviewing the various leasehold arrangements currently in place and is investigating opportunities to make improvements to the current use of the sites.

1.18 The project is in the assessment phase and yet to complete a full business case.

1.19 Education and Families Capital Programme

1.20 The Education and Families Capital Programme delivers projects relating to Children, Schools and Education. Initiatives include;

- Modernisation programme which will oversee improvements to school infrastructure;

- Additional Places programme for Primary & Secondary Schools which has been able to re-provide 60 places at a primary school level and to create an additional 60 new places at a secondary school and facilitated the building of the new 6 form entry Saracens High School
- Special Educational Need (SEN) Schemes has enabled an additional 34 SEN places to be created at 3 schools and 1 Pupil Referral Unit,
- The creation of new nursery places and a new children's home.

1.21 The table below sets out the projects that are post Full Business Case stage or that have started on site that remain live.

Project Name	Total Remaining Budget	Estimated Total Project Cost	Estimated Project Cost at Full Business Case Stage	% Variance (Current Estimate vs FBC Estimate)
	31,177,000	66,016,492	62,520,903	6%
Blessed Dominic St James Schools	526,000	29,688,916	25,999,136	14%
Claremont SEN Unit (portacabins)	60,000	60,160	60,160	0%
Modernisation Programme FY20/21	5,817,000	5,817,000	5,817,000	0%
PRU Pavilion Study Centre ('Alternative Provision')	19,200,000	21,637,811	21,867,996	-1%
Saracens Primary	2,205,000	2,240,000	2,230,243	0%
St Agnes Primary School Classroom Extension	545,000	901,628	879,000	3%
Whitefield's School ASD Unit	138,000	1,930,000	1,930,000	0%
Woodside Avenue Children's Care Home	2,686,000	3,740,977	3,737,368	0%

1.22 Within this portfolio the Blessed Dominic St James' scheme required a significant budget increase due to the discovery of underground contamination. At full business case stage the risk was identified and an allowance was made within the overall programme risk register. Once the full extent to the contamination was known, the appropriate budget was moved from programme risk into the project budget. When assessing below ground risk, the project teams calculate a figure for assumed worst case and a weighted figure which makes an assumption to the likelihood and extent of a risk occurring. In most cases sites that carry significant risk will be reconsidered through project gateways and alternative sites investigated where possible. In this case, the funding and opportunity was targeted to a specific set of schools and locations. The project enabled the future needs for pupil places within the Colindale area to be met through the expansion of two schools and also vacated a site to enable the development of a new school in the area funded by third parties rather than use of Council resources.

1.23 Town Centres Capital

1.24 There are no significantly sized projects within the programme that are past Full Business Case Stage. Workstream now progressing to define whole Town Centre Capital work including opportunities for acceleration as well as establishing the plan and spend profile for the longer-term initiatives.

1.25 Greenspaces, Parks and Leisure

- 1.26 The programme covers the capital projects that cover the investment in the Borough's Greenspaces, Parks and Leisure. Key elements of the programme include
- The delivery of the Council's Parks and Open Spaces Strategy, which has been developed to guide future investment in parks, ensuring that they are practical and are part of the well-used fabric of the local community.
 - Provision of modern facilities and enhanced outdoor space, contribution to council's strategic commitments to provide additional sports and playing pitches with increased usage by residents and users.
 - The creation of two new leisure centres at Barnet Copthall and Victoria Park in New Barnet.
 - The investment in the Council's Cemetery and Crematory infrastructure
- 1.27 The programme is reporting Green overall with no major issues or Covid impacts being reported. Most major projects in concept phase (have been added to Infrastructure Delivery Plan).
- 1.28 The table below sets out the projects that are post Full Business Case stage or that have started on site that remain live.

Project Name	Total Remaining Budget	Estimated Total Project Cost	Sum of Estimated Project Cost at Full Business Case Stage	Sum of % Variance (Current Estimate vs FBC Estimate)
	4,314,000	44,413,000	38,898,252	14%
Gaelic Football Pitch	530,000	700,000	700,000	0%
Hendon Cem and Crem (Refurbish and Regenerate)	1,314,000	1,622,000	1,622,000	0%
SPA – Leisure Centre Builds	2,090,000	41,468,000	35,953,252	15%
Victoria Park Infrastructure: Tennis Courts Improvements	380,000	623,000	623,000	0%

- 1.29 Most projects are reporting delivery in line with the original budget and benefit assumptions expected at Full Business Case stage. The Delivery of the Leisure Centres has been reported separately to FPC Committee in October 2020. Both leisure Centre projects remain live while defects remain to be closed out with the contractor. Due to the Leisure Centres being closed recently as a result of the pandemic, the closure of defects items has been challenging. The Council is currently withholding final retention payments from the contractor until defects issues have reached a satisfactory conclusion.
- 1.30 **Property and Operations Portfolio**
- 2.1 The programme is overall green with in flight projects are delivering to plan. The programme is currently in a definition phase.

Impact of Covid-19

- 2.2 Since the impact of Covid-19 a key focus on delivery has been to insulate the Council as far as possible from financial pressure in relation to live projects. This means that projects currently in delivery stages remain viable and deliverable within the currently allocated budgets. In this respect the impact from the initial wave of Covid-19 has been largely mitigated although the sensitivity within project contingency allowances has increased.
- 2.3 The most significant impact from Covid-19 on the Delivery of the Capital Programme has related to projects that are currently sitting in early stages and are therefore not yet established. This has delayed the initiation of future projects due to the need to reprioritise resource during the lockdown period, the need to focus on mitigating impact on live projects and the need to reassess assumptions within business cases.
- 2.4 Overall the Capital Delivery Programme remains on track to deliver live schemes within the defined time, cost quality envelopes. However, it should be noted that Covid-19 has introduced new risk within both current and prospective projects within the programme.

2 REASONS FOR RECOMMENDATIONS

- 2.5 This report provides an overview of the current position in the delivery of projects within the Council's Capital Programme.
- 2.6 The Committee is asked to note the contents of the report.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 N/A

4 POST DECISION IMPLEMENTATION

- 4.1 N/A

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Robust budget, performance and risk monitoring are essential to ensure that there are adequate and appropriately directed resources to support delivery and achievement of corporate and committee priorities as set out in the Corporate Plan (Barnet 2024) and Annual Delivery Plans.
- 5.1.2 Relevant council strategies and policies include the following:
- Medium Term Financial Strategy
 - Corporate Plan (Barnet 2021-2025)
 - Performance and Risk Management Frameworks.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 None

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. As set out in the council's Contract Procedure Rules, commissioners should use the Procurement Toolkit, which includes Social Value guidance. The Contract Management Toolkit should also be used to help ensure that contracts deliver the expected services to the expected quality for the agreed cost. Requirements for a contractor to deliver activities in line with Social Value will be monitored through the contract management process.

5.4 Legal and Constitutional References

5.4.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities to take actions which are calculated to facilitate, or are conducive or incidental to, the discharge of any of their functions.

5.4.2 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults and Safeguarding Committee; Children, Education and Safeguarding Committee; Community Leadership and Libraries Committee; Environment Committee; and Housing and Growth Committee.
- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy and Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy and Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

5.4.3 The council's Financial Regulations can be found at:

<https://barnet.moderngov.co.uk/documents/s47388/17FinancialRegulations.doc.pdf>

5.5 Risk Management

5.5.1 Throughout the life of each project, emerging risks are recorded and managed in line with the Council's risk management methodology and project management methodology.

5.6 Equalities and Diversity

5.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

5.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation; marriage and civil partnership.

5.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

5.6.4 This is set out in the council's Equalities Policy, which can be found on the website at: <https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity>

5.6.5 The Council has had regard to the Equalities Act 2010 and has taken account of any relevant matters in the making of its decisions in respect of the relocation and options presented for the Depot.

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

5.8 Consultation and Engagement

5.8.1 Obtaining customer feedback is part of the contract management process to inform service delivery, service development and service improvement.

5.8.2 The nature of Capital delivery projects mean that the large majority of projects require consultation and engagement as part of the design process. Consultation and engagement forms part of the project planning process for capital delivery schemes. Projects hold gateway reviews at key points of the project's lifecycle to ensure that the planned process has been followed and to check the plan for future phases. Consultation and Engagement is a core component of the Gateway Review process.

5.9 Insight

5.9.1 The recommendation of future schemes within the Capital Programme will be informed through insight.

6 BACKGROUND PAPERS

6.1 None