



Cabinet
14 January 2020

Report from the Director of Finance

Quarter 3 Capital Budget Monitoring Report 2019/20

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two: Appendix 1: Financial Summaries (by board) Appendix 2: Risks to delivery of the Capital Programme
Background Papers:	None
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1.0 Purpose of the Report

1.1 This report sets out the current forecasts of capital expenditure against the budget for 2019/20, highlights the key achievements of the programme, notes any budget changes since initial approval and sets out the various elements of financing.

1.2 The programme is forecasting to spend £229.1m across all schemes against a budget of £246.7m, which equates to a 93% spend.

1.3 The underspend of £17.6m primarily relates to:

- an underspend of £17.9m in housing and £0.7m in Public Realm;
- offset by an overspend of £1.6m in South Kilburn and other small combined; and
- variances totalling £0.6m underspend.

1.4 The key risks to the programme are summarised in Appendix 2.

1.5 Table 1 summarises the overall capital position.

Table 1

Executive Cost Summary - 2019/20

Predicted Outturn Performance

92.88%

£m	Original budget	Revised Budget	Commitments	YTD Spend	Previous Fcst	Current Fcst	FY Variance
Totals	257.59	246.70	54.19	49.45	289.44	229.13	-17.57
Corporate Landlord	52.16	50.55	1.36	3.10	50.77	50.64	0.09
Regeneration	1.73	2.02	0.08	1.45	6.87	1.86	-0.16
St Raphael's	0.86	0.99	0.28	0.15	0.76	0.73	-0.26
HCIB - HRA	36.45	100.73	9.84	11.72	90.90	92.28	-8.45
HCIB - GF	12.50	23.19	28.13	6.42	22.88	22.10	-1.09
PRS 14B	21.55	29.75	0.00	12.17	21.36	21.39	-8.36
Schools	7.21	10.72	1.77	4.92	14.50	10.45	-0.27
South Kilburn	3.85	8.77	0.34	5.73	8.77	10.40	1.63
Public Realm	12.27	19.99	12.39	3.81	16.89	19.28	-0.71

2.0 Recommendation

2.1. To note the overall capital financial position.

3.0 Detail

Corporate Landlord

Spend Position, Forecast and Key Achievements

- 3.1 The 2019/20 forecast for Corporate Landlord is a £0.1m overspend. The variance is due to IT which is forecasting a pressure of £0.5m, offset by a property and energy underspend of £0.4m.
- 3.2 The IT overspend comprises £0.2m from the prior year and £0.3m that has arisen in 2019/20 on to the laptop rollout project. The reason for the in-year overspend is initial scoping for the number of devices needed, which did not include some newly recruited roles.
- 3.3 It is possible that a further £0.2m expenditure will be incurred for this project, for which a paper would be brought to Capital Programme Board (CPB) in December.
- 3.4 The minor works budget in property management is forecasting a £0.3m underspend as fewer than anticipated repairs have been required and there are combined underspends of £0.1m across other property and energy budgets.
- 3.5 The rollout of new devices across Brent staff is now substantially complete, with staff better able to work remotely and with equipment more suited to the needs of their service.

- 3.6 The Digital Strategy project has an ambitious plan to fully embrace digital innovation in Council services. The programme has realised many achievements to date including implementation of improved digital systems for Brent Customer Services, realising a £1m saving, piloting of Robotic Process Automation (RPA) in Brent services and significant improvements to the Council's website performance. In October 2019, Cabinet approved the strategy and business case for the period 2019-2023.

Regeneration

Spend Position, Forecast and Key Achievements

- 3.7 The £0.2m underspend is mainly due to delays on the Bridge Park Regeneration project.
- 3.8 The Council has used Strategic Community Infrastructure Levy (CIL) funds to deliver significant improvements to Olympic Way to make the area safer, more attractive and offer much-improved amenities to local residents.

St Raphael's Estate Regeneration

Spend Position and Forecast

- 3.9 The current forecasted underspend of £0.3m is due to the delay in the appointment of the professional team, which occurred in September 2019. However, these costs are expected to be incurred in 2020/21 so this is a timing difference rather than a genuine underspend.

Housing

Spend Position, Forecast and Key Achievements

- 3.10 Of the £17.9m underspend in Housing, £8.5m is attributed to the Housing Revenue Account (HRA), £1.1m to the General Fund (GF) and £8.4m to i4B.
- 3.11 The main underspend in the HRA is due to savings in stamp duty land tax (SDLT) on the Gloucester and Durham acquisition due to recent confirmation from HMRC of the Council being eligible for relief.
- 3.12 The underspend in the General Fund is mainly due to delays to start on site dates. The Judicial Review of Preston Road has limited the Council's ability to progress the scheme beyond planning submission.
- 3.13 The i4B budget is likely to underspend due to fewer than expected properties available for acquisition.
- 3.14 There are presently 570 homes at various stages of development from Preparing for Planning to Start on Sites, which will provide much needed social housing for the area.
- 3.15 The Council has successfully secured £30.6m of GLA grant for acquisition of Gloucester & Durham (235 homes).

- 3.16 Furthermore, revenue funding of £0.4m has also been allocated from the GLA and is in the process of being utilised for a fixed period of time to provide dedicated planning, procurement, community liaison and legal expertise.

Schools

Spend Position, Forecast and Key Achievements

- 3.17 The current 2019/20 underspend of £0.3m is due to works at Elsley and Woodfield coming under budget, offset by the 2019/20 portion of the Uxendon overspend (£0.6m).
- 3.18 The Schools asset management plan is helping schools to improve their facilities and more progress can be expected as the project develops.

South Kilburn

Spend Position, Forecast and Key Achievements

- 3.19 The current forecasted overspend of £1.6m is due to accelerated spend relating to Craik Court, Crone Court, John Ratcliffe and Austens house. This is due to timing of the budgeted expenditure which compared to actual spend is happening earlier than planned, rather than a genuine overspend.
- 3.20 This is offset slightly by certain projects such as Blake House and the Energy scheme for which spend is expected in later years.
- 3.21 The South Kilburn Capital team have successfully managed to hold a ballot in which residents overwhelmingly backed the continued progress of the scheme, 84% voted Yes and the turnout of residents was 72%. This is the largest resident ballot to take place since the introduction of the new rules.

Public Realm

Spend Position, Forecast and Key Achievements

- 3.22 The present overspend of £0.7m is due to a number of small underspends in various programmes.
- 3.23 The Gladstone park contract will come in under its allocated budget, therefore £0.1m could be re-profiled for possible park spend next year. In addition, there is some S106 and landscaping scheme projects, which will not be spent until 2020/21.
- 3.24 The actual spend to date is below £4m and while the forecast for the year is over £19m, however approximately £10m will be spent in the upcoming months through the footways and TfL schemes, bridging the gap between the two figures.

- 3.25 Borough wide projects to enhance CCTV equipment and street lighting have now concluded, improving key infrastructure for Brent residents.
- 3.26 There has also been the continued use of Neighbourhood Community Infrastructure Levy (NCIL) on community projects, often working with residents. The latest NCIL round attracted 83 bids, the highest number to date, which shows high levels of resident engagement.

Budget changes in 2019/20

- 3.27 Table 2 summarises the changes by area from the original budget approved by full council through to the current revised budget.

Table 2

£m	Original budget	Carry forward	Budget Additions/ Removal	Virement	Reprofiling	Revised Budget
Totals	257.6	12.3	32.8	0.0	15	246.7
Corporate Landlord	52.2	0.8	0.6	0.0	-3.0	50.6
Regeneration	17	18	4.7	-5.5	-0.7	2.0
St Raphael's	0.9	0.1	0.0	0.0	0.0	1.0
HCIB	179.5	-3.7	24.0	0.5	-46.7	153.7
Schools	7.2	16	19	0.0	0.0	10.7
South Kilburn	3.9	8.6	0.3	0.0	-4.0	8.8
Public Realm	12.3	3.0	2.5	5.0	-2.8	20.0

- 3.28 Corporate Landlord: £1.6m of budget for Digital Strategy was brought forward from 2020/21 and £4.6m for utilising surplus properties (capital funding for commercial gain on Brent-owned surplus properties) was reprofiled into future years, which nets to a £3m budget reduction in 2019/20. £0.6m of the additional budget approved for the civic centre programme and £0.8m surplus was carried forward from the previous year. The net impact of these changes is a £1.6m budget reduction in 2019/20.
- 3.29 Regeneration: There is a £1.8m budget carried forward. The net budget addition of £4.7m was due to the Wembley transport improvement projects, which was subsequently transferred to public realm. Northwick Park was initially placed in regeneration before it was transferred to the housing board. The £0.7m reprofiling is primarily due to Bridge Park.
- 3.30 St Raphael's Estate Regeneration: The carry forward of £0.1m supplemented the previously allocated 2019/20 budget of £0.9m.
- 3.31 Schools: The Woodfield School expansion has been allocated £0.9m of new budget and funds from the Healthy Pupil Capital Grant (HPCF) have also increased the budget by £0.2m. These are the main additions this financial year, as well as increases to the AMP programme through use of contingency. The carry forward relates to delays from 2018/19 in the completion of the phase three expansion projects.

- 3.32 South Kilburn: Delays caused by ballot requirements have resulted in budgets of £4.0m being moved forward to later years. There was also significant carry forward from 2018/19 of £8.6m, the only additional budget is for the Carlton and Granville pre build work £0.4m. This was slightly offset by the transfer of the budget for Gloucester & Durham (G&D) which now sits in housing.
- 3.33 Public Realm: The majority of the additional budget is for s106 and TfL schemes, including £1.0m for the TfL bus priority scheme. The carry forward was due to delays in completing projects across the area. The £5m virement relates to the Wembley transport improvements programme transferred from regeneration. Subsequently £2.5m was phased to the next financial year due to delays, budgets for landscaping and s106 schemes have also been re-profiled.
- 3.34 Housing Care investment panel (HCIB): The budget increased by £24m primarily due to a £6.8m uplift in the i4B budget, £4.2m for the Disabled Facilities Grant (DFG) and £11.5m to provide new affordable housing with the support of Right to Buy. This was offset by £3.7m overspend carried forward from the previous year. The re-profiling of £46.7m reflects the progress of the projects within the programme. Approximately £39m relates to re-profiling of the Gloucester and Durham acquisition to reflect the agreed contractual payment terms. £8m of new affordable housing with the support of right to buy has also been re-profiled to future years.

Capital Financing

- 3.35 Table three summarises how the capital programme for 2019/20 is financed:

Table 3

Source of Finance	£m
Capital Expenditure Budget for 19/20	246.7
Grants & Other Contributions	46.8
S106 & CIL	6.4
Capital Receipts	12.5
Reserves	31.9
Major Repairs Allowance	13.2
Revenue Contribution	0.6
Prudential Borrowing	135.3

- 3.36 Until recently the council was utilising internal cash resources to fund the elements of the capital programme financed via borrowing. This helps keep interest costs low as it delays the requirement to undertake new external borrowing. These resources are expected to be depleted by the end of 2019/20 so any expenditure capital programme not financed will have to be covered with new external borrowing. This requirement could be met using a variety of sources including the PWLB, banks and private institutions. The interest cost

and MRP arising from new borrowing is generally met from the capital financing budget in central items. Borrowing relating to HRA schemes is recharged to the HRA.

3.37 The capital financing budget for 2019/20 is £23.3m and is currently forecast to be spent to budget.

3.38 On the 9th October without warning, the PWLB increased the margin applied to loan rates by 1% (0.8% to 1.8%). HM Treasury cite the substantial increase in use of PWLB loans at some authorities as the cost of borrowing has fallen. This makes borrowing from the PWLB considerably more expensive and provides opportunity for banks and private institutions to offer a competitive source of finance. The Council is currently working to secure a long-term forward funding deal to lock in a borrowing rate now with drawdown in subsequent years.

4.0 Financial Implications

5.1 The financial implications are contained throughout the report.

5.0 Legal Implications

5.1 None

6.0 Equality Implications

6.1 None

7.0 Consultations with Ward Members and Stakeholders

7.1 None

8.0 Human Resources/Property Implications (if appropriate)

8.1 None

Report sign off:

MINESH PATEL
Director of Finance