

LONDON BOROUGH OF HARROW

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| Meeting: | Cabinet |
| Date: | 15 July 2003 |
| Subject: | Capital Investment 2003-04 to 2005-06 |
| Key Decision: | Yes |
| Responsible Chief Officer: | Interim Director of Finance |
| Relevant Portfolio Holder: | Finance and Human Resources and Performance Management |
| Status: | Part 1 |
| Ward: | Various |
| Enclosures: | Appendix A – Descriptions of Bids Submitted Appendix B – Priority Schedule of Bids |

1. Summary

1.1 This report sets out the latest position on unallocated capital resources and seeks approval for a number of schemes that it is considered need to be implemented immediately and a further set of bids for inclusion in a priority schedule that would be implemented subject to available capital resources.

| | |
|--|---------------|
| | £ |
| • Resources Available (subject to receipt of sale proceeds) | 2,518,000 |
| Recommended schemes for implementation | |
| Public Conveniences | 167,500 |
| Parks Improvements | 493,000 |
| Education Access Programme | 268,000 |
| Office accommodation works at Premier House | 100,000 |
| Whittlesea Life Cycle Unit | 250,000 |
| Total | 1,278,500 |

2. Recommendations (for decision by Cabinet)

The Cabinet is asked to:

- i) consider the level of additional resources that should be released at this time and approve the addition of the following schemes to the Capital programme

| | £ |
|---|-----------|
| Public Conveniences | 167,500 |
| Parks Improvements | 493,000 |
| Education Access Programme | 268,000 |
| Office Accommodation Works at Premier House | 100,000 |
| Whittlesea Life Cycle Unit | 250,000 |
| Total | 1,278,500 |

- ii) approve the reserve list of prioritised schemes (as amended) set out in this report to be drawn down if resources become available with authority to implement schemes delegated to the Executive Director (Business Connections) in consultation with the Chief Financial Officer.

Reason

To enable management of the Capital Programme to progress and for urgent new projects to commence.

3. Consultation with Ward Councillors

- 3.1 Not applicable

4. Policy Context (including Relevant Previous Decisions)

- 4.1 The Cabinet at its meeting on 14 February 2003 adopted a new approach to the allocation of capital resources based on 5 expenditure blocks. At that time £1.6m of unallocated resources was identified which it was proposed be retained to allow for Asset Management Plan developments, unforeseen capital demands or opportunities arising. At its meeting in May it was reported to the Cabinet that £1.77m was unallocated and Cabinet instructed the officers to produce a reserve list of prioritised schemes to be drawn down when the capital receipts were secured.

5. Relevance to Corporate Priorities

- 5.1 All

6. Background Information

Resource availability

- 6.1 The Cabinet received a report at its meeting on 20 May 2003 that there were unallocated capital resources of £1.77m . It was reported to Cabinet on 17 June 2003 that the amount had increased to £2.028m. This was the result of capital receipts from the sale of Council Houses in 2002-03 being greater than estimated.
- 6.2 It is reported elsewhere on the agenda that works totalling £ 0.71m are being recommended for funding in South Harrow and the Town Centre from the £1.2m for 2003-04 set aside in the New Harrow Project block of the Capital Investment Plan. If expenditure is limited to that sum in 2003-04, it would release resources of £0.49m increasing the unallocated resources to £ 2.518m. Cabinet could determine at a later date whether further expenditure should be approved on the New Harrow Project depending on the future resource position.
- 6.3 Although there are unallocated resources of £2.518m this is subject to the receipt of a further £ 3.40 m from the sale of assets included in the Council's Asset Disposal programme. All but £0.40m of the disposals are subject to factors outside of the Council's control and therefore a prudent view must be taken of the likely achievement of this sum in the current year.
- 6.4 On the basis of this, it is recommended that
- only a minimum level of additional schemes are approved for implementation at this time.
 - a capital receipts monitoring process is established by Property & Development and shared with Finance (and reported under Part II of the Capital Investment Monitoring Report to Cabinet).
 - all steps be taken to achieve the optimum level of receipts in 2003-04 by actively marketing surplus assets and a realistic assessment be made of the likelihood of achieving the forecast level of receipts during 2003-04.
- 6.5. It should be noted that no allowance has been made for the amount to be offset against credit approvals of £0.785m for the credit arrangement in respect of Premier House, as reported to Cabinet on the 20 May 2003. If the new capital financing regime is not introduced by the Government in 2004-05, the impact of this will have to be the first call on resources in 2004-05.

Review

- 6.6 Further to the Cabinet's request of 20 May 2003 a review exercise has been undertaken on the basis that £1.77m of unallocated capital resources may be available. In submitting bids departments were requested to be realistic and to limit schemes to:
- Government initiatives where there is a strong expectation that that the authority will be spending money.

- Where capital provision is needed to implement changes in the revenue budget.
- Schemes arising from contractual commitments or to maintain a current service and/or -
- Where revenue savings can be generated

6.7 Bids totalling £ 3.47m have been identified. These are set out in detail in Appendix A.

6.8 A proposed priority schedule is set out in Appendix B for the Cabinet's consideration.

6.9 The first schemes in the schedule totalling £0.896m in 2003-2004 are limited to those identified for immediate implementation where it is considered that deferral of such schemes would lead to very high risks to service delivery or the non achievement of policy reflected in the budget considerations, as set out below:

- the demolition of the closed toilets and provision of an additional APC in North Harrow are already agreed policy as part of the approved 2003-04 revenue budget (for which the capital implications were not identified at the time of agreeing the revenue budget).
- the implementation of a phased programme to maintain park infrastructure and improve provision.
- the schools access programme be implemented as parental and school expectations are that this is part of a rolling programme which was previously funded through SCAs and for which this funding route is no longer available.
- works on the 2nd/3rd floors of Premier House to enable essential office moves to take place.

6.10. It is proposed that in addition the relocation of the Whittlesea Life Cycle Unit be added to the programme for implementation in the current year on the basis that it can be treated as an advance payment of the New Deal for Schools monies for 2004-05. This approval is subject to the DfES approving the Council's Education Asset Plan.

6.11 All other schemes have been prioritised (using a scoring system developed by officers) for a start as soon as resources (capital receipts) are available or as part of the consideration of future years capital programmes.

6.12 In considering the schedule, Cabinet is asked to note that this may be the final year of the existing capital expenditure regime based on spending approvals. The Government is planning to introduce a new set of controls on Capital Expenditure known as the Prudential Code. Under the Code the level of capital spend in a year would be constrained only by its affordability and the impact on the Council Tax and rents and the acceptability of borrowing against a number of Prudential Indicators. This would allow the Council to determine its level of capital spend without reference to external borrowing controls. The Government has announced that it is planning to introduce the new arrangements from 1 April 2004, however there remains a risk that this implementation date may be delayed.

Conclusion

6.13. Given the risks to the anticipated income from capital receipts in 2003-04, it is recommended that only the following schemes be immediately approved for implementation:-

| | £ |
|--|-----------|
| the demolition etc of the closed toilets | 150,000 |
| provision of an additional APC in North Harrow | 17,500 |
| improvements to parks | 493,000 |
| schools access programme | 268,000 |
| accommodation costs on 2 nd /3 rd floor of Premier House | 100,000 |
| the Whittlesea Life Cycle Unit | 250,000 |
| Total | 1,278,500 |

6.14 All other schemes should be prioritised (Cabinet is asked to confirm or amend the priorities in Appendix B) for a start as soon as capital receipts are secure with approval to implement delegated to the Executive Director (Business Connections) in consultation with the Chief Financial Officer.

6.15 Any schemes that cannot be implemented in 2003-04 should be carried forward to be considered as part of the capital programme process for 2004-05 onwards.

7. Consultation

7.1 None required

8. Finance Observations

8.1 This is a report from the Interim Director of Finance and deals with financial matters throughout.

9. Legal Observations

9.1 None

10. Conclusion

10.1 This report identifies that at present there are limited unallocated capital resources but that the receipt of these is dependent on the disposal in 2003-04 of a number of assets. There remains a risk that a number of these asset disposals may not be finalised in the current financial year. An exercise has been undertaken to identify and prioritise a number of capital schemes that would help the Council meet its strategic objectives. The Cabinet is recommended to agree that only those considered essential are added to the Council's capital programme at this time and that the reserve list of schemes based on the prioritised scoring be approved for implementation if, or when, capital resources become available.

11. Background papers

Cabinet 14 February 2003

Cabinet 20 May 2003

Cabinet 17 June 2003

12. Author

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