
REPORT FOR: CABINET

Date of Meeting:	15 February 2018
Subject:	Final Capital Programme 2018/19 to 2020/21
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No, except for Appendix 3, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Proposed Capital Programme 2018/19 to 2020/21 Appendix 2 – New capital additions (included within Appendix 1) 2018/19 to 2020/21 Appendix 3 – Regeneration Programme by Scheme - Exempt

Section 1 – Summary and Recommendations

This report sets out the proposed Capital programme for the financial years 2018/19 to 2020/21 and provides an update on the Regeneration Programme.

Recommendations:

1. Cabinet is requested to recommend the capital programme, as detailed within Appendix 1, to Council for approval

Reason: To enable the Council to have an approved capital programme for the period 2018/19 to 2020/21.

Section 2 – Report

Development of the Capital Programme

1. This report sets out the Council's proposals for Capital investment over the period 2018/19 to 2020/21. These provide for very substantial investment over the next 3 years in the General fund and Housing Revenue Account.
2. The proposed Capital Programme has been prepared in the current climate of increased demand pressures and reduced external funding from Central Government.
3. Service directorates were invited to bid for capital resources, as part of their service proposals for 2018/19 to 2020/21. The proposals were reviewed taking into account the council's strategic vision of "Working together to make a difference for Harrow", the Council's priorities and equalities and other statutory duties.
4. In addition to reduced external funding from grants etc, flexibility in the capital programme is also constrained by a number of factors:
 - Unavoidable spending requirements such as the need to provide school places for the increasing school age population, major repairs to the Council's buildings and carriageway and footway resurfacing.
 - Restrictions in the way funding can be used e.g. ring fenced funding such as Transport for London and the Department of Education grants for schools.
 - A limited capacity to fund borrowing. Although there are no specific limits to borrowing in order to fund capital expenditure, since the introduction of the prudential borrowing framework, Councils must however consider the revenue implications in the context of the overall revenue budget commitments in the medium term and the Capital Programme must be affordable.

5. Capital proposals were considered against the following criteria:
 - a. Life and Limb/Health and Safety.
 - b. Statutory Requirement/legislation.
 - c. Schemes fully funded by external sources.
 - d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

6. The draft Capital Programme report presented to Cabinet in December 2017 included a schedule of proposed additions to the Capital Programme between 2018/19 and 2020/21 which were subject to further review and consideration during December and January, prior to inclusion in this Final Capital Programme report in February 2018.

7. A list of the new proposed projects within the programme is detailed in appendix 2 and summarised in Table 1 below:

Table 1

Summary New Capital Bids 2018/19 to 2020/21												
	2018/19			2019/20			2020/21			TOTAL		
Project Title	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Bid Value	Grant Funding	Net Bid Value
Resources	0	0	0	0	0	0	4,700	0	4,700	4,700	0	4,700
Community (excl Hsg)	1,820	75	1,745	10,747	1,722	9,025	11,823	1,060	10,763	24,390	2,857	21,533
Housing Gen Fund	0	0	0	0	0	0	2,550	1,180	1,370	2,550	1,180	1,370
Regen	904	904	0	726	726	0	201	201	0	1,830	1,830	0
Total General Fund	2,724	979	1,745	11,473	2,448	9,025	19,274	2,441	16,833	33,470	5,867	27,603

8. These provide for a very substantial net investment of £27.6m in infrastructure on the General Fund services over the next three years in line with the Medium Term Financial Strategy. The gross value of the proposed General Fund programme is £33.470m, with external funding of £5.867m and a net increase in the programme of £27.603m.

The new capital proposals are set out at Appendix 2. In the main they relate to continuing with the existing pattern of expenditure for an additional year in 2020/21.

Resources

9. Information Technology (IT) – an additional £3m and has been included for IT Infrastructure refresh and £1.7m for devolved IT applications

across the Council in 2020/21. This is to cover the refresh of devolved applications, maintain external compliance and to support the deployment of new applications.

Community Directorate

10. Highways and Roads - £5.0m is proposed in 2020/21 to improve the Highways infrastructure which includes carriageways and footways.
11. Flood Defence and Highways drainage - £300k for Flood defence and £200k for Highways drainage in 2020/21 to ensure investment on flood defence and drainage on Highways continues into 2020/21.
12. Street Lighting - £1.5m is included in 2020/21 to continue the street lighting programme of investment.
13. Local Implementation Plan including parking management – £1.3m in 2020/21. Harrow will receive £1m from TFL to deliver transport projects and initiatives set out on the local transport implementation plan which delivers around 20-30 specific schemes. The Harrow contribution of £300k relates to parking schemes.
14. Leisure and Library Capital Infrastructure - £150k is required in 2020/21 to continue to invest in Leisure and Library Infrastructure.
15. Harrow Museum Infrastructure - £104k is included for 2020/21 for planned works beyond the day to day maintenance. It is anticipated that £60k will be funded from match funding from external sources and so the Council commitment is £44k.
16. CCTV Infrastructure - £1.6m (£800k in 2018/19 and £800k in 2019/20) to upgrade the Borough's current CCTV Infrastructure which has been in place since 2001. It is anticipated that the capital financing costs will be funded through additional income, which is subject to the development of a separate Business case. The scheme is included in the Capital programme at a neutral cost on the basis that it will only proceed if enough income can be generated to cover the capital financing costs.
17. Carbon Reduction and High Priority Planned Investment to the Corporate Estate - £50k and £500k in 2020/21, respectively. This is to continue the programme of investment to upgrade and improve existing assets in Council owned buildings and to ensure that properties are in a safe condition.
18. Parks Infrastructure - £675k in 2020/21 to continue the on-going programme to improve existing facilities and provide safe access for users.
19. Redevelopment of Rayners Lane Toilet Block - £170k in 2018/19 for the refurbishment and redevelopment of this building to bring it back into use through a conversion to lettable shop/office space. The rental income will cover capital financing costs and so this project is cost neutral in terms of the revenue budget.

20. Trade waste bins and Waste and Recycling improvements - £100k and £150k in 2020/21 for the provision and replacement programme of trade waste bins and to make improvements to the Civic Amenity site including the replacement programme for wheeled bins.
21. Corporate Accommodation - £255k in 2020/21 to cover the whole corporate estate for building works including plant and infrastructure, equipment and furnishings.
22. Car park Infrastructure - £15k in 2020/21 for works to car parks including upgrades to parking machines as necessary.
23. Green Grid – £150k in 2020/21 for the continuation of the programme of improvements to Harrow's Green Infrastructure to provide a network or interlinked and multifunctional green spaces.
24. CCTV cameras and equipment - £50k in 2020/21 for ongoing improvements to CCTV cameras as part of the Council's parking policy.
25. Redevelopment of Vernon Lodge and Atkins House - £750k was included in the Capital Programme for 2017/18, mainly to replace the roof. However, at the time alternative proposals were being looked at for Vernon Lodge and the funding for the roof was only to be committed if no other alternative use was proposed. As part of the 2018/19 Capital Programme, there is a proposal to redevelop Vernon Lodge at a total cost of £11.049m. £10.324m is being proposed as an addition in this report (£775k 2018/19, £8.225m in 2019/20 and £1.324m in 2020/21), which is in addition to the uncommitted sum of £725k in 2017/18 for the roof.

This proposal is subject to a business case being agreed by Cabinet in a separate future cabinet report. The business case will set out the proposal for the redevelopment of the Council's only homelessness hostel, Vernon Lodge, to increase capacity and create purpose built accommodation that will provide the capacity for the Council to house its homeless without the use of bed and breakfast arrangements. It will also provide units that can be rented to those able to afford the rental and therefore reduce the costs of the Council renting/supplementing rental in private housing. This will also generate additional revenue income for the Council. It is anticipated that the additional revenue income will cover the running costs of the new facility and cover the capital financing costs of the £11.049m capital expenditure. The current budget includes the Capital financing costs of Vernon Lodge and also the anticipated revenue income to cover these costs, so it is cost neutral to the budget.

26. Headstone Manor - Park for the People Project – this project has a total cost of £1.797m (£75k 2018/19, £1.722m 2019/20) and is to be fully funded by a £1.127m bid to the Heritage Lottery Fund, £370k from Section 106 funding and £300k from Borough Community Infrastructure Levy (CIL) funding. The project will address health and safety issues with the historic moat and improve existing footpath network and car park to enable it to cope with additional visitors. This project is totally funded from external sources and will not attract any capital financing costs.

27. Empty Property Grants - £450k in 2020/21 to provide grants to help bring empty properties back into use, generally in exchange for nomination rights for a period of time.
28. Disabled Facilities Grants - £2.030m in 2020/21 of which £1.180m of grant funding will be received leaving a £850k requirement to be funded from borrowing. This funding enables the delivery of adaptations to the homes of vulnerable residents of the Borough.

Regeneration, Enterprise and Planning

29. Lyon Road Pop-up Restaurant and Square (GLA, Section 106 and Neighbourhood CIL Funded) – this project has a total cost of £1.010m (£84k 2018/19, £725k 2019/20 and £201k in 2020/21). This project is fully funded by the GLA £485k, S106 £450k and Neighbourhood CIL £75k. The project is to transform an existing car park in Harrow Town Centre into a multi-function public space, improving the general environment for pedestrians and providing the opportunity for markets, especially food markets.
30. Mobile Technology in Community Learning - £20k in 2018/19 has been provided to purchase IT equipment to support Community Learning. This funding has been provided by the GLA and Skills Funding Agency.
31. Neighbourhood CIL Schemes – a sum of £800k has been included in the Capital Programme in 2018/19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities.

Capital Funding for the New Capital Additions

32. New capital additions to the General Fund programme for 2018/19 and 2019/20 have only been included if they are invest to save projects or can be funded from other external funding. Any borrowing costs that arise from new capital additions in 2018/19 and 2019/20 will be funded from additional income and therefore no impact in terms of revenue implications. For new schemes agreed in 2020/21, the cost is £465k; however this increases by £1.919m in 2021/22 to £2.384m which is outside the current MTFS.
33. The revenue implications of this new borrowing, in the context of the Council's treasury management activity, are set out in table 2 below. The revenue implications are factored in to the Final revenue budget report for 2018/19 to 2020/21 being considered by Cabinet elsewhere on this agenda. The table only includes the additional revenue effects of the additional programme that is proposed and excludes the revenue implications of previous years' capital programmes which are already accounted for in the current MTFS.

Table 2: Capital Financing Implications of New Additions

	2018/19	2019/20	2020/21	2021/22

	£000	£000	£000	£000
Minimum Revenue Provision (MRP)	0	92	184	2,360
Interest Costs	55	332	837	837
Less Income to cover MRP cost	0	-92	-184	-442
Less Income to cover interest cost	-55	-332	-372	-372
Total Capital Financing Costs	0	0	465	2384

34. The capital financing cost increases by £1.919m from £465k to £2.384m in 2021/22 which is outside the current MTFS but this will need to be included next year when the budget is extended for a further year to 2021/22.
35. There is no MRP impact in 2018/19 as MRP in relation to expenditure in 2018/19 does not commence until 2019/20.
36. It should be noted that the capital financing costs are based on a number of assumptions about the level of capital expenditure, timing of any borrowing, PWLB interest rates (current rates used at time of writing the report) and asset lives used in estimating of the minimum revenue provision. The revenue budget reflects the best estimate based on these assumptions.

Community Infrastructure Levy (CIL) Funding

37. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floorspace arising from new development and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

38. Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.
39. A report was presented to the Major Development Panel (MDP) on 14th November 2017, recommending that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft in December and in February (this report) in its final version. The recommendations from the Major Development Panel (MDP) report were considered separately at the December 2017 Cabinet meeting.
40. The Borough CIL element will be used to fund the core Capital programme and will be considered as a funding source for the existing Capital programme set out at Appendix 1.
41. The Neighbourhood element of CIL has been included in the Capital Programme as a broad allocation to indicate the total amount of NCIL available. A sum of £800k has been included in the 2018/19 Capital Programme. A sum of £200k has also been included for 2017/18 as reported in the revenue and Capital monitoring report Quarter 2 which went to Cabinet in December 2017. Both sums will be funded by the NCIL payments already received to date. Yearly allocations of NCIL will

be added to the Capital Programme, subject to confirmation of likely CIL receipts.

42. In addition, there are 2 specific schemes in Appendix 2 which have an element of CIL funding included; Headstone Manor –Park for the People Project has £300k of BCIL funding included (paragraph 26) and Lyon Road Pop-up Restaurant and Square has £75k of NCIL included (paragraph 29).
43. Specific projects to be funded by NCIL will be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report. The final decision on what projects are funded from the agreed NCIL allocations will be delegated to the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.
44. Recognising the growing CIL balance and pressures on the Council's overall financial position, as part of the 2017/18 Budget setting, Cabinet agreed on 16th February 2017 to allocate £4.8 million of CIL funds over a 2 year period on Highway improvements.
45. After allowing for the allocation of £4.8m, there was still a balance remaining from the monies collected as at 31st March 2017 of £106,055 in relation to BCIL to spend (once the NCIL and CIL administration top slice is deducted). In addition, at 31st October 2017, a further £2.403 million of Harrow CIL had been received during the 2017/18 financial year, representing £1.922 million of Borough-wide CIL once Neighbourhood CIL and administration top-slice is deducted. This totals £2.028m of BCIL. This figure represents the income received to date and so will be higher by the 31st March 2018.
46. As BCIL becomes available in future years it will be applied as a funding source for the Capital Programme.

The Capital programme 2018/19 to 2020/21

47. The final Capital programme report submitted to Cabinet and Council in February each year sets out spending plans for the period of the MTFs, so usually 3 years. Once the Capital Programme is agreed by Cabinet and Council in February each year, the Capital programme is reviewed as part of the Annual Budget Setting process. This gives Directorates the opportunity to re-align the Capital Programme agreed in the previous February with their latest estimates of the spending profile of the projects.
48. The impact of re-profiling of spending between years is cost neutral across the financial years and all capital financing costs are already included in the revenue budget. Table 3 sets out the movement between the financial years with the detailed Capital Programme provided in Appendix 1 which also includes the additions set out separately in Appendix 2:

Table 3: Capital Programme 2018/19 to 2020/21				
	2018/19 Net Value	2019/20 Net Value	2020/21 Net Value	Total Net Value
	£'000	£'000	£'000	£'000
Total 2017/18 Capital Programme approved in Feb 2017.	250,480	118,055		368,535
Amendments made to 2017/18 Capital Programme	- 2,366	- 2,271		- 4,636
Revised Capital Programme excluding Regeneration amendments	248,115	115,785	0	363,899
Amendment to Regeneration Capital Programme to be approved at February 2018 Cabinet	- 126,874	80,482	35,534	- 10,858
New 2018/19 Capital Programme added	1,745	9,025	16,833	27,603
Changes to HRA Budget	- 5,900	11,244	13,836	19,180
Total 2018/19 Capital Programme	117,086	216,535	66,203	399,824

49. The total Capital Programme set out in Appendix 1 and in Table 3 above, incorporates the revised Regeneration Programme. The movement in the programme shows:

- Reductions made in 2018/19 and 2019/20 which total £4.636m. These reductions were made as part of the process to review the existing Capital Programme with a view to re-prioritising investment and thereby make reductions to assist with closing the budget gap as reported as part of the draft Capital Programme which went to Cabinet in December 2017.
- a net reduction between 2018/19 to 2020/21 of £10.858m in the Regeneration Programme (see paragraphs 51 to 58)
- New capital additions (see paragraphs 7 to 31) which increase the programme by a total of £27.603m.
- Net movement in the HRA Capital Programme of £19.180m

50. Overall as a result of these changes the Total Capital Programme has increased from £368.535m to £399.824m. Table 4 below shows the total Capital Programme by Directorate:

Table 4: Capital Programme 2018/19 to 2020/21 by Directorate

	2018/19			2019/20			2020/21			TOTAL		
	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Bid Value £000	External Funding £000	Net Bid Value £000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources and Commercial Directorate	3,738	0	3,738	5,700	0	5,700	4,700	0	4,700	14,138	0	14,138
People's Directorate	7,870	4,520	3,350	7,200	2,625	4,575	0	0	0	15,070	7,145	7,925
<i>Adults</i>	200	0	200	450	0	450	0	0	0	650	0	650
<i>Schools</i>	7,670	4,520	3,150	6,750	2,625	4,125	0	0	0	14,420	7,145	7,275
Community Directorate	41,822	5,559	36,263	28,160	3,902	24,258	14,373	2,240	12,133	84,354	11,701	72,653
<i>Environmental Services</i>	30,643	3,475	27,168	24,741	2,722	22,019	11,569	1,000	10,569	66,952	7,197	59,755
<i>Community & Culture</i>	2,164	904	1,260	1,150	0	1,150	254	60	194	3,568	964	2,604
<i>Housing General Fund</i>	9,015	1,180	7,835	2,269	1,180	1,089	2,550	1,180	1,370	13,834	3,540	10,294
Regeneration	71,900	904	70,996	162,846	726	162,120	35,735	201	35,534	270,480	1,830	268,650
<i>Regeneration & Enterprise</i>	904	904	0	726	726	0	201	201	0	1,830	1,830	0
<i>Regeneration Programme</i>	70,996	0	70,996	162,120	0	162,120	35,534	0	35,534	268,650	0	268,650
Total General Fund	125,330	10,983	114,347	203,905	7,253	196,653	54,808	2,441	52,367	384,042	20,676	363,366
<i>Housing revenue Account</i>	2,739	0	2,739	19,883	0	19,883	13,836	0	13,836	36,458	0	36,458
Total General Fund + HRA	128,069	10,983	117,086	223,788	7,253	216,535	68,644	2,441	66,203	420,500	20,676	399,824

Regeneration Capital Programme

51. The previous expenditure requirements of the Regeneration Programme over the financial years 2017/18 to 2019/20 were estimated to be £325m, to be funded through a combination of land receipts and new borrowing, with the total cost of the Regeneration programme anticipated to be in the region of £349m over the life of the programme which extended to 2021/22. There were land receipts anticipated in the region of £108m being generated to help fund the cost of works which gave a net scheme cost of £241m.
52. In 2017, a Commercial & Financial Review of the Regeneration Programme was launched, which focused on the following areas:

- Phasing and profiling of the programme
- Further commercial review of designs
- Peer review of approaches taken in other Councils and organisations
- Further analysis of debt and cash flows
- Clarification of advice on the legal and tax implications
- Seeking advice on partnering structures.

53. This resulted in a revised indicative Programme budget being taken to December 2017 Cabinet. This showed gross expenditure of £293m reduced to £220m after the application of capital receipts. The December Cabinet report stated that this indicative position was subject to further review in preparation for it being included in the Final Capital Programme to be agreed by Cabinet/Council in February 2018. The revised Regeneration budget which extends to 2022/23 is set out in Table 5 below.

Table 5 – Regeneration Programme

	January 2017 Approved budget, (A) £'000s	December 2017 Update, (B) £'000s	February 2018 Budget (C) for Approval, £'000s	Variance (A)-(C) £'000
Gross Expenditure	349,096	292,252	295,171	(53,925)
Capital Receipts	(108,245)	(72,660)	(87,771)	20,474
Net Expenditure	240,851	219,592	207,400	(33,451)

54. The following areas are reflected in the revised programme budget (C) above:

- Re-phasing of Poets' Corner Phase 1 by elongation of construction and dividing the site into 3 sections. This has the effect of reducing peak debt and also reduces risk as further sections will only be committed to once the previous one is progressing well. This further de risks the programme as major projects are not starting on site at the same time.
- Sale of Haslam House and Waxwell lane - A review of these schemes suggests it would be better to sell for a cash receipt due to the desirable location and recycled back into the programme. Current assumptions within the modelling are that both these schemes will be sold upon completion and the capital receipt recycled back. However, this will continue to be reviewed to ensure maximum benefit to the programme.
- Inclusion of the GLA grant receipt , in 2017/18, of £3.75m against Poets' Corner Phase 1
- An estimation of Stamp Duty Land Tax liability of £8.2m where applicable.
- Review of the Management and Maintenance cost assumptions resulting in increases from £650/unit to £750/unit
- Start on Site and practical completion dates have been updated to reflect their current assumptions.

- To aid transparency, Value Engineering savings, yet to be made, have been removed from the costs. Further design work to ensure that schemes reach their viability target is on-going.

55. The comparable total cost of the programme is now anticipated to be £295m to 2022/23 whereas it was at £349m in January 2017. Capital receipts are now expected to be £88m down from £108m in January 2017 in line with the design changes. A detailed breakdown of budget allocations is set out over the life of the Programme in Appendix 3 but overall expenditure is to be re-profiled for the period of the existing Capital Programme as follows:

Table 6: Capital Programme 2018/19 to 2020/21

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Total Expenditure	70,996	162,120	35,534	268,650
Previous budget	197,870	81,638	0	279,508
Variation	(126,874)	80,482	35,534	(10,858)

56. As a result of the reduction in the overall capital requirement, £33m will no longer need to be borrowed. Borrowing strategies are being developed which will enable interest rates to be controlled. These include structuring new borrowing with a mix of maturities, such as short-term borrowing (e.g. 3/5/7 year loans) over the development period to enable the Council to access the cheaper rates currently available for these maturities and long term borrowing once the private rented sector units become operational.

57. The January 2017 programme assumed previously created flexibilities being used to fund expenditure in the period until a positive cash flow after capital financing being used. The current model assumes the same principle however; the level of flexibilities is reduced.

58. The design and tenure mix of new housing will be adjusted and finalized as each project proceeds through the planning process, to ensure that schemes are financially viable. Table 7 shows the current tenure assumptions:

Table 7: Tenure Assumptions

TENURE	Jan 17	Dec 17	Jan 18-Update
UNITS FOR MARKET RENT	509	509	480
UNITS FOR INTERMEDIATE RENT	101	133	133
UNITS FOR AFFORDABLE RENT	72	92	92
SOLD DIRECT TO PURCHASERS	149	21	50
SOLD AS PRIVATE SALE TO RP/DEV	0	0	0
SOLD AS RENTED TO RP/DEV	7	0	0
SOLD AS SHARED OWNERSHIP TO RP/DEV	0	0	0
TOTAL RESIDENTIAL	838	755	755
PARKING SPACES	802	194	193
CIVIC CENTRE	1	2	1
RETAIL UNITS	2	4	3
COMMUNITY CENTRE	3	2	1
OTHER 1	3	5	3
OTHER 2	0	3	1
LAND SALE	0	0	0
TOTAL NON-RESIDENTIAL	811	210	202
TOTAL - RESI & NON RESIDENTIAL	1649	965	957

59. Capital Receipts

The Property Disposal Programme 2017/18 was submitted to Cabinet on 7th December 2017. The asset management strategy requires that surplus properties and those not meeting the Investment Strategy criteria are to be proposed for disposal to maximise capital receipts which can be used to fund service improvements across the Council. As well as being used to fund Capital expenditure, the Council has the ability to apply capital receipts to fund revenue expenditure that is incurred to generate on going revenue savings in the delivery of public services and / or transform service delivery to reduce costs and / or transfer service delivery in a way that reduces costs or demand in future years. This is permissible under the Capital Flexibilities Regulations that came in effect from 1st April 2016 until 31st March 2019. As part of the recent Finance settlement for 2018/19, these flexibilities have been extended for a further 3 years. In 2016/17, £2.3m of capital receipts were used to fund eligible revenue expenditure with a further £3m allowed for in the 2017/18 revenue budget and £2.7m in the 2018/19 budget.

HOUSING REVENUE ACCOUNT (HRA)

60. The proposed HRA Capital Programme is detailed in a separate report to Cabinet elsewhere on this agenda. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget.

Options considered

61. A number of capital proposals are considered during the budget setting process.

Legal Implications

62. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the Authorities policy framework which are proposed by the Cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications

63. Financial matters are integral to the report. The capital financing costs of all capital proposals must be included in the revenue budget.

Performance Issues

64. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council's services.
65. Monitoring of the approved programme, is ongoing and is essential for good financial management.
66. It is proposed that a performance target is set at 90% of the approved budget to be spent in year. Having approved an investment programme it is important that the programme is then substantially delivered in the planned timeframe, in line with Member priorities.

Risk Management Implications

67. The individual schemes within the programme will either be incorporated within departmental registers or have individual registers. A significant consideration in developing the programme has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair.

Equalities implications / Public Sector Equality Duty

68. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officer's initial views are that no protected group is adversely affected by the proposals. A number of the projects proposed in the programme will require separate Cabinet reports and full Equality Impact Assessments before they commence.

69. Decision makers should have due regard to the public sector equality duty in making their decisions. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as material in the press and letters from residents. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

Council Priorities

The Council's vision is:

Working Together to Make a Difference for Harrow

This report deals with the use of financial resources which is key to delivering the priorities of the Harrow Ambition Plan:

- Build a Better Harrow
- Be More Business-Like and Business Friendly
- Protecting the most Vulnerable and Support Families.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert

Chief Financial Officer

Date: 5 February 2018

Name: Jessica Farmer

on behalf of the
Monitoring Officer

Date: 6 February 2018

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	Any projects with potential impacts will separately be required to do an impact assessment.

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151)

Email: sharon.daniels@harrow.gov.uk

Background Papers:

[Draft Capital Programme 2018/19 to 2020/21 - Cabinet 7th December 2017](http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=64137&Ver=4)

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=64137&Ver=4>

[CIL Infrastructure Levy - report to Major Developments Panel 14th Nov 2017](http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=1041&MId=64184&Ver=4)

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=1041&MId=64184&Ver=4>
[pdf](#)

**Call-In Waived by the
Chairman of Overview and
Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]