
REPORT FOR: CABINET

Date of Meeting:	9 January 2020
Subject:	Draft Capital Programme 2020/21 to 2022/23
Key Decision:	Yes Involves expenditure in excess of £1m
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Draft New proposals for Capital Programme 2020/21 to 2022/23

Section 1 – Summary and Recommendations

This report sets out the new draft General Fund capital programme proposals which have been proposed as part of the 2020/21 budget.

Recommendations:

1. Cabinet is requested to note the new draft capital proposals, as detailed within Appendix 1, which will be brought back to Cabinet in February for approval.

The final version of the Capital Programme 2020/21 to 2022/23 will be brought back to Cabinet in February for recommendation to Council in February.

Reason: To enable the Council to have an approved Capital Programme for 2020/21 to 2022/23.

Section 2 – Report

Development of the Capital Programme

1. The purpose of this draft Capital Programme report is to set out the Council's draft additional capital proposals for investment over the next three years 2020/21 to 2022/23 which have been proposed as part of the Annual budget setting process.
2. The final Capital programme report which will be presented to Cabinet in February 2020 will show the total Capital Programme for 2020/21 to 2022/23 incorporating the new capital proposals as well as the reprofiling of existing capital budgets.

New Capital proposals 2020/21 to 2022/23

3. Service directorates were invited to bid for capital resources, as part of their service proposals for 2020/21 to 2022/23. In view of the current financial climate and reduced external funding service directorates were asked to limit new capital proposals to the following categories:
 - 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).

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

Table 1

Capital Programme 2020/21 to 2022/23	2020/21			2021/22			2022/23			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	External Funding £000	Net Bid Value
Total Resources Directorate	0	0	0	2,163	0	2,163	1,244	0	1,244	3,407	0	3,407
Total People's Directorate	1,125	0	1,125	0	0	0	0	0	0	1,125	0	1,125
Total Community Directorate	5,467	5,117	350	32,210	8,135	24,075	28,928	5,458	23,470	66,605	18,410	48,195
Total All Directorates	6,592	5,117	1,475	34,373	8,135	26,238	30,172	5,458	24,714	71,137	18,410	52,727

Current cost of the Capital Programme

4. The 2019/20 revenue budget in respect of the capital financing cost of the existing Capital programme 2019/20 to 2020/21 is £32.6m. This figure of £32.6m will also relate to the cost of historic capital programmes spent prior to 2019/20 but it does **not** include the cost of the proposals at Appendix 1. £32.6m is approximately 19% of the net revenue budget of £167m.
5. Although there are no specific limits to borrowing in order to fund capital expenditure, the Council must be prudent when considering the revenue implications in the context of the overall revenue budget commitments in the medium term and the Capital Programme must be affordable.
6. In the current situation where the revenue budget continues to reduce each year, but capital financing costs increase as a result of increasing the capital programme each year, the proportion of the net revenue budget which funds capital financing costs will increase each year.
7. Table 2 below shows the capital financing costs that are already factored into the existing MTFs from 2019/20 to 2021/22 in relation to the existing and historic capital programmes as a proportion of the 2019/20 net revenue budget of £167m.
- 8.

Table 2 - Capital Financing Costs as % of the Net Revenue Budget

	Capital Financing Costs	Capital financing costs as % of 2018/19 Net Budget
	£m	%
2018/19	24.6	15%
2019/20	32.6	19%
2020/21	33.8	20%
2021/22	35.7	21%

New Capital proposals put forward 2020/21 to 2022/23

9. The new proposed capital projects for 2020/21 to 2022/23 is detailed in Appendix 1 and summarised in Table 1.
10. The gross value of the new proposed capital projects for 2020/21 to 2022/23 as detailed in Appendix 1 and summarised in Table 1 is **£71.137m**,

with external funding (which includes the use of Borough CIL funding) of **£18.410m** and a net increase in the programme of **£52.727m**.

11. A summary of the net £18.410m of external funding/BCIL is set out below which shows the split between £11.874m of external grant funding and £6.536m of BCIL as follows:

- **£5.340m** TFL Funding for the Wealdstone Major Transport Project
- **£2.782m** TFL Funding for the Local Implementation Parking Programme.
- **£3.034m** Grant Funding for Disabled Facilities Grants
- **£0.718m** Environment Agency Funding for Headstone Manor Flood Alleviation Scheme
- **£2.076m** BCIL for Harrow Arts Centre
- **£2.660m** BCIL for the Wealdstone Project
- **£1.0m** BCIL for Flood Defence and Highways Drainage
- **£300k** BCIL for the Green Grid Programme
- **£500k** BCIL for the Headstone Manor Flood Alleviation Scheme

12. When bids were invited for 2020/21 to 2022/23, it was on the basis that unless they were life and limb/Health and Safety or required as a result of Statutory requirements/legislation, they would be either funded from external funding or generate revenue savings which would as a minimum, cover the capital financing costs so there would be no net revenue impact to the Council as a result of any additional borrowing required.

13. Of this net total value of bids of £52.727m, £30m relates to a continuation of the existing Property acquisition Programme in the Housing General Fund (£15m in 2021/22 and 2022/23). This is put in the programme on the basis that the £30m will be funded through savings made in Temporary Accommodation costs in the Housing General Fund and therefore cost neutral to the General Fund (as a minimum). Therefore, the remaining £22.727m is the net Capital Programme figure which will attract capital financing costs which needs to be funded from the revenue budget.

14. The Capital Financing cost associated with the £22.727m net Programme is £1.084m which is within the £1.25m funding included in the Budget in 2022/23. There is an incremental cost of £532k in 2023/24 as the full Capital Financing cost increases to £1.782m in 2023/24. Therefore, an additional £532k needs to be factored into the budget for 2023/24 (over and above the £1.25m) as part of next year's 2021/22 budget process.

Table 3 - Capital Financing Implications of New Additions

Capital Financing Costs	Annual costs
	£000
Minimum Revenue Provision (MRP)	574
Interest	510
Total Capital Financing Costs	1,084

Community Infrastructure Levy (CIL) Funding

15. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments 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.
16. 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.
17. 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.
18. In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and recommended to Cabinet 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 (this report) and in February in its final version.
19. The Borough CIL element will be used to fund the core Capital programme and can be considered as a funding source for new capital bids as well as existing projects in the Capital programme.
20. In terms of the Neighbourhood element of CIL specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. 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.
21. Table 4 sets out the CIL funding received to 30th September 2019 showing that £7.731m of BCIL has been received to date:

Table 4 – CIL Funding and Allocations to 30th September 2019.

	BCIL	NCIL	Admin topslice	Total
	£'000	£'000	£'000	£'000
Balance as at 31.3.2019	6,533	2,144	271	8,948
19/20 Receipts (up to 30/9/19 as per SAP)	1,198	211	70	1,479
Total Balance (up to 30/9/19)	7,731	2,355	341	10,427

22. The Allocation of BCIL funding to date amounts to £7.016m as set out in Table 5 below:

Table 5: Schemes funded from CIL to date

19/20 to 20/21 Capital programme commitments:	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000
Flood Defence and Highway Drainage	500	500			1,000
Headstone Manor (Parks for People)	250				250
Parks Playground replacement	676	250			926
GGF Round 2 - HAC modular buildings	1,150				1,150
New Town Centre library	2,090				2,090
Sudbury Hill step free access	50				50
High Street Fund	650	900			1,550
Total Commitments	5,366	1,650	0	0	7,016

23. After taking into account the £7.016m of schemes already committed as funded from BCIL in the programme, this leaves a balance of £715k available to fund new capital schemes. The new programme set out at Appendix 1 and summarised in Table 6 below assumes £6.536m of BCIL funding. The planning policy team have estimated that the annual element of BCIL available to fund the capital programme is £2.4m. Therefore, the estimated additional BCIL to be available for the remainder of 2019/20, and then 2020/21, 2021/22 and 2022/23 would be as circa £8.4m. Applying £5.821m of estimated future BCIL funding (£6.536m less £715k available) out of a total estimated future £8.4m of BCIL funding to be received is considered a reasonable assumption. However should this estimated level of BCIL not be received then it would be necessary to fund the schemes from other sources but ultimately borrowing.

New capital bids as part of 20/21 Budget process with CIL request: (NB: Amount shown is the CIL element only)	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000
Green Grid		150	150		300
Wealdstone Major Transport Infrastructure Projects		900	1,130	630	2,660
Headstone Manor Flood Alleviation scheme		500			500
Flood Defence and Highway Drainage			500	500	1,000
Harrow Arts Centre		300			300
Harrow Arts Centre		599	1,177		1,776
Total CIL funding requests	0	2,449	2,957	1,130	6,536

Housing Revenue Account (HRA)

24. 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

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

Legal Implications

26. 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

27. Financial matters are integral to the report. The capital financing costs of all capital investment must be provided for within the revenue budget.

Procurement Implications

28. There are no procurement implications arising from this report.

Performance Issues

29. 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.
30. Monitoring of the approved programme is ongoing and is essential for good financial management.
31. It is proposed that a performance target is set of 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

32. 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

33. 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 full Equality Impact Assessments before they commence. Following consultation the impact will be further reviewed before the programme is finalised.
34. 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*

35. Consultation responses received on this draft programme will be taken into account in drafting the final EIA.

36. **Council Priorities**

The Council's draft Capital Programme for 2020//21 to 2022/23 has been prepared in line with the Council's priorities:

- Building a Better Harrow
- Supporting Those Most in Need
- Protecting Vital Public Services
- Delivering a Strong Local Economy for All
- Modernising Harrow Council

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 19.12.19		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 20.12.19		

Section 3 – Procurement Clearance

Name: Nimesh Mehta

on behalf of the *
Head of Procurement Officer

Date: 19.12.19

Section 3 – Corporate Director Clearance

Name: Charlie Stewart

Corporate Director

Date: 19.12.19

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: None

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NO
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