
REPORT FOR: CABINET

Date of Meeting:	13 February 2020
Subject:	Final 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 – Total Capital Programme 2020/21 to 2022/23 (including new additions at Appendix 2) Appendix 2 – New Capital Additions 2020/21 to 2022/23

Section 1 – Summary and Recommendations

This report sets out the proposed Capital programme proposals for the financial years 2020/21 to 2022/23.

Recommendations:

1. Cabinet is requested to recommend the capital programme, as detailed within Appendix 1, to Council for approval.
2. Cabinet is requested to approve top slicing 10% of all existing Neighbourhood Community Infrastructure Levy (NCIL) balances and future receipts across the borough for the management and delivery of projects funded by NCIL (paragraphs 22 to 24).

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

Section 2 – Report

Capital Programme 2020/21 to 2022/23

1. This report sets out the Council's proposals for Capital Investment over the financial years 2020/21 to 2022/23, which provides significant investment over the next 3 years in the General Fund and Housing Revenue Account (HRA).

Development of the Capital Programme

2. Each year as part of the Annual Budget setting process services are requested to put forward proposals for new Capital required for the next 3 years. These proposals set out at Appendix 2 are added to the existing Capital programme to give the total Capital Programme. The total Capital Programme set out at Appendix 1 shows total investment in the General Fund of £83.8m and £138.9m in the HRA over the period 2020/21 to 2022/23.

Cost of the Existing General Fund Capital Programme - (excluding Appendix 2 additions)

3. In 2020/21, the capital financing budget for funding the current and previous capital programmes is £33.8m. This figure of £33.8m includes the existing programme for 2019/20 and 2020/21 (agreed by Council in February 2019) and also relates to the cost of historic capital programmes spent prior to 2019/20. £33.8m is approximately 20% of the net revenue budget of £167m in 2019/20.
4. 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.
5. 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.

6. Table 2 below shows the capital financing costs that are already factored into the MTFs from 2018/19 to 2021/22 in relation to the existing and historic capital programmes as a proportion of the 2019/20 net revenue budget of £167m.

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

	Capital Financing Costs	Capital financing costs as % of 2019/20 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 for 2020/21 to 2022/23

7. Service directorates were invited to bid for capital resources, as part of their service proposals for 2020/21 to 2021/23. In view of the current financial climate and reduced external funding service directorates were asked to limit new capital proposals to the following categories:
- Life and Limb/Health and Safety.
 - Statutory Requirement/legislation.
 - Schemes fully funded by external sources.
 - Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).
8. The new proposed General Fund capital projects for 2020/21 to 2022/23 are detailed in Appendix 2 and summarised in Table 1 below:

Table 1

Capital Programme 2020/21 to 2022/23	2020/21			2021/22			2022/23			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 Value £000	External Funding £000	Net Value £000
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	4,817	650	32,720	8,135	24,585	28,928	5,458	23,470	67,115	18,410	48,705
Total All Directorates	6,592	4,817	1,775	34,883	8,135	26,748	30,172	5,458	24,714	71,647	18,410	53,237

9. The gross value of the new proposed General Fund capital projects for 2020/21 to 2022/23 as detailed in Appendix 2 and summarised in Table 1 is **£71.647m**. After allowing for with external funding (which includes the use of Borough CIL funding and external grants) of **£18.410m**, there is a net increase in the programme of **£53.237m**.

10. The new proposals which are set out in more detail in Appendix 2 are summarised as follows:

Resources

- £3.4m - Ongoing ICT improvements across the Council.

People's Directorate

- £0.5m - Assistive Technology in Adult services. This relates to providing enhanced telecare equipment for residents and is pending the evaluation of an in year pilot.
- £225k – A number of small projects which will enhance facilities across a number of Adult social care locations (£125k) and the Early support hubs in Children's services (£100k).
- £400k – Day respite provision. The proposal is to develop further and extend specialist short break services for children and young people with more complex special educational needs. This will be subject to a business case to demonstrate the service could be provided at no additional running cost to the Council.

Community Directorate

- £1.36m – Improvements to the Council's Corporate Estate.
- £1m - Improvements in parks infrastructure such as paths and footways.
- £695k – Improvements at the Civic Amenity site as well as the provision of trade and domestic waste bins and some improvements to car park infrastructure.
- £300k – Green Grid projects. This is to fund Improvements to Harrow's green Infrastructure. This is funded from BCIL.
- £11.5m – Investment in the Highways Programme and to undertake essential structural works and enhancements.
- £1m – Flood Defence and Highways drainage. This is fully funded from BCIL.
- £2m – Street Lighting programme of investment which upgrades life expired columns and replaces conventional lighting with energy efficient LED lighting.
- £3.382m – Transport projects and parking management initiatives set out on the Local Implementation plan. £2.782m of which is funded by Transport for London (TFL).
- £8m – Wealdstone Major Transport Infrastructure projects. These substantial projects in Wealdstone will focus on bus and Town Centre improvements and a liveable neighbourhood for the wider transport network. Both these projects are to be funded from TFL grant funding of £5.34m and BCIL of £2.66m.

- £1.218m – Headstone Manor Flood Alleviation scheme. This project is again fully funded by a combination of external grant funding from the Environment Agency £718k and £500k from BCIL.
- £650k – Vehicle workshop at the new depot. This facility is required for carrying out maintenance and upkeep of the Council's fleet of vehicles and also vehicles that the Council manages on behalf of Brent Council.
- £390k – Leisure and Libraries Infrastructure, of which £120k relates to the replacement of self service kiosks across the 14 libraries.
- £2.076m – Harrow Arts Centre. £300k relates to essential health and safety improvements required and £1.776m is required to complete the new build project which requires a traditional build for the new buildings being added rather than modular units. The £2.076m is fully funded from BCIL.
- £30m - Property Acquisition Programme. This funds the acquisition of further properties on the open market that can be used as temporary accommodation for homeless households. This is a preferable alternative to using Bed and Breakfast Accommodation, which is also more expensive. This £30m is put into the programme on the basis that the £30m capital financing costs will be funded through savings made in Temporary Accommodation costs in the Housing General Fund and therefore is cost neutral to the General Fund (as a minimum).
- £3.034m – Disabled Facilities Grants. These grants are provided for residents with physical and/or sensory disabilities who are in need to assistance in adapting properties so that they can continue living at home instead of going into care. The budget is set at the estimated value of Government grant expected in each year and therefore at no cost to the Council. The funding covers adaptations provided by both Housing and adult services.
- £510k – Regeneration Budget. When the Regeneration budget was revised and agreed by Cabinet in December 2018, an amount of £510k was included for 2021/22 for the Waxwell Lane project, but as this year was outside of the Capital Programme budget agreed in February 2019, it was agreed that this additional sum would be added as part of the refresh of the Annual budget.

Funding of the new capital proposals

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
- **£718k** 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 £53.237m, £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 £23.237m is the net Capital Programme figure which will attract capital financing costs which needs to be funded from the revenue budget.

14. In addition there are known underspends in the 2019/20 Capital Programme in relation to the Disabled Facilities Grants budget within the Community Capital Programme (£847k) and also from the Resources Capital Programme in the Ongoing ICT budget (£889k). Both of these underspends have been factored in to reduce Capital Financing costs and therefore used to offset the cost of new borrowing for the new proposals set out in Appendix 2.

15. The Capital Financing cost associated with the £23.237m net Programme is £1.250m which has been 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 as part of next year's 2021/22 budget process.

Table 3 - Capital Financing Implications of New Additions (excluding the £30m property acquisition which is self financing)

Capital Financing Costs	Annual costs
	£000
Minimum Revenue Provision (MRP)	660
Interest	590
Total Capital Financing Costs	1,250

Community Infrastructure Levy (CIL) Funding

16. 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.

17. 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.
18. 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.
19. 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.
20. 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.
21. 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 Resources.
22. The Neighbourhood Community Infrastructure Levy is used to fund local infrastructure projects and has been flexibly used and to date has been used for public realm, community safety (cctv, fencing, lighting), street furniture, play equipment and greening projects.
23. The latest data shows Neighbourhood Community Infrastructure Levy generated across 21 wards is circa £2.3m. The money has been used to help deliver 18 projects of which 3 have been completed. These are capital projects and even the smallest project requires extensive cross council work which can include procurement, finance, planning, highways, drainage, public protection and community engagement. However, there is not a dedicated project management resource identified to implement these schemes. As a result there are lengthening delays between member approval for a scheme and its completion.
24. From a CIL Regulation perspective, it is considered that it is possible to 'top-slice' / capitalise salary costs against NCIL funds and therefore it is

proposed that of the existing 15% allocation of NCIL, Cabinet approve top slicing 10% of all existing NCIL balances and future receipts across the borough for the management and delivery of projects funded by NCIL.

25. Table 4 sets out the CIL funding received to 30th September 2019 which shows 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

26. 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

27. 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.

Table 6 – New capital bids to be funded from BCIL

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	0	0	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	2,299	2,957	1,280	6,536

Housing Revenue Account (HRA)

28. 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

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

Legal Implications

30. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the authority's policy framework 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

31. 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

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

Performance Issues

33. 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.
34. Monitoring of the approved programme is ongoing and is essential for good financial management.
35. 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

36. 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

37. 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.
38. 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*

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

40. 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: 03/02/2020		
Name: David Hodge	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 03/02/2020		

Section 3 – Procurement Clearance

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement Officer
Date: 03/02/2020		

Section 3 – Corporate Director Clearance

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 03/02/2020		

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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