

|                             |   |
|-----------------------------|---|
| <b>Meeting:</b>             | Cabinet   |
| <b>Date:</b>                | 14 February 2008  |
| <b>Subject:</b>             | Capital Programme 2008-09 to 2010-11                                    |
| <b>Key Decision:</b>        | Yes   |
| <b>Responsible Officer:</b> | Myfanwy Barrett: Corporate Director of Finance                          |
| <b>Portfolio Holder:</b>    | David Ashton (Portfolio Holder for Finance and Portfolio Co-ordination) |
| <b>Exempt:</b>              | No  |
| <b>Enclosures:</b>          | Appendix 1 – Draft Capital Programme                                    |

## Section 1: Summary and Recommendations

This report sets out the proposed capital programme for 2008-09 to 2010-11.

### **Recommendations:**

That Cabinet agrees the capital programme for 2008-09 to 2010-11.

### **Reason**

To ensure that the Council has an approved capital programme for 2008-09 to 2010-11.

## Section 2: Report

### Development of the new programme

2. The draft capital programme was presented to Cabinet in December. Since then some amendments have been made to ensure that the programme reflects the latest information available about project content, phasing and grant funding.

3. The proposed programme for 2008-09 includes:
  - A provision for new projects emerging from the Business Transformation Partnership (BTP)
  - ICT infrastructure projects
  - Social care establishment improvements
  - Education modernisation and improvement
  - General Fund housing projects such as disabled facilities grants and affordable warmth schemes
  - Public Realm improvements
  - Transport and traffic schemes
  - Improvements to leisure and cultural facilities
  - High priority major works to corporate buildings
  - A provision for economic development and regeneration projects
  - Heritage projects
  - The Housing Improvement Programme
  
5. The detailed programme is attached at Appendix 1. The main changes since December are:
  - A new provision of £100k a year has been added for the development of the Council's core IT systems
  - An additional provision of £4m in 2008-09 has been added for business transformation projects (note that these projects are subject to full business cases and will only proceed if the efficiency savings at least cover the cost of the investment)
  - The Bedford House refurbishment project has been deleted and the budget has been transferred to the Byron Residential scheme
  - Children's centre expenditure of £2m has been included in 2008-09. This is fully funded from grant
  - The education modernisation programme has been updated in line with the funding announced by government
  - A Council contribution to the Building Schools for the Future project at Whitmore of £1.2m has been added in 2010-11
  - A new provision of £105k has been added for tree planting
  - A new provision of £500k in 2008-09 has been added for Canons and Roxeth parks
  - The sports and leisure provision has been updated to reflect the cabinet decision on the Byron development
  
6. The housing programme has been amended to include part of the next phase of business transformation. This is because the project will include services to tenants and leaseholders.
  
7. The value of the general fund programme is £71m for 2008-09, with external funding of £30m and a net cost to the Council of £41m. The Housing programme for 2008-09 is £12.5m.

### Prosperity Action Teams (PATs)

8. The Council established PATs in 2006-07 to enable ward councillors to work with local people on small projects for their area. The original scheme provided £15k per ward. This has resulted in a range of locally driven projects across the borough.
9. From 2008-09 the provision per ward has been amended to £10k (£210k in total) and a separate allocation has been made for tree planting which equates to £5k per ward (£105k in total). This will enable the Council to carry out some more significant tree planting on a borough wide basis.
10. For those PATs that have carried out projects in 2007-08, any unspent resources will be carried forward in full into 2008-09. Where there has been no activity in 2007-08, the resources carried forward will be earmarked for "Weeks of Action" in 2008-09.

### Private Finance Initiative (PFI) Schemes

11. The Council has two PFI schemes in development. The first scheme relates to the construction of three neighbourhood resource centres for people with learning disabilities. Financial close is expected early in 2008. The construction of the new centres will take place during 2008-09 through the LIFTco, with handover expected around April 2009. The revenue budget includes provision for fees in the current year and, from 2009-10, the anticipated affordability gap. The capital programme (Adults Services) includes some expenditure on furniture and equipment for the new centres.
12. The second scheme relates to street lighting. The outline business case has been completed and is due to be reviewed by the Treasury in March 2008. The revenue budget includes provision for fees and, from 2010-11, the anticipated affordability gap. If the scheme goes ahead, the capital expenditure on replacing and upgrading the borough's street lighting will commence in 2010-11 and will be met by the PFI operator.

### Backlog Maintenance

13. The Council has considerable backlog maintenance – the figures from the Asset Management Plan are as follows:
  - i) School buildings, £35m
  - ii) Corporate and Education buildings, £12.6m
  - iii) Highways, £153.5m
14. In the Use of Resources assessment for 2007, the External Auditor commented, in relation to asset management:

We have assessed at Level 3, which remains the same as the prior year. We have not assessed at Level 4 [the highest level] as (a) the level of backlog

maintenance has increased on the prior year despite history of reduction, and so the evidence for a plan to address it, especially given the planned reduction of capital expenditure for 07-08, was not available and (b) the planning horizon is still predominantly medium term (3 years).

15. The Auditor's main concern is building maintenance. The figures for highways (which include highways, lighting, transportation and drainage etc) have only recently been developed and they change fairly regularly as inspections are carried out. Few other councils have to date quantified backlog maintenance for highways.
16. The Council does not have the resources to deal with backlog maintenance in the short term. The BSF programme for high schools and the new investment programme for primary schools will assist with the backlog maintenance in schools but it is not clear when this additional funding will be forthcoming.
17. Some initial work is being carried out on options for the Council's office space, which may in due course assist with the backlog on civic buildings.
18. As explained above the Council is working on a PFI scheme for street lighting which will reduce the backlog maintenance on highways. It is possible that further PFI programmes will come on stream in future.

#### Capital financing

19. The capital programme is funded from a number of sources. These include:

- External Funding in the order of £30m, primarily from the DCSF and Transport for London
- Major Repairs Allowance (Housing Revenue Account)
- Capital Receipts (expected to be around £30m in 2008-09)
- Borrowing

20. It is anticipated that the general fund programme will be financed as follows:

**Table 1: New borrowing requirement**

|                      | 2008-09<br>£m | 2009-10<br>£m | 2010-11<br>£m |
|----------------------|---------------|---------------|---------------|
| Net planned spending | 41            | 38            | 29            |
| Capital Receipts     | 30            | 20            | 10            |
| New Borrowing        | 11            | 18            | 19            |

21. The revenue implications of this new borrowing, in the context of the Council's treasury management activity, are set out below:

**Table 2: Revenue Implications of Capital Programme**

|                                    | 2008-09<br>£000 | 2009-10<br>£000 | 2010-11<br>£000 |
|------------------------------------|-----------------|-----------------|-----------------|
| Interest                           | 1,200           | 1,000           | 700             |
| MRP                                | 600             | 500             | 300             |
| Premia, discounts and debt charges | (400)           | 0               | 0               |
| Investment income                  | (200)           | 0               | 0               |
| Impact of programme slippage       | (1,200)         | 0               | 0               |
| Total additional cost              | nil             | 1,500           | 1,000           |

Assumptions:

- i) Borrowing is at 4.5% and takes place in the last quarter of the financial year
- ii) MRP is at 4% and commences in the year after the expenditure is incurred
- iii) New borrowing of £25m-£30m in 2007-08
- iv) Borrowing to finance projects carried forward from 2007-08 into 2008-09 of £9m in 2008-09
- v) Carry forward of 10% assumed from 2008-09 onwards

22. In broad terms the cost of borrowing is 8.5%. However, there is not a direct relationship between the new borrowing required in table 1 and the cost of borrowing (interest and MRP) in table 2. This is because assumptions have been made about programme slippage between years, particularly from 2007-08 into 2008-09, and because the full cost of borrowing does not arise until the year after the expenditure has been incurred.

23. Total planned HRA borrowing amounts to £7m in 2008-09, £5m in 2009-10 and £600k in 2010-11. The cost of the borrowing is reflected in the housing revenue account.

24. It should be noted that the capital financing costs are based on a number of assumptions about the level of capital expenditure, level of capital receipts, timing of any borrowing, interest rates, and use of the minimum revenue provision. The revenue budget reflects the best estimate based on these assumptions.

### Financial Implications

25. Financial matters are integral to the report.

### Performance Issues

26. There are no direct implications for individual performance indicators. The capital programme provides the financial resources required to implement a number of the Council's corporate priorities and flagship actions. Monitoring of the approved programme is ongoing and is essential for good financial management.

### **Section 3: Statutory Officer Clearance**

|                       |                                     |  |
|-----------------------|-------------------------------------|--|
| Name: Myfanwy Barrett | <input checked="" type="checkbox"/> | On behalf of the Chief Finance Officer |
| Date: 24 January 2008 |                                     |  |
| Name: Hugh Peart      | <input checked="" type="checkbox"/> | On behalf of the Monitoring Officer    |
| Date: 31 January 2008 |                                     |  |

### **Section 4: Performance Officer Clearance**

|                       |                                     |  |
|-----------------------|-------------------------------------|--|
| Name: Tom Whiting     | <input checked="" type="checkbox"/> | Divisional Director (Strategy & Improvement) |
| Date: 1 February 2008 |                                     |  |

### **Section 5: Contact details and background papers**

**Contact:** Myfanwy Barrett, Corporate Director of Finance  
020-8424-9269

#### **Background Papers:**

Report to December 2007 Cabinet: Draft Capital Programme

## CAPITAL PROGRAMME 2008-09 to 2010-11

| GENERAL FUND  | 2008-09      |          |              | 2009-10      |          |              | 2010-11      |          |              |
|---|--------------|----------|--------------|--------------|----------|--------------|--------------|----------|--------------|
|   | £000         | £000     | £000         | £000         | £000     | £000         | £000         | £000     | £000         |
|   | Gross        | External | Net          | Gross        | External | Net          | Gross        | External | Net          |
| <b>Corporate Strategy</b>                             |              |          |              |              |          |              |              |          |              |
| Strategic IT Partnership BTP                          | 2,210        |          | 2,210        |              |          | 0            |              |          | 0            |
| Development of ERP/MI/CRM                             | 100          |          | 100          | 100          |          | 100          | 100          |          | 100          |
| Provision for new BTP Projects                        | 5,219        |          | 5,219        | 2,000        |          | 2,000        | 2,000        |          | 2,000        |
| <b>Sub Total</b>                                      | <b>7,529</b> | <b>0</b> | <b>7,529</b> | <b>2,100</b> | <b>0</b> | <b>2,100</b> | <b>2,100</b> | <b>0</b> | <b>2,100</b> |
| <b>Corporate Finance</b>                              |              |          |              |              |          |              |              |          |              |
| IT Infrastructure                                     |              |          | 0            | 1,000        |          | 1,000        | 1,000        |          | 1,000        |
| Desktop Refresh                                       | 320          |          | 320          |              |          |              |              |          |              |
| Storage Area Network                                  | 60           |          | 60           |              |          |              |              |          |              |
| Computer Room Upgrade                                 | 270          |          | 270          |              |          |              |              |          |              |
| Remote Working - improved infrastructure and security | 240          |          | 240          |              |          |              |              |          |              |
| Improved password technology                          | 110          |          | 110          |              |          |              |              |          |              |
| <b>Sub Total</b>                                      | <b>1,000</b> | <b>0</b> | <b>1,000</b> | <b>1,000</b> | <b>0</b> | <b>1,000</b> | <b>1,000</b> | <b>0</b> | <b>1,000</b> |
|   |              |          |              |              |          |              |              |          |              |

| GENERAL FUND  | 2008-09       |                |              | 2009-10       |                |              | 2010-11       |                |              |
|---|---------------|----------------|--------------|---------------|----------------|--------------|---------------|----------------|--------------|
|   | £000          | £000           | £000         | £000          | £000           | £000         | £000          | £000           | £000         |
|   | Gross         | External       | Net          | Gross         | External       | Net          | Gross         | External       | Net          |
| <b>Adult Services</b>   |               |                |              |               |                |              |               |                |              |
| Bedford House - refurbishment   |               |                | 0            | 0             |                | 0            | 0             |                | 0            |
| Byron Park Residential Home (Bessborough House Replacement)   | 1,400         |                | 1,400        | 300           |                | 300          | 500           |                | 500          |
| Milmans Community Resource Centre - ground floor reorganisation   | 0             |                | 0            | 150           |                | 150          |               |                | 0            |
| Neighbourhood resource centre - furniture and equipment   | 0             |                | 0            | 650           |                | 650          |               |                | 0            |
| Occupational Therapy Department Adaptations for People with Disabilities  | 150           |                | 150          | 150           |                | 150          | 200           |                | 200          |
| Social Care Sites - minor works   | 50            |                | 50           | 50            |                | 50           | 50            |                | 50           |
| <b>Sub Total</b>  | <b>1,600</b>  | <b>0</b>       | <b>1,600</b> | <b>1,300</b>  | <b>0</b>       | <b>1,300</b> | <b>750</b>    | <b>0</b>       | <b>750</b>   |
| <b>Children Services</b>  |               |                |              |               |                |              |               |                |              |
| Autistic Spectrum Disorder (ASD) provision in primary schools (Priestmead, Aylward, Vaughan)                    | 800           |                | 800          | 700           |                | 700          | 560           |                | 560          |
| Catering in schools   | 680           |                | 680          | 1,000         |                | 1,000        | 1,800         |                | 1,800        |
| Children's Centre Funding   | 2,000         | -2,000         | 0            |               |                | 0            |               |                | 0            |
| Education Modernisation & Improvements (funded by DCSF)   | 6,519         | -6,519         | 0            | 8,593         | -8,593         | 0            | 27,534        | -27,534        | 0            |
| Building Schools for the Future - Whitmore (includes council contribution for additional facilities in 2010-11) | 15,000        | -15,000        | 0            | 8,494         | -8,494         | 0            | 1,225         |                | 1,225        |
| Future Whitmore - additional facilities for partners  | 700           |                | 700          | 105           |                | 105          |               |                | 0            |
| Rooks Heath High 14/19 Agenda   | 59            | -59            | 0            | 0             |                | 0            |               |                | 0            |
| School Amalgamation support   | 200           |                | 200          | 200           |                | 200          | 250           |                | 250          |
| Shaftesbury High School - new build (ASD)   | 350           | -250           | 100          | 250           |                | 250          |               |                | 0            |
| Skills Centre extension   | 100           |                | 100          | 0             |                | 0            |               |                | 0            |
| Social Care Sites - minor works   | 50            |                | 50           | 50            |                | 50           | 55            |                | 55           |
| <b>Sub total</b>  | <b>26,458</b> | <b>-23,828</b> | <b>2,630</b> | <b>19,392</b> | <b>-17,087</b> | <b>2,305</b> | <b>31,424</b> | <b>-27,534</b> | <b>3,890</b> |



| GENERAL FUND   | 2008-09      |             |              | 2009-10      |             |              | 2010-11      |             |              |
|--|--------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|
|  | £000         | £000        | £000         | £000         | £000        | £000         | £000         | £000        | £000         |
|  | Gross        | External    | Net          | Gross        | External    | Net          | Gross        | External    | Net          |
| <b>Housing Services(General Fund)</b>                                      |              |             |              |              |             |              |              |             |              |
| Affordable Warmth  | 150          |             | 150          | 150          |             | 150          | 150          |             | 150          |
| Disabled Facilities Grants (owner occupiers) - grant confirmed for 2008-09 | 838          | -503        | 335          | 838          | -503        | 335          | 838          | -503        | 335          |
| Empty Property Grants  | 100          |             | 100          | 100          |             | 100          | 100          |             | 100          |
| Heating Harrow Greener Scheme  | 150          |             | 150          | 150          |             | 150          | 150          |             | 150          |
| Private Sector Rented Housing (Renovation Grants)                          | 900          |             | 900          | 900          |             | 900          | 900          |             | 900          |
| Warmfront Top Up Fund  | 30           |             | 30           | 30           |             | 30           | 30           |             | 30           |
| <b>Sub total</b>   | <b>2,168</b> | <b>-503</b> | <b>1,665</b> | <b>2,168</b> | <b>-503</b> | <b>1,665</b> | <b>2,168</b> | <b>-503</b> | <b>1,665</b> |
| <b>Community and Environment</b>   |              |             |              |              |             |              |              |             |              |
| Corporate Accommodation  | 756          |             | 756          | 300          |             | 300          | 300          |             | 300          |
| Crematorium / cemeteries - enhancements                                    | 100          |             | 100          | 0            |             | 0            | 0            |             | 0            |
| Disabled Discrimination Act Works to Buildings                             | 50           |             | 50           | 50           |             | 50           | 50           |             | 50           |
| Energy Efficiency Works to Corporate Buildings                             | 50           |             | 50           | 50           |             | 50           | 50           |             | 50           |
| Heritage projects (Headstone Mnr, West House)                              | 200          |             | 200          | 200          |             | 200          | 200          |             | 200          |
| High Priority Major Works Corporate Buildings                              | 1,500        |             | 1,500        | 940          |             | 940          | 940          |             | 940          |
| Petts Hill Bridge  | 284          |             | 284          | 0            |             | 0            | 0            |             | 0            |
| Prosperity Action Teams  | 210          |             | 210          | 210          |             | 210          | 210          |             | 210          |
| Tree Planting  | 105          |             | 105          | 105          |             | 105          | 105          |             | 105          |
| Public Realm Infrastructure  |              |             |              | 5,400        |             | 5,400        | 5,400        |             | 5,400        |
| - Highways   | 4,250        |             | 4,250        |              |             |              |              |             |              |
| - Drainage   | 450          |             | 450          |              |             |              |              |             |              |
| - Street Lighting  | 650          |             | 650          |              |             |              |              |             |              |
| - Transportation   | 500          |             | 500          |              |             |              |              |             |              |
| - Parks  | 100          |             | 100          |              |             |              |              |             |              |

| GENERAL FUND   | 2008-09       |                |               | 2009-10       |                |               | 2010-11       |                |               |
|--|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|
|  | £000          | £000           | £000          | £000          | £000           | £000          | £000          | £000           | £000          |
|  | Gross         | External       | Net           | Gross         | External       | Net           | Gross         | External       | Net           |
| - Public Conveniences  | 50            |                | 50            |               |                |               |               |                |               |
| Canons and Roxeth Parks (Green Flag Status)                          | 500           |                | 500           |               |                | 0             |               |                | 0             |
| Recycling Schemes  | 100           |                | 100           | 100           |                | 100           | 100           |                | 100           |
| Hatch End - Arts Centre - Music Store                                | 45            |                | 45            | 0             |                | 0             | 0             |                | 0             |
| Hatch End (Arts Centre) Site - Modernisation & Security Improvements | 35            |                | 35            | 0             |                | 0             | 0             |                | 0             |
| Leisure Ctre & Hatch End Pool - Major Repairs                        | 100           |                | 100           | 0             |                | 0             | 0             |                | 0             |
| Libraries refurbishment  | 50            |                | 50            | 50            |                | 50            | 105           |                | 105           |
| School Landlord Works (Responsive Repairs)                           | 750           |                | 750           | 750           |                | 750           | 750           |                | 750           |
| Transport for London Schemes (estimate)                              | 6,000         | -6,000         | 0             | 6,000         | -6,000         | 0             | 6,000         | -6,000         | 0             |
| Sports and Leisure Sites - new development                           | 10,550        |                | 10,550        | 16,850        |                | 16,850        | 7,100         |                | 7,100         |
| Sports and Leisure Sites - other projects                            | 250           |                | 250           | 250           |                | 250           | 250           |                | 250           |
| Strategic Development/Town Centre                                    | 3,000         |                | 3,000         | 3,000         |                | 3,000         | 3,000         |                | 3,000         |
| <b>Sub total</b>   | <b>30,635</b> | <b>-6,000</b>  | <b>24,635</b> | <b>34,255</b> | <b>-6,000</b>  | <b>28,255</b> | <b>24,560</b> | <b>-6,000</b>  | <b>18,560</b> |
| <b>Capitalisation &amp; Programme Management</b>                     |               |                |               |               |                |               |               |                |               |
| Capitalisation of various items                                      | 1,000         |                | 1,000         | 500           |                | 500           | 200           |                | 200           |
| Programme Management Office  | 180           |                | 180           | 180           |                | 180           | 180           |                | 180           |
| Harrow Heritage Trust Grant (capital grant)                          | 15            |                | 15            | 15            |                | 15            | 15            |                | 15            |
| Provision for Small Schemes etc                                      | 500           |                | 500           | 250           |                | 250           | 250           |                | 250           |
| <b>Sub total</b>   | <b>1,695</b>  | <b>0</b>       | <b>1,695</b>  | <b>945</b>    | <b>0</b>       | <b>945</b>    | <b>645</b>    | <b>0</b>       | <b>645</b>    |
| <b>Total Programme</b>   | <b>71,085</b> | <b>-30,331</b> | <b>40,754</b> | <b>61,160</b> | <b>-23,590</b> | <b>37,570</b> | <b>62,647</b> | <b>-34,037</b> | <b>28,610</b> |
|  |               |                |               |               |                |               |               |                |               |

| HOUSING REVENUE ACCOUNT                | 2008 - 09     |          |               | 2009 -10      |          |               | 2010 -11     |          |              |
|--|---------------|----------|---------------|---------------|----------|---------------|--------------|----------|--------------|
|  | £000          | £000     | £000          | £000          | £000     | £000          | £000         | £000     | £000         |
|  | Gross         | External | Net           | Gross         | External | Net           | Gross        | External | Net          |
| <b>Housing Services (HRA)</b>          |               |          |               |               |          |               |              |          |              |
| HRA Housing Capital Programme          | 11,219        |          | 11,219        | 10,000        |          | 10,000        | 5,500        |          | 5,500        |
| Provision for new BTP projects         | 781           |          | 781           |               |          |               |              |          |              |
| Aids and adaptations to council houses | 500           |          | 500           | 500           |          | 500           | 500          |          | 500          |
| <b>TOTAL</b>                           | <b>12,500</b> | <b>0</b> | <b>12,500</b> | <b>10,500</b> | <b>0</b> | <b>10,500</b> | <b>6,000</b> | <b>0</b> | <b>6,000</b> |