

Meeting:	Cabinet
Date:	12 February 2009
Subject:	Capital Programme 2009-10 to 2011-12
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett: Corporate Director of Finance
Portfolio Holder:	Councillor David Ashton, Portfolio Holder for Strategy, Partnership and Finance
Exempt:	No
Enclosures:	Appendix 1 – Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposed capital programme for 2009-10 to 2011-12.

Recommendations:

That Cabinet recommends the capital programme for 2009-10 to 2011-12 to Council for approval.

Reason: (For recommendation)

To ensure that the Council has an approved capital programme for 2009-10 to 2011-12.

Section 2: Report

Development of the new programme

1. The Council is facing significant financial challenges as a result of the current state of the economy and the Capital Programme will be maintained under continuous review. Some items in the programme may be deferred or deleted. Controls will be put in place for detailed business cases to be prepared for schemes prior to commencement. Individual lines over £250k will be subject to explicit approval by the Leader before commencement. Leader approval will not apply to fully grant funded schemes or rolling programmes of maintenance.
2. The Capital Programme includes provision for:
 - New projects emerging from the Business Transformation Partnership (BTP)
 - ICT infrastructure
 - Social care establishment improvements
 - Whitmore School
 - Education modernisation and improvement
 - Schools grant funded devolved capital
 - General Fund housing projects.
 - Public Realm improvements
 - Improvements to leisure and cultural facilities
 - High priority major works to corporate buildings
 - A provision for economic development and regeneration projects
 - The HRA Housing Improvement Programme

The summary is attached at Appendix 1.

3. The value of the general fund programme is £53m for 2009-10, with external funding of £24m and a net cost to the Council of £31m. The Housing programme for 2009-10 is £7m.

Private Finance Initiative (PFI)

4. The Council is securing the construction of three neighbourhood resource centres for people with learning disabilities. Financial close was March 2008. The construction of the new centres will take place during 2009-10 through the LIFTco, with handover expected around April 2009 and fitting out during April to June 2009. The revenue budget provides for the affordability gap from 2009-10. The capital programme (Adults Services) provides for expenditure on furniture and equipment for the new centres.

Backlog Maintenance

5. The Council has considerable backlog maintenance – the figures from the Asset Management Plan are as follows:
 - i) School buildings, £37.8m
 - ii) Corporate and Education buildings, £13.3m

iii) Highways, £153.5m

6. The level of investment contained within this programme does not address the backlog, other than in relation to primary schools, however the Council does not have the resources to do so in the short term. The BSF programme for high schools will assist with the backlog maintenance in high schools but it is not clear when this additional funding will be forthcoming.

7. 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.

Capital Receipts

8. The capital programme approved in February 2008 had assumed significant capital receipts in respect of disposals at Gayton, Byron and elsewhere in the borough. The credit crunch has severely restricted the financial resources available to the commercial property markets, effectively freezing property transactions dependent on borrowing, and/or reducing property values significantly below acceptable normal market value. It is not clear when the market will return to normality and disposals are assumed to be nil in 2009-10. For the purpose of forward planning it has been assumed that £5m p.a. will be realised from miscellaneous sales from 2010-11 onwards, although this assumption will need to be kept under review.

Targeted Capital Fund

9. The Department for Children, Schools and Families (DCSF) announced provisional grant allocations last year of £2m in 2009-10 and £6m in 2010-11. This has been included at the announced levels pending final confirmation. It is intended for strategic projects focusing on:

- putting in place diploma provision for 14— to 19-year-olds
- improving poor condition buildings for children with special educational needs and disabilities.

LBH Anywhere

10. Following the agreement of the Council's IT strategy at Cabinet in December 2008 the LBH Anywhere project is being developed alongside the service delivery model. It will deliver flexible, scalable and cost effective technology solutions that:

- Underpin the Council's ability to deliver across all of its flagship actions by improving the flexibility and resiliency of ICT service provision.
- Ensure system availability is maintained so essential services are accessible and business not disrupted in the case of a Disaster Recovery / Business Continuity event.
- Facilitate the Council's strategy for more flexible, mobile and remote working ("Employer of Choice")

PricewaterhouseCooper are currently working on the business case for the project. It is anticipated the project will in the medium term facilitate savings on the Council's use of accommodation as well as enable savings in the IT service itself. It will also provide the most cost effective means of providing a Disaster

Recovery solution to address the weaknesses in the Council's current arrangements.

Possible Acceleration of School Capital Funding

11. As part of the Government's response to the current economic position authorities have been invited to request that Grant funded capital be advanced from 2010-2011 to 2009-2010. Harrow has requested that £10.4m of expenditure is advanced. The outcome of Harrow's request is anticipated to be known in the next few weeks.

Capital financing

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

- External Funding in the order of £24m, primarily from the DCSF and Transport for London
- Major Repairs Allowance (Housing Revenue Account)
- Capital Receipts (anticipated to be around £5m from 2010-11)
- Borrowing

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

Table 1: New borrowing requirement

	2009-10 £m	2010-11 £m	2011-12 £m
Net planned spending	32	25	29
Capital Receipts	0	5	5
Funded by Borrowing	32	20	24
<i>Borrowing Analysis</i>			
Supported Borrowing (Education)	6	4	4
Unsupported Borrowing	26	16	20
Total Borrowing	32	20	24

14. The estimated revenue implications of this new borrowing, are set out below:

Table 2: Revenue Implications of Capital Programme

	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
Interest	236	1,219	1,300	379
MRP	0	2,651	1,070	698
Total additional cost	236	3,870	2,370	1,077

Assumptions:

- i) Borrowing is internal borrowing in 2009-10 resulting in a loss of investment income at 1.5%. External borrowing is 3.5% in 2010-11 and 4.5% in 2011-12 and takes place in the first quarter of the financial year
- ii) MRP is as required under the new capital financing regulations and varies according to the life of the asset. It is charged from the year following completion of the scheme.

15. Total planned HRA borrowing amounts to £2m in 2009-10, £0.8m in 2010-11 and £1m in 2011-12. The cost of the borrowing is reflected in the housing revenue account

16. 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

17. Financial matters are integral to the report.

Performance Issues

18. 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. Financial management is a key part of the Use of Resources assessment, Harrow's score for financial management is currently 2 out of 4.

Environmental Impact

19. The environmental impacts of individual schemes will be identified in the business cases for the individual schemes in the programme.

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

20. The individual schemes within the programme will either be incorporated within departmental registers or have individual registers.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 2 February 2009		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 2 February 2009		

Section 4 – Performance Officer Clearance

Name: Tom Whiting.	<input checked="" type="checkbox"/>	on behalf of the* Divisional Director (Strategy and Improvement)
Date: 2 February 2009		

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 28 January 2009		

Section 6 - Contact Details and Background Papers

Contact: Steve Tingle 020 8420 9384 steve.tingle@harrow.gov.uk

Background Papers:
December Draft Capital Programme Report to Cabinet