

Meeting:	Cabinet
Date:	17 December 2009
Subject:	Draft Capital Programme 2010-11 to 2012-13
Key Decision: (Executive-side only)	Yes
Responsible Officer:	Myfanwy Barrett: Corporate Director of Finance
Portfolio Holder:	David Ashton (Portfolio Holder for Finance and Portfolio Co-ordination)
Exempt:	No
Enclosures:	Appendix 1 – Summary Draft Capital Programme

## Section 1 – Summary and Recommendations

This report sets out the draft capital programme for 2010-11 to 2012-13 and forms part of the annual budget review process.

### **Recommendations:**

The Cabinet agrees the draft capital programme for 2010-11 to 2012-13.

### **Reason: (For recommendation)**

To publish the draft capital programme as part of the annual budget review process and to enable forward planning.

## Section 2: Report

### Development of the Capital Programme

1. The draft capital programme is a three year rolling programme. The programme will be finalised and reported back to February Cabinet and Council for approval. It has been developed taking account of the Council's corporate priorities and also the condition of its assets. The corporate priorities are:

- deliver cleaner and safer streets
  - improve support for vulnerable people
  - build stronger communities
2. The capital programme is constrained by a number of factors:
- Unavoidable spending requirements such as major repairs to the Councils 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 DCSF grants for schools.
  - The limited availability of capital receipts given the current depressed property market.
  - Limited capacity to fund borrowing. 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.

3. The draft programme includes provision for:

deliver cleaner and safer streets

- Public Realm improvements

improve support for vulnerable people

- Social care establishment improvements
- General Fund housing projects
- The HRA Housing Improvement Programme

build stronger communities

- Improvements to leisure and cultural facilities
- A provision for economic development and regeneration projects
- Education modernisation and improvement
- Schools capital grant funding allocated directly to individual schools
- Whitmore School

Other

- New projects emerging from the Business Transformation Partnership (BTP)
- ICT infrastructure
- High priority major works to corporate buildings

The draft summary is attached at Appendix 1.

4. The value of the general fund programme is £38m for 2010-11, with external funding of £11m and a net cost to the Council of £27m. The Housing programme for 2010-11 is £7.6m.

### Backlog Maintenance

5. The Council has considerable backlog maintenance – the figures from the Asset Management Plan are as follows:

- i) School buildings, £33.9m
- ii) Corporate and Education buildings, £12.1m
- 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.

## 8. LBH Anywhere

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")

The details of this proposal will be the subject of a further report to Cabinet before commencement.

## 9. Education

The programme includes provision for works to support the change in the age of transfer to high school to year 7. Over 2000 more pupils will be in Harrow's high schools from September 2010. There is also provision to improve the catering facilities in schools in order to provide school meals in accordance with the Government's food and nutritional standards and to increase the take-up rate.

### Capital Receipts

10. The capital programme assumes that £5m p.a. will be received in capital receipts.

## **Capital financing**

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

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

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

**Table 1: New borrowing requirement**

	2010-11 £m	2011-12 £m	2012-13 £m
Net planned spending	28	15	13
Capital Receipts	5	5	5
<b>Funded by Borrowing</b>	<b>23</b>	<b>10</b>	<b>8</b>
<i>Borrowing Analysis</i>			
Supported Borrowing (Education)	7	0	0
Unsupported Borrowing	16	10	8
<b>Total Borrowing</b>	<b>23</b>	<b>10</b>	<b>8</b>

13. The revenue implications of this new borrowing, in the context of the Council's treasury management activity, are set out in the table below. The revenue implications have been factored in to the revenue budget report for 2010-11 to 2012-13 being considered elsewhere on the agenda. The table below excludes the revenue implications of capital expenditure occurring before 2010-11 and which would be incurred anyway.

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

	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Interest	521	1,296	1,774	1,999
MRP	0	1,361	2,121	2,606
Total additional cost	521	2,657	3,895	4,605

Assumptions:

- i) Borrowing is assumed to occur half way through the year and so give rise to a half year's interest cost in the first year, rising to a full year in the following 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.

14. Total planned HRA borrowing amounts to £3.8m in 2010-11, £1.2m in 2011-12 and £1m in 2012-13. The cost of the borrowing is reflected in the housing revenue account

15. 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

- Financial matters are integral to the report.

### Performance Issues

- 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 acts. 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 3 out of 4.

### Environmental Implications

- No specific Environmental implications.

### Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 7/12/09.....		
Name: George Curran	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: ...7/12/09.....		

### Section 4 – Performance Officer Clearance

Name: Alex Dewsnap	<input checked="" type="checkbox"/>	Divisional Director Partnership Development and Performance
Date: 4/12/09		

### Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 7/12/09		

## **Section 6 - Contact Details and Background Papers**

Contact: Steve Tingle 020 8420 9384 [steve.tingle@harrow.gov.uk](mailto:steve.tingle@harrow.gov.uk)

Background Papers:  
None