

REPORT FOR: **CABINET**

Date of Meeting:	11 February 2010
Subject:	Capital Programme 2010-11 to 2012-13
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett, Corporate Director Finance
Portfolio Holder:	Councillor David Ashton, Leader and Portfolio Holder for Strategy, Partnership and Finance
Exempt:	No
Decision subject to Call-in:	No
Enclosures:	Appendix 1 – Summary Capital Programme

Section 1 – Summary and Recommendations

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

Recommendations:

The Cabinet recommends Council to agree the capital programme for 2010-11 to 2012-13.

Reason: (For recommendation)

To ensure that the Council has an approved capital programme for 2010-11 to 2012-13.

Section 2 – Report

Development of the Capital Programme

1. The capital programme is a three year rolling programme. The draft programme was reported to Cabinet in December 2009. The programme now proposed has just two changes, compared to the draft, increasing the capitalisation figure by £10k in 2010-11, and increasing the HRA provision by £1m to reflect slippage from 2009-10. The programme 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 Summary Capital Programme is attached at Appendix 1.

4. The gross 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, £61m
 - ii) Corporate and Education buildings, £14.6m
 - iii) Highways, £165m
6. The level of investment contained within this programme does not address the backlog, other than in relation to primary schools. 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 resilience 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.

10. Supported Accommodation

A strategy for supported accommodation is currently being developed by the Adults and Housing Directorate. This will be subject to consultation and will come forward to Cabinet for approval in due course. Once the strategy has been agreed, it may generate proposals for capital schemes. Any such schemes will be supported by a full business case and considered on an individual basis during 2010-11.

11. Capital Receipts

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

12. Housing Revenue Account

The Housing Revenue Account capital programme seeks to strike a balance between delivery of the Decent Homes Target and maintaining other aspects of the stock, which are not covered by the national decency standard (e.g. lifts and environmental improvements). A rolling three-year programme is being developed in consultation with the Harrow Federation of Tenant and Resident Associations. The decent homes target will be met during 2010 with proposed expenditure of approximately £3 million within the main programme. The remainder of the programme is made up of commitments carried forward from the 2009/10 programme and a variety of schemes to improve or renew the stock infrastructure (lifts, warden call, door entry, communal aerials etc). It should be noted that as much as £450,000 could be needed to address structural issues that have been on hold for some time.

Beyond 2010/11 the programme will continue to have kitchen and bathroom renewals, as in the previous decent homes programme but these will need to be balanced with more external works (roofs, windows

etc). The Housing Service is drawing up a series of programmes based around:

- Kitchens & rewires
- Bathrooms and Central Heating
- Roofs. Windows and doors (together with any other external works)

Capital financing

13. 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

14. 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
Funded by Borrowing	23	10	8
<i>Borrowing Analysis</i>			
Supported Borrowing (Education)	7	0	0
Unsupported Borrowing	16	10	8
Total Borrowing	23	10	8

15. 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 (Minimum Revenue Provision) 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.
16. Total planned HRA borrowing amounts to £3.9m in 2010-11, £1.4m in 2011-12 and £1.3m in 2012-13. The cost of the borrowing is reflected in the housing revenue account
17. 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

18. Financial matters are integral to the report.

Performance Issues

19. 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. Service Directorates were required to put forward their capital proposals as part of the Council's budget setting process which commenced in the autumn of 2009. The programme within this report is therefore an amalgam of those proposals which were agreed through the Council's Challenge Panel process chaired by the Leader of the Council.
20. 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 and Harrow's score for financial management is currently 3 out of 4.

Environmental Impact

21. Capital expenditure of this scale will have an environmental impact on the council's operations and the borough. Some of the projects will increase impacts and some will reduce these impacts.. The council adopted a new climate change strategy in September 2009 and some of the proposed projects will specifically support the strategy in terms of mitigation and adaptation.

Risk Management Implications

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

Corporate Priorities

23. Individual projects within the capital programme support the Council's corporate priorities as described in paragraph 3.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 21 January 2010		
Name: George Curran	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 12 January 2010		

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap	<input checked="" type="checkbox"/>	Divisional Director Partnership, Development and Performance
Date: 13 January 2010		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of the
Divisional Director
(Environmental
Services)

Date: 12 January 2010

Section 6 - Contact Details and Background Papers

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

Background Papers: Draft Report to December 2009 Cabinet, agenda item 13

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

*(for completion by Democratic
Services staff only)*