	Financial Performance and Contracts Committee **28th October 2019**
Title	**Capital Programme 2019-2025**
Report of	Director of Finance (Section 151 Officer)
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Capital Programme by Theme Committee Appendix B: Capital Programme by Directorate
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Summary

This report contains a deep dive into the current capital programme including its purpose, its funding and progress in its delivery.

Officer Recommendations

1. That the Committee note the current position of the Capital Programme;
2. That the Committee consider whether there is any additional information they require in relation to the contents of the report.

1. Purpose of the capital programme

1.1. Delivering successful capital programmes can improve the quality of services that councils provide. It can help achieve local outcomes and improve the overall efficiency of how the public sector service provision operates and can reduce costs in the long term. To deliver successful capital programmes, councils need to ensure plans are well-designed and well-executed. Poor planning and lack of accountability and leadership can undermine investment. Good programme and project management increase the likelihood that investment is well-directed, delivered to time, cost and quality targets and provides the intended benefits.

1.2. The council should have a clear vision for capital investment - aligning major capital investment activity to the strategic objectives of the council. A clear vision should focus on ensuring the right buildings, infrastructure and equipment are in place to support service delivery. Delivering sustainable services, achieving local outcomes and maintaining and developing the existing asset base should be the main drivers for major capital investment.

1.3. The capital programme at the London Borough of Barnet sets out the council's plans for investment in buildings, roads, equipment and other assets, and how they will be funded. Both the revenue budget and the capital programme are linked to Barnet 2024 , focussing limited resources on priorities and taking outcomes and taxation consequences into consideration.

1.4. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report. The council's current capital strategy report covers the strategic context to capital investment within Barnet and sets the objectives of the capital strategy as follows:

- Maintain an affordable rolling capital programme of up to ten years
- Ensure capital resources are aligned with the Council's strategic vision and corporate priorities
- Undertake prudential borrowing only when there are sufficient monies to meet, in full, the implications of capital expenditure, both borrowing and running costs
- Maximise available resources by actively seeking appropriate external funding and disposal of surplus assets

1.5. The capital strategy also sets the priorities for capital investment as follows:

- Driving and supporting responsible growth and development as a critical component of financial sustainability and independence
- Improving outcomes and supporting a reduction in demand on services
- Enabling delivery of high value changes in the MTFS
- Enabling delivery of new statutory requirements
- Maintaining a balanced and affordable approach to funding

2. Capital programme approval and monitoring process

2.1. The council's capital programme is approved annually by full council as part of the Medium Term financial Strategy (MTFS). In March 2019, the updated Corporate Plan (Barnet 2024) was approved by Council. This sets the strategic direction of the council, including the high level outcomes for the borough, including the approach.

2.2. The capital programme is monitored on a monthly basis by various officer groups. Any additions or changes to the capital programme are presented to Policy and Resources Committee for approval. The changes include updates on funding, project slippage or accelerations and budget virements. The Financial Performance and Contracts Committee is also presented with progress reports on the delivery of major projects for oversight and scrutiny.

2.3. When the capital programme is approved the inclusion of schemes within the capital programme is based on a 'best estimate' of when delivery and completion should be achieved and a profile of expected spending across the financial years. Slippage reflects delays in the physical progress of a project against this approved profile and is measured in financial terms by comparison of actual against anticipated payments, however is not always controllable and to some extent can reflect over ambitious spending profile rather than delays in a programme. The end of each financial year (31st March) is used as the fixed point in time against which the extent of progress on the delivery of a project is assessed. Slippage can be controllable to varying degrees, and common causes are detailed below.

Lower level of control:

- Legal constraints;
- Physical works (e.g. delays in groundworks);
- Supplier related (e.g. supplier failure);
- Changes to project scope;
- Profiling of availability of key resources.

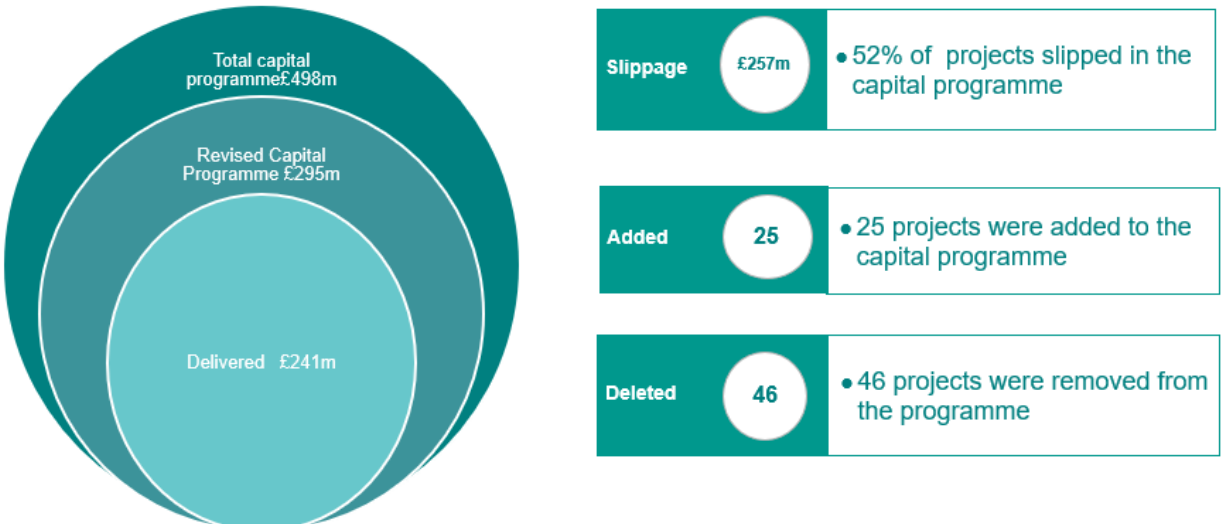
Higher level of control:

- Contingency and / or retention budgets being profiled into current year rather than at the end of the project;
- Budgets for projects not yet in flight profiled in year;
- Affordability of the scheme causing a pause;
- Budget profiling error at the initial authorisation of the scheme;
- Project managers not updating project profiling regularly in line with delivery.

2.4. In financial terms, slippage in the delivery of the capital programme has an impact on the Treasury Management Strategy. It can lead to an assumption of borrowing that will have to be undertaken which is inaccurate and means the council is committed to revenue costs in association with that borrowing. Slippage can also have a short term positive impact on revenue budgets. In recent years slippage has resulted in one-off revenue underspends in capital financing costs as a result of borrowing being lower than anticipated.

2.5. Like most public sector bodies, the council has experienced significant slippage in capital projects in most financial years. In 2018/19 financial year the level of borrowing

needed has been less than planned, even after adjusting for changes in the amount of external grant funding or capital receipts. The graphic below displays the key information relating to the 2018/19 Financial year:



2.6. On 3rd October 2019, Policy and Resources Committee approved slippage of £153.447m from 2019/20 financial year into future periods. Whilst this value is significant, it is part of a sustained effort to improve the accuracy of the current programme and support stronger financial management. However, more work needs to be done to ensure slippage isn't just being moved to the next year.

3. Planned Improvements

3.1. Uncertainty and risks are inherent in long term capital planning, making it difficult to estimate both the scale of expenditure and its timing at the outset of projects. However, there are a number of controls and improvements the council has introduced to improve the capital budgeting and monitoring processes. These improvements are aimed at improving the accuracy of the capital programmes profiling and their related expenditure to strengthen the decision making process in light of the limited financial resources.

3.2. In 2019/20 new developments in the budget monitoring systems and reporting were introduced and it is now possible to monitor the programme over 6 years on a service-by-service and scheme-by-scheme basis in a systematic way on Integra. The aim was to improve the capital budget setting and monitoring process in accordance with recommendations made by Grant Thornton.

3.3. The budget monitoring process for capital schemes is reviewed regularly to determine if additional and proportionate controls could be implemented to improve the ability of finance business partners and senior management to detect unexpected variations. Capital budget monitoring training was also developed for budget managers. The capital budget monitoring training includes raising awareness of the detrimental impact of forecasting to budget for capital; e.g. due to the borrowing costs associated with funding the capital programme.

3.4. For the purpose of development and maintenance of a capital programme, the Capital Strategy Board (CSB) was setup in 2018 to have officer oversight of the Council's capital

programme and ensure that it is consistent with Council priorities. The CSB is an officer body with a remit to discuss capital strategy at a senior director level cross cutting level. It takes any decision-making power from the delegated authority of officers attending as set out in the Financial Regulations and the Council's Constitution.

3.5. CSB's role includes identifying and monitoring the resources available to fund the capital programme ensuring all approved schemes are fully funded. The Board also monitors and reviews progress of the capital programme and key variances between plans and performance.

3.6. A new Assistant Director was also created for Capital Works. The postholder will be a core member of the Capital Strategy Board and will chair internal Education Capital Scheme Board, Development Scheme Board and Operational Capital Scheme Board, thereby managing a significant proportion of the forecasted pipeline of schemes. The responsibility of the new role excludes all regeneration schemes including Brent Cross related programmes.

4. Funding options and associated rules

4.1. The capital programme shown above is funded from the following sources:

- **Grants:** capital grants from central government departments (e.g. MHCLG) or other partners (Transport for London, Education Funding Authority);
- **S106:** developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe;
- **Community Infrastructure Levy (CIL):** developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use; paid into infrastructure reserve;
- **Capital Receipts:** these are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets; and
- **Borrowing:** typically, Public Works Loan Board loans to support capital expenditure; this type of capital funding has revenue implications (i.e. interest and provision to pay back loan)

4.2. Capital receipts

- The current capital programme is estimating to spend £1.120bn over the next five years, £41.01m of which is planned to be funded by capital receipts. Current receipts are standing at £21.19m with £19.36m being HRA receipts and the remaining £1.83m are General Fund (GF) receipts. However, £1.4m of the GF receipts have been ringfenced and set aside as they are in dispute with Barratts and may need to be refunded.
- Of the £41.01m capital receipts, £26.01m will be funded from HRA capital receipts (RTB Receipts). Current HRA capital receipt balances plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.
- The remaining £15m is expected to come from General Fund capital receipts. With £12.34m needed in 2019/20. There are currently no General Fund disposals in process however it is estimated that capital receipts by the end of the year will be £10m
- Assuming no further disposals for the General Fund for 2019/20 there is a gap of £12.01m.

- If no capital receipt was generated in 2019/20, the capital receipt funding will be replaced by borrowing. This will result in additional £0.21m interest costs in 2019/20 and £0.4m of MRP increase in 2020/21 and future years.

4.3. Capital Grants & Contributions (including s106 and CIL)

- The current capital programme funding forecast shows £493.11m will be funded from Capital Grants and Contributions. Of this value, S106 and CIL combined are standing at £62.7m of the total Capital Grants and Contribution funding.
- Based on the current capital programme forecast and future estimates it is expected that there will be enough S106 contributions to fund the relevant projects.
- Based on the current forecasts for CIL funded projects, there is a gap of £4.62m in 2019/20. Should there be slippage, this gap will reduce.
- The projected plan to use S106 and CIL contributions and the funding gaps/surplus balances for each year are detailed in the tables below:

4.4. Capital Financing and Borrowing

- The council has been able to 'internally borrow' funding for a period of time due to cash held in relation to its reserves and liabilities it has not yet had to pay
- This cash positive situation is starting to switch over to a position requiring additional borrowing as a result of significant capital expenditure
- Every £1m of capital funding through borrowing requires a revenue provision of around £53k to be set aside for 40 years until the loan is repaid
- Based on the revised capital forecasts there will be a borrowing requirement of £143.01m in 2019/20 with £12.59m relating to HRA borrowing which will not require any MRP charges.
- The council has taken £80m of additional long term borrowing so far from a planned £160m (GF share £124m) of new debt at an average rate of 2.1%. This generates additional annual GF interest of £2.604m.
- The table below shows the current Capital Financing costs as per the latest forecasted capital expenditure to be funded from Borrowing and is illustrative only.

	2019/20	2020/21	2021/22	2022/23	2023/24
Borroiwng B/F	212,088	345,208	447,918	501,655	535,244
In Year Borrowing	133,120	102,710	53,737	33,589	33,000
Total Borrowing	345,208	447,918	501,655	535,244	568,244
Cost of Borrowing					
Interest Costs (Old Borrowing)	4,297	4,297	4,297	4,297	4,297
Interest Costs (New Borrowing)	1,680	2,810	4,531	5,491	6,224
Total Cost of Borrowing	5,977	7,107	8,828	9,788	10,521

- The cost of borrowing for certain schemes is underpinned by additional income. The key schemes which will contribute are Open Door, Saracens loan and Strategic Infrastructure Fund.

5. Capital programme and its relationship to the revenue budget

5.1. There is a direct links between capital spending and other council financial activity such as treasury management and revenue spending. Capital programme investment is linked to future service delivery requirements and achieving local outcomes and priorities. These outcomes and priorities can be financial and/or non-financial.

5.2. In assessing the capital programme, the financial impact of the borrowing costs and the future return on investment is monitored regularly. For example, the council's capital expenditure plans are a key driver of treasury management activity. The borrowing requirement for the capital programme can change due to slippages, acceleration, additions and/or funding swap due to shortages in other funding sources. Increases or decreases in borrowing requirements results in changes to level of debt and subsequently financing costs (Interest charges) on revenue budgets in any financial year and also over the long term.

5.3. The accuracy of the council's forward projections for borrowing and revenue budgeting for financing costs are dependent on the accuracy of the approved capital programme, accurate profiling of schemes spending in each year and the availability of all funding sources i.e. capital receipts and other grants and contributions.

5.4. Nonetheless, in addition to interest cost charged to revenue, local authorities are required to charge Minimum Revenue Provision (MRP) to revenue for any capital spend that was funded through borrowing in previous years. MRP charges are usually charged on a straight-line basis over the life of the asset created from any specific capital programme. This is akin to depreciation however it is a real cost which must be funded from the council's revenue bottom line.

5.5. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to this guidance. It is the responsibility of the Section 151 officer to deem whether the policy is 'prudent' and it is something the External Auditor will take a view on each year during the year end audit.

5.6. It is a statutory duty for the council to determine and keep under review how much it can afford to borrow. The council is required to make sure that the total capital investment remains with sustainable limits and that the impact upon its future council tax and council rent levels is 'acceptable'.

5.7. The table below shows the current and projected MRP charges from the capital programme over the next five years:

	2019-20	2020-21	2021-	2022-23	2023-24	2024-2025	2025-26

			2022				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure Prior to 1 April 2008 (4% reducing balance)	1,588	1,524	1,463	1,405	1,349	1,295	1,243
Capital Expenditure 2008/09 to 2016/17	7,518	6,236	5,636	5,008	4,780	4,678	4,360
2017/18 Capital Expenditure	689	689	689	741	741	741	741
2018/19 Capital Expenditure	1,764	1,764	1,764	2,189	2,189	2,023	2,023
2019/20 Capital Expenditure	0	3,316	3,316	4,100	4,018	4,018	4,018
2020/21 Capital Expenditure	0	0	889	889	889	889	889
2021/22Capital Expenditure	0	0	0	1,092	1,092	1,092	1,092
2022/23Capital Expenditure	0	0	0	0	665	665	665
2023/24Capital Expenditure	0	0	0	0	0	660	660
	11,559	**13,529**	**13,757**	**15,423**	**15,723**	**16,060**	**15,691**

6. Current Capital programme

6.1. The council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). Capital projects are considered within the council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

6.2. Following approval by the Policy and Resources Committee on the 3rd October, this paper sets out the Council's latest capital programme position which is set over a six year timeframe. The proposed Capital programme for 2019/120 to 2024/2025 takes the essential elements of the previous years' programmes and moves them forward in the context of the financial and political environment for 2019/20. The current approved Capital Programme totals £1.121bn and is set out below in summary form.

Theme Committee	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	14,884	795					**15,679**
Assets, Regeneration & Growth	334,303	191,483	91,407	46,600	32,850		**696,643**
Children, Education & Safeguarding	25,192	16,284	7,769	539			**49,784**
Environment	23,751	13,751	6,250	50			**43,802**
Housing	21,388	6,024					**27,412**
Policy & Resources	20,402	9,449					**29,851**
Total - General Fund	**439,920**	**237,786**	**105,426**	**47,189**	**32,850**		**863,171**
Housing (HRA)	40,748	92,335	64,299	25,625	16,911	17,721	**257,637**
Total - all services	**480,668**	**330,121**	**169,725**	**72,814**	**49,761**	**17,721**	**1,120,808**

6.3. The capital programme shown above is funded from the following sources:

Theme Committee	Grants	S106	Capital Receipts	RCCO/ MRA	CIL	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	2,000	700	500		10,291	2,188	**15,679**
Assets, Regeneration & Growth	362,268	14,764	12,677		15,732	291,202	**696,643**
Children, Education & Safeguarding	39,235	3,536	910		852	5,251	**49,784**
Environment	3,156	965	3,380	440	12,040	23,821	**43,802**
Housing	6,012	3,817	4,137	650		12,796	**27,412**
Policy & Resources			6,074	5		23,772	**29,851**
Total - General Fund	**412,671**	**23,782**	**27,678**	**1,095**	**38,915**	**359,030**	**863,171**
Housing (HRA)	17,740		13,331	141,162		85,404	**257,637**
Total - all services	**430,411**	**23,782**	**41,009**	**142,257**	**38,915**	**444,434**	**1,120,808**

7. Explanation of the current programme

7.1. The above capital programme is presented using the council's decision-making theme committees. To support delivery of the outcomes in the capital programme and in line with the Corporate Plan, each Theme Committee will be responsible for delivering the programmes that fall within its remit.

7.2. **Adults and Safeguarding Committee** Is responsible for all matters relating to vulnerable adults, adult social care and leisure services and currently has a total budget of £15.7m. The largest project within this committee is the Sport and Physical Activities with a budget of £12.7m. The purpose of the scheme is the delivery of two new leisure centres at Barnet Copthall and Victoria Recreation Ground in New Barnet, funded through a combination of Community Infrastructure Levy (CIL), Capital receipts and other Grants.

There are a number of positive revenue implication from the is the Sport and Physical Activities capital programme. This include the New leisure management contract (awarded in 2017) to provide anticipated annual average income of £1.6m per annum. This represents a £2.7m positive 'turnaround' from the previous position and delivers a saving within the MTFS.

A capital budget of £2.18m is currently being used for systems implementation and enhancements to enable better quality recording of client level information and data extraction for the Adults and Health directorate. This will help to manage performance and budgets robustly. £1.8m is currently ringfenced for phase 1 of BetterGov Mosaic implementation which included new user journeys, forms development and training along with reporting universe, warehouse development. Phase 2 of this project will deliver mental health recording, and custom-built reports for the directorate. There is a current pressure of £0.38m significant part of which will be met by HIE (Health Information Exchange programme).

7.3. **Assets, Regeneration & Growth committee** has biggest budget within the council's capital programme at £696.6m which accounts for 62% of the total council's budget. Brent Cross Cricklewood with a total budget of £402m is the largest programme in the Assets, Regeneration & Growth committee. The Committee has responsibility for regeneration strategy and oversee major regeneration schemes, asset management, employment strategy, business support and engagement. Below is a list of major projects within the committee:

- **Brent Cross Cricklewood - £16m**
  Brent Cross Cricklewood (BXC) is made up of two projects, Brent Cross North (BXN) and Brent Cross South (BXS). The projects will facilitate comprehensive regeneration of the 151 hectare area including affordable homes, employment, retail, leisure and social infrastructure such as schools, public realm and green space. This 'new town centre for London' will offer benefits to both the local population and, through its strategic location and enhanced connectivity, the whole Greater London region. Income will be generated over time in the form of land receipts received on the disposal of BXS development plots, growth in business rates from commercial development in both BXS and BXN and on-going council tax from the 7,500 new homes delivered. The Council secured three Compulsory Purchase orders to acquire the land needed to deliver the programme. Acquisition of land is funded from council borrowing.
- **Thameslink Station and Critical Infrastructure - £363m**
  The delivery of a new Thameslink mainline rail station and associated critical infrastructure works will provide local residents and visitors improved access to the area, pedestrian, cycling and vehicle links across the railway, and replace outdated waste and freight facilities. The station and critical infrastructure are funded by a partially repayable grant from the Ministry of Housing, Communities & Local Government.
- **Strategic Infrastructure Fund –£23m**
  The Strategic Infrastructure Fund represents a commercial funding agreement between Barnet and a joint venture with Argent Related, the BXS Limited Partnership (JVLP). The fund is being utilised for Strategic Infrastructure or such other Development Costs in respect of the redevelopment of BXS, which are recoverable by way of the Strategic Infrastructure Charge. It is anticipated that the funding provided by the council will be repaid in January 2020 via a separate facility agreement between Homes England and JVLP.
- **The Parks and Open Spaces Strategy (POSS) - £6.9m**
  Approved in 2016 this project outlines a strategic approach to guide future investment in parks, ensuring that they are practical and are part of the well-used fabric of a local community. The strategy also acknowledges that in consideration of regeneration and development, parks in Barnet will have to fulfil a new function in supporting the development of sustainable communities and attractive neighbourhoods and in bringing businesses and employment to town centres. There is a relationship to revenue budgets particularly in regard to ongoing maintenance and revenue income (café's, leisure etc) and underpins corporate outcomes in several areas including across wellbeing and health and strong Barnet economy as well as being a specifically mentioned as a priority in getting the best out of our parks. It should be noted some elements of these, particularly around design, are subject to further consultations with residents, users and negotiations with key partners. The overall programme is funded by CIL (£6.506m), other grants and s106 contributions.

- **New Build Housing & Housing acquisitions (Open Door) - £60m & £163m**
  With a combined budget of £223m, the purpose of these two programmes is to develop 320 new homes at affordable rent in the borough by 2022 and purchase of 500 residential properties in Greater London and other areas within 50-mile radius for use at affordable rent. The aim is to increase the supply of affordable housing for homeless households which will result in reduced pressure on the General Fund, by avoidance of higher Temporary accommodation costs. Nonetheless, the council will generate additional capital receipts from Open Door loan repayment which can be used to fund future capital programmes and reducing the revenue implication of further borrowing costs. The two programmes will be funded from Right To Buy receipts & PWLB Borrowing
- **Strategic opportunities fund - £26m**
  The budget was established for short-notice strategic purchases which will generate a return over and above the cost of investment. Any opportunities will be funded from borrowing.

7.4. **Children, Education & Safeguarding Committee** capital programme has a budget of £49.8m. The Committee has a wide range of responsibilities for all matters relating to children, schools and education. This includes approving the Children and Young People Plan and leading on the council's responsibilities under the Children Act 2004, Children and Social Work Act 2017 and Education and Inspection Act 2007.

The two elements to the Education programme include Modernisation programme which is used to improve school infrastructure and currently covers 28 schools with a 2019/20 budget of £3.5m. Additional Places programme for Primary & Secondary Schools is funded from the Basic need funding grant of £14.1m and it is used to deliver school places across 9 schools. This scheme has been able to re-provide 60 places at a primary school level and to create an additional 60 new places at a secondary school. This scheme has also allowed the provision of land to the DfE which in-turn, facilitated the building of the new 6 form entry Saracens High School.

The budget for Special Educational Need (SEN) Schemes for 2019/20 is £4.7m. This scheme has allowed an additional 34 SEN places to be created at 3 schools and 1 PRU.

The family services element of the capital programme in this committee has a budget of £2.6m in 2019/20 and this is across different programmes:

- Creation of new nursery places,
- Creation of a new children's home and loft conversions which will improved provision and help avoid future external high cost placements.
- IT infrastructure 'single view' of the child in one system. There are no financial benefits from this scheme, but the purpose of this programme is to the provision of better information.
- Library management system for upgrading current IT infrastructure and buildings helping to deliver £1.6m of revenue savings over 4 years.

7.5. **Environment Committee** is responsible for all borough-wide or cross-constituency matters relating to the street scene including, parking, road safety, lighting, street cleaning, transport, waste, waterways, refuse, recycling, allotments, parks, trees, crematoria and mortuary, trading standards and environmental health. The capital programme budget for this committee is £43.8m.

The overall Environment programme is £43.8m consisting of £23.8m borrowing and £20m of other funding and is firmly based in Barnet policy, priorities and supporting corporate outcomes together with resultant MTFS savings. The current capital programme has several significant key projects approved and ongoing as part of the strategy detailed in the report.

Corporate priorities include highways and a comprehensive programme is ongoing. The Network Recovery Programme £21.19m (£12m CIL and the balance £9.19m borrowing) is an agreed multi-year programme to improve the highway system in Barnet. This dovetails with the specific and general works ongoing around Highways works to improve the boroughs infrastructure, parking, environment, air quality and traffic flow £3.14m of which £2.4m is borrowing, CIL s106 and Grants bring in £0.72m. Due to contractor capacity to undertake programmes some slippage is being managed to balance workflows. Much of this is delivered through our partners in Re. Additionally the highways element of the LIP is £3.07m of grants bringing the total programme across highways excluding (parking infrastructure and proactive works) up to £27.4m.

Hendon Cemetery / Crematoria enhancement works is a priority and also supports revenue and is for £1.44m and is funded by borrowing, Revenue Contributions,and capital receipts; very roughly a third split from each.

Parking infrastructure includes works to develop signs, traffic cameras and zones and proactive works to ensure traffic safety and flow and environmental benefits. The work is a key priority for Barnet to ensure we keep the borough moving, supporting local business and on environmental improvements and anti-social behaviour. The planned total programme is £2.78m and is funded by £1.78m of borrowing and £1.01m of Capital Receipts.

LED Lighting is replacing existing street lighting with LED and has a £7.6m total planned budget all from borrowing, with both environmental and cost saving benefits already in MTFS the improved lighting effects will help across all the council priorities by giving a better night time perception.

The replacement of Waste and Street cleansing vehicles is a major capital spend that is both necessary due to the simple need to replace an aging fleet and will also save revenue costs/pressures and improve air quality among other benefits helping across a number of priorities and outcomes. With the routing software to aid in efficient route planning and execution (which further supports revenue, environment and air quality, anti-social behaviour and many of the other priorities) this gives a total programme focused on Streetscene Service of £2.83m funded by £1.66m borrowing and £1.18m of capital receipts.

7.6. **Policy & Resources** has a capital programme budget of £29.85m. This committee is responsible Strategic policy, finance and corporate risk management including recommending: Capital and Revenue Budget; Medium Term Financial Strategy; and Corporate Plan to Full Council.

Saracens loan is the biggest capital item within the Policy & Resources Committee portfolio. The loan agreement with Saracens Copthall LLP is for £22.9m repayable over 30 years at an interest rate of 6% for the purposes of constructing a replacement west stand as part of their Allianz park stadium at Copthall. It follows the P&R committee decision on 11th December 2018 to authorise the Deputy Chief Executive to take steps

to prepare the loan agreement. The council has made this loan (as a form of investment) to an organisation operating in the Borough that brings community benefit. The loan will be funded from borrowing. It will be borrowed by the council from the Public Works Loan Board (PWLB), the prevailing interest rate at which point the loan was agreed was 2.93% at October 2018. Although interest rates are more favourable at the moment the council will need to manage the interest rate risk. The loan is being drawn down by Saracens over time and to date this amounts to £1.7m.

The committee is also responsible for the I.T strategy capital programme with £2.98m remaining budget in 2019/20. This programme was agreed to support 'the way we work' (TW3) programme and deliver the internal digital transformation supporting this wider initiative. So far it has funded the implementation and deployment of a range of Microsoft products enabling more flexible working as accommodation is reduced. There is also an element to facilitate the move of staff into the new Colindale offices and an IT asset refresh programme (that replaces devices every 5 years on a rolling basis) and systems to reduce physical on-site storage.

7.7. **Housing (GF & HRA)** has a combine total capital programme budget of £280.16m (HRA - £252.75m and GF - £7.41m). This committee is responsible for housing matters including housing strategy, homelessness, social housing and housing grants, commissioning of environmental health functions for private sector housing. Below is a list of major programmes within the committee:

- **Direct Acquisitions (Phase 3) - £9.77m**
  This programme is for open market purchases of 90 affordable (out of borough) Housing. The outcomes desired is to increase the supply of affordable housing to homeless households and lower the costs of providing temporary accommodation, hence reducing the pressure on General fund revenue budgets. The funding source is PWLB General Fund Borrowing.
- **Micro site development for affordable housing - £5.46m**
  The purpose of this programme is to develop 17 new homes at affordable rent on council land to increase the supply of affordable housing for homeless households. The aim is to reduced pressure on the General fund revenue budget by avoidance of higher Temporary accommodation costs. This programme will be funded from a various funding sources (Section 106, GLA grant and & PWLB Borrowing)
- **Major Works - £41.39m**
  The budget provides for significant work programmes of energy efficiency, specific work to Athol houses as well as the cyclical external painting programme and work to wall and balconies. Significant spend is allocated to Decent Homes work, including the replacement of kitchens, bathrooms, doors and windows. This also includes estate improvements, including door entry systems. Funding source is HRA Major Repair Reserve
- **Regeneration - £4.75m**
  This budget is for work that falls outside of a major programme, e.g. due to no access or a particular problem has arisen. The work addresses key building components to ensure the property remains safe and is kept in good repair. It includes new windows, rewiring as well as new kitchens and bathrooms with similar volumes of work being carried out in each year. It also includes a budget for decanting properties and associated work to link in with the regeneration programme. Funding source is HRA Major Repair Reserve
- **Miscellaneous Repairs - £13.5m**

This HRA capital programme deals with the replacement of water mains, domestic and communal heating systems, aerials, one off electrical rewiring and re-roofing that falls outside of other programmes or is combined with other relevant work. Funding source is HRA Major Repair Reserve

- **M&E/ GAS £24.21m**
  Budget is for significant spend on domestic rewiring and the replacement of electrical rising mains in blocks of flats. It also includes a budget for the replacement of collapsed drains and the installation of new water mains. Funding source is HRA Major Repair Reserve
- **Voids and Lettings £22.42m**
  The voids budget, which also includes voids work on hostels and adaptations that are needed to make homes suitable for the particular needs of new tenants. Funding source is HRA Major Repair Reserve
- **Extra Care- housing (Stag & Cheshire) - £35M**
  The purpose of this HRA project is to develop 126 Extra Care homes at affordable rents for vulnerable older people to diversifying Barnet's accommodation to support older people and allow them to remain independent, give them security of tenure and further their quality of life. This will help in reducing pressure on the General fund, by minimising residential care costs which are higher than extra care costs. Funding for this project will be from HRA receipts and GLA grant
- **Barnet Homes GLA development programme - £27.63m**
  This HRA capital programme is for developing 87 new homes for affordable rent to increase the supply of homes in borough. This will help in increasing rent receipts to the HRA and reduced pressure on the General fund, by avoidance of higher Temporary accommodation costs. This programme will be Funded from a combination of GLA grant & HRA Borrowing
- **HRA acquisitions – £31m**
  The purpose of this HRA programme is to purchase of 82 residential properties in the borough for use at affordable rent. The desired outcome is to increase the supply of affordable housing for homeless household and reduced pressure on the General fund, by avoidance of higher Temporary accommodation costs. This programme will be funding from HRA PWLB Borrowing & Right To Buy receipts.
- **HRA Fire Safety Programme - £39.86m**
  The purpose of this HRA capital [programme is to ensure all of council's high-risk properties (high rise, sheltered schemes and hostels) meet and exceed the requirements of the fire regulations ensuring the tenants and leaseholders are safe and that the council is proactively meeting the expected changes to the building regulations. The funding of this capital programme will be from grants and HRA Major Repair Reserve.

8. Reasons for Recommendations

8.1 The report provides an overview of the council's capital programme and associated revenue implications as at month 5.

9. Alternative options considered and not recommended

9.1 None.

10. Post decision implementation

10.1 None.

11. Implications of decision

11.1 Corporate Priorities and Performance

11.1.1 The report supports the council's corporate priorities as expressed through the Corporate Plan for 2019-24 which sets out our vision and strategy for the next 5 years. This includes the outcomes we want to achieve for the borough, the priorities we will focus limited resources on, and our approach for how we will deliver this.

11.1.2 Our 3 outcomes for the borough focus on place, people and communities:

- a pleasant, well maintained borough that we protect and invest in
- our residents live happy, healthy, independent lives with the most vulnerable protected
- safe and strong communities where people get along well

11.1.3 The approach for delivering on this is underpinned by four strands; ensuring residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently

11.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

11.2.1 This report considers the financial position of the council in respect of the Capital Programme and associated revenue implications.

11.3 Social Value

11.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. The council's contract management framework oversees that contracts deliver the expected services to the expected quality for the agreed cost. Requirements for a contractor to deliver activities in line with Social Value will be monitored through this contract management process.

11.4 Legal and Constitutional References

11.4.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

11.4.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

11.4.3 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
- The council's major strategic contracts including (but not limited to):
  - Analysis of performance
  - Contract variations
  - Undertaking deep dives to review specific issues
  - Monitoring the trading position and financial stability of external providers
  - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

11.4.4 The council's Financial Regulations can be found at:
https://barnet.moderngov.co.uk/documents/s47388/17FinancialRegulations.doc.pdf

11.4.5 Section 2.4.3 states that amendments to the revenue budget can only be made with approval as per the scheme of virements table below:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the approved bottom line are approved by the Service Director
Virements between services (excluding contingency allocations) up to and including a value of £50,000 must be approved by the relevant Chief Officers
Virements between services (excluding contingency allocations) over £50,000 and up to and including £250,000 must be approved by the relevant Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee.

11.5 Risk Management

11.5.1 Various projects within the council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other council priorities will be required.

11.5.2 The revised forecast level of balances needs to be considered in light of the financial performance reported.

11.6 Equalities and Diversity

11.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

11.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation.

11.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

11.6.4 This is set out in the council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

11.6.5 Progress against the performance measures we use is published on our website at: www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

11.7 Corporate Parenting

11.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

11.8 Consultation and Engagement

11.8.1 None in the context of this report

11.9 Insight

11.9.1 None in the context of this report

12. Background Papers

Meeting	Description	Link
Financial Performance and Contracts Committee 19th June 2019 7pm	7 Chief Finance Officer report – Year End	https://barnet.moderngov.co.uk/documents/s53051/Finance%20Outturn%20report.pdf
Policy and Resources Committee Thursday 3rd October, 2019 7.00 pm	8 Business Planning 2020-25 and Budget management 2019/20	https://barnet.moderngov.co.uk/documents/s55387/Business%20Planning%202020-25%20and%20Budget%20Management%20201920.pdf