


<p>Cabinet</p> <p>25 November 2020</p>	 <p>TOWER HAMLETS</p>
<p>Joint report of Ann Sutcliffe, Corporate Director of Place Neville Murton, Corporate Director of Resources</p>	<p>Classification: Unrestricted</p>
<p>Additions to Approved Capital programme 2020-21 to 2022-23</p>	

Lead Member	Councillor Blake, Deputy Mayor and Cabinet Member for Adults, Health and Wellbeing and Capital Delivery
Originating Officer(s)	Jane Abraham, Interim Head of Capital Delivery
Wards affected	All
Key Decision?	Yes
Forward Plan Notice Published	12 October 2020
Reason for Key Decision	Financial Threshold
Strategic Plan Priority / Outcome	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>2. A borough that our residents are proud of and love to live in;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</p>

Reasons for Urgency

The report was not published five clear days in advance of the meeting. This is due to the additional time required to confirm the availability of funding sources to finance the additions to the programme and give time for finance and legal comments to be completed. This report seeks budget approvals for programmes, many of which are expected to be delivered in 2020/21, such as Liveable Streets projects, highway maintenance and the buy-back programme for the provision of temporary accommodation. If this report is not considered at this meeting, there will be insufficient time for these programmes to be delivered and this will have a negative impact on local residents.

Executive Summary

The purpose of this report is to seek approval for additions to the three-year capital programme, where funding sources have been identified and approval required to enable expenditure in 2020/21.

This follows the report to Cabinet on 23rd September 2020 which approved the capital programme for 2020/21 to 2022/23 totalling **£668.079m**, of which **£359.583m** is for the General Fund programme and **£308.496m** is for the Housing Revenue Account; and recommended approval for the new additions to the Annual Rolling Programme and Invest to Save programme, subject to funding sources been identified. The previous report also set out new and uncommitted schemes which met strategic priorities, but for which funding sources were not identified or available. Where funding sources have been identified for all or part of these schemes, approval is sought for these to be added to the capital programme.

There are various sources of funding available to the council for the capital programme, including external grants, s106 contributions, Community Infrastructure Levy (CIL) payments, capital receipts, including Right-to-Buy (RTB) receipts, and lastly, borrowing. The availability of each funding source to fund capital projects was considered in this order, to ensure that all other funding options had been maximised before drawing on capital receipts and borrowing.

As set out in the report to Cabinet in September, the principles on which this report is based are that approved projects will not proceed until identified funding sources have been received; the council will not borrow more than it can afford to repay; and if new schemes are prioritised above those already in the programme, they will need to replace existing approved schemes.

Whilst the total of capital receipts, s106 and CIL available to allocate from 2020-23 is estimated to be **£245.078m** this is based on the assumptions that more than £50.000m of the estimated capital receipts will be generated by disposals, and the s106 and CIL payments (some of which have spending restrictions) will come forward as programmed, despite recent events. The allocation of funding in this report is based on the funding sources that have been received and are available, which total **£85.202m** and seeks approval to allocate **£37.133m**.

Recommendations

The cabinet is recommended to:

1. Approve the budget allocation of **£37.133m** for additions to the Approved Capital Programme (Table 3) set out in this report, subject to sign off through the capital governance process, agreement to proceed given by the Corporate Director of Place and Corporate Director of Resources and that schemes funded by future capital receipts, s106 and/or CIL will not go ahead until such funds have been securely received (an appendix will be tabled at CLB)

2. Note the funding sources for the new additions to the Annual Rolling Programme, as set out in paragraph 4.7
3. Note the funding sources for the new additions to the Invest to Save programme, as set out in paragraph 4.8, subject to business cases being approved by the Corporate Director of Place and Corporate Director of Resources
4. Note the funding sources for the additional schemes being added to the Approved Capital Programme 2020/21 to 2022/23
5. Approve delegated authority to the Corporate Director of Place and Corporate Director of Resources for all activities required to deliver the additional schemes e.g. go out to tender, appoint consultants and contractors, acquire land interests, appropriate land from the General Fund to the Housing Revenue Account (HRA) for the delivery of new council homes, subject to approved budget
6. Note that this programme requires a reduction to Year 3 of the Streetlighting Replacement Programme by £0.060m to provide sufficient capital receipts for other priority schemes

1 REASONS FOR DECISIONS

- 1.1 The capital programme approved in September 2020 did not identify the funding sources for the additional projects. The new additions to the Annual Rolling Programme and Invest to Save programme were approved in September 2020, subject to funding sources being identified; and additional projects listed as new and uncommitted in the September 2020 report where funding sources have now been identified, in particular to enable delivery in 2020/21, are included in this report. Where new or uncommitted schemes have been confirmed as high priorities for delivery but where full funding has not been identified, funding options are set out for consideration.

2 ALTERNATIVE OPTIONS

- 2.1 The council is required to approve a capital programme that it can demonstrate it can fund. Funding sources are identified for the additions to the Approved Capital Programme presented in this report.
- 2.2 The alternative option would be to increase the capital programme without identifying funding sources, which would risk an increase the level of borrowing, put additional pressure to increase the level of capital receipts required, and in increasing the financial burden on revenue budget make the programme undeliverable with the resources available.

3 DETAILS OF THE REPORT

3.1 This report seeks funding approval for additions to the council's 2020-23 capital programme. This includes new additions to the Annual Rolling Programme and Invest to Save, where funding sources have been identified, subject to governance; and new schemes where expenditure is required to start in 2020/21.

4 **FUNDING SOURCES**

4.1 Capital is funded through a variety of sources, including external grants, s106 contributions, Community Infrastructure Levy (CIL) payments, capital receipts, including Right-to-Buy (RTB) receipts, and lastly, borrowing. The availability of each funding source to fund capital projects was considered in this order, to ensure that all other funding options had been maximised before drawing on capital receipts and borrowing.

4.2 Caution has to be exercised in relation to resources that have not been received, including capital receipts, s106 and CIL; this caution needs to be extended to grants, whether they be from TfL, central government or other bodies, that can be withdrawn at any time as a result of the changed economic environment.

4.3 The Approved Capital Programme of **£359.583m** for the General Fund programme was approved by the Mayor in Cabinet on 23 September 2020. It requires external grants of £88.251m; s106 and CIL contributions of £102.131m; capital receipts of £49.707m; borrowing of £118.957m and contributions from revenue of £0.537m.

4.4 In September 2020, the potential unallocated resources of **£245.078m** were estimated to be available to fund additions to the Approved Capital Programme to March 2023. This relied on capital receipts of more than £50.000m from disposals, estimated the income from s106 and CIL, which may be delayed as a result of the pandemic, and excluded grant.

4.4 Deducting the resources required to deliver the £359.583m Approved Capital Programme for the General Fund, the council has established that it has available resources of **£85.202m** as at the end of October 2020. These are set out in Table 1.

Table 1: Potential unallocated resources for additions to the Approved Capital Programme (General Fund)

Resource		Add	Less	
	As at 1/4/20 (b/f balance)	Actually received since 1/4/20	Resources to be used in the Approved Capital Programme (Sept 2020)	Total of unallocated and potential resources to March 23
	£m	£m	£m	£m

Capital receipts (GF and HRA)	40.677	0.000	37.463	3.214
S106 (GF/HRA)	109.986	9.700	54.618	65.068
CIL (inc. LIF)	64.747	4.877*	52.704	16.920
Total	215.410	14.577	144.785	85.202

*invoices raised in 2020/21

- 4.5 The additions to the Approved Capital Programme set out in this report require **£36.941m** of capital funding. The funding sources are shown in Table 3 later in this report.
- 4.6 In Recommendation 3 of the September report, the Mayor in Cabinet approved the new additions to the Annual Rolling Programme, subject to Recommendation 2, as set out in Appendix 1c. Recommendation 2 of that report approved budget allocations, subject to sign off through the capital governance process and agreement to proceed given by the Corporate Director of Place and Corporate Director of Resources, and for schemes funded by future capital resources, s106 and/or CIL not to go ahead until such funds have been securely received. The new additions to the Annual Rolling Programme over the next three years would require **£20.200m** from capital receipts. Insufficient availability of capital receipts mean that funding can only be committed for 2020/21.
- 4.7 In Recommendation 4 of the September report, the Mayor in Cabinet approved the new additions to the Invest to Save programme, subject to business cases being approved by the Corporate Director of Place and Corporate Director of Resources, and Recommendation 2, as set out in Appendix 1d. The two new additions that were listed required **£48.871m** with **£15.089m** is from Right-to-Buy receipts. However, with insufficient resources available to fund a 3-year buy back programme, funding for **£5.403m** for 2020/21 only is included.
- 4.8 The Registered Provider (RP) grant scheme was included in the Invest to Save programme presented in September, and approved, subject to funding being available. Whilst the outcomes of this programme will increase the supply of affordable housing and potentially reduce the number of households in temporary accommodation, there are no direct attributable revenue savings, and as a result, this scheme has been moved into the main programme.
- 4.9 Funding sources for the additions to the Approved Capital Programme, for which approval is sought, are set out in Section 7 below.
- 4.10 The value of the capital receipts brought forward for use in the 2020/23 Approved Capital Programme as at 1st April 2020 was £40.677m, of which £34.420m is required for the Approved Capital Programme. On further

investigation it has been recognised that a receipt of £3.043m is required for an off street car parking scheme within the HRA, meaning £36.941m is required and allocated. A total of £3.214m remains as unallocated receipts. No receipts have been received thus far in 2020/21, and no significant receipts are expected until March 2021 at the earliest.

4.11 The following schemes, identified in this report, need to be funded using capital receipts:

Scheme	£m
Street lighting maintenance for 2020/21 (Annual Rolling programme)	0.400
Maintenance of footways and carriageways for 2020/21 (Annual Rolling programme)	5.000
IT Transformation for 2020/21	2.680
Total	8.080

4.12 This means that there is a shortfall of **£4.866m** to fund the new additions to the capital programme. The programme has been further reviewed to see if it possible to substitute capital receipts for S106, this has proved possible in two areas Liveable Streets and retentions. This still leaves a shortfall of **£0.060m**. The schemes that are being funded by capital receipts have been reviewed to ascertain which scheme has the least impact in having its funding removed as part of this process. These schemes are set out in Table 2. (for MAB only)

Table 2: Capital receipts use as per 23rd September 2020 Cabinet report

Programme Type	Name	Year	Capital Receipt £m
Committed for 2020/21	As Sept Report General Fund	2020/21	17.806
Committed Scheme	Montefiore Centre	2021/22	0.300
Committed Scheme	St Georges Town Hall	2021/22	1.535
Committed Scheme	Indicative schemes – Public Realm improvements	2021/22	0.100
Committed Scheme	Asset Maximisation	2021/22	0.355
Committed Scheme	Interim Depot Strategy	2022/23	0.300
Committed Scheme	Interim Depot Strategy	2021/22	0.600
Annual Rolling Programme	Improvement grants (Private Sector)	2021/22	0.100
Annual Rolling Programme	Improvement grants (Private Sector)	2022/23	0.100
Invest to Save	Streetlighting replacement	2021/22	7.996
Invest to Save	Streetlighting replacement	2022/23	3.254
Invest to Save	Remote monitoring of street lighting	2021/22	0.400
Invest to Save	Remote monitoring of street lighting	2022/23	0.400
Retentions	Various	2021/22	1.174
HRA Committed Scheme	Off Street parking	2020/21	2.717
HRA Committed Scheme	Off Street parking	2021/22	0.326

Total Capital Receipts	37.463
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4.12 Key to this decision will be the impact on delivery, so it is recommended that a scheme in year three is chosen. The scheme that is recommended is Streetlighting year three. The funding position will be reviewed once more capital receipts have been realised. The following table shows the proposed changes that are required to fund the new schemes:

Summary of proposed changes	£m
Reduce the budget allocation for Yr 3 streetlighting replacement by £0.06m	0.060
Substitute capital receipts for s106: retentions (included in 2020/21 committed programme)	1.326
Liveable Streets (s106 in place of capital receipts) (included in 2020/21 committed programme)	3.480
Total	4.866

4.13 To summarise, capital receipts of £8.080m are required to fund the projects listed in this report; £3.214m is available (as shown in Table 1) and the remaining £4.866m can be achieved by making the changes to the capital programme shown above.

5 ANNUAL ROLLING PROGRAMME

5.1 The purpose of an annual rolling programme is to ensure that the council's assets are maintained to avoid deterioration, to address ongoing health and safety requirements and meet statutory duties.

5.2 The current funded committed Annual Rolling Programme contains £42.050m of schemes, including £23.000m for the LIF Programme. The new additions to the Annual Rolling Programme for which funding sources have now been identified total £20.200m, and are:

- Streetlighting maintenance requires £0.400m per annum from capital receipts, because there is no external funding source available for this work. The total capital investment of £1.200m will enable the delivery of £0.150m of revenue savings, however with limited capital receipts available only **£0.400m** for 2020/21 is being allocated in this report;
- Maintenance of footways and carriageways requires £5.000m per annum from capital receipts to ensure that the assets are maintained at the current level of condition. No external funding sources is available for this work. A total of £15.000m is required over the next three years, but with limited capital receipts available only **£5.000m** for 2020/21 is being allocated in this report;
- Investment in council-owned assets (building fabric works, M&E) requires the approval of an additional £4.000m for 2021/22 and 2022/23, from capital receipts. No external funding sources are available for this work. With

insufficient capital receipts available to fund future years, no budget allocation is requested in this report.

6 INVEST TO SAVE (INCOME GENERATION)

6.1 The current funded committed programme contains £49.297m of schemes that are invest to save (income generation). The new addition to the buy back programme would require funding of £35.403m, to bring the total programme to £60.000m over three years. To make available £30.000m for 2020/21, a budget of **£5.403m** is required, for which funding sources have been identified; 30% (£1.621m) will be funded from RTB receipts, with the remainder from s106.

7 NEW AND UNCOMMITTED SCHEMES

7.1 IT Transformation Service need

7.1.1 In addition to the funding that has already been approved for the Agresso Upgrade (£0.677m) and changes to Mosaic (£0.510m), a substantial budget is required to deliver IT improvements such as those for Cybersecurity and a CRM (Customer Relationship Management system). The allocations for the two IT projects were incorrectly reported in the report to Cabinet in September, and are corrected above, with the Agresso Upgrade requiring a larger capital allocation than the Mosaic improvements.

7.1.2 The IT programme requires funding from capital receipts. For 2020/21, a budget of **£2.680m** has been added to the programme, to be funded by capital receipts. When further capital receipts become available, additional funding requirements can be considered.

7.2 Liveable Streets programme

7.2.1 In the September Cabinet report, funding sources were identified for the delivery of the completion of the first three Liveable Streets schemes at Bethnal Green (£2.700m), Wapping (£1.100m) and Barkantine (£1.000m), which total £4.800m.

7.2.2 The next phase of the Liveable Streets programme includes:

- Bow (increased to £3.000m following outcome of consultation) – works due to commence in December 2020
- Brick Lane (£1.700m) – works due to commence in March 2021
- Old Ford West (£1.000m) – works due to commence in 2021/22
- Shadwell (£1.000m) – works due to commence in 2021/22
- Whitechapel (£1.200m) – works due to commence in 2021/22
- Mile End West (£1.000m) – works due to commence in 2021/22

7.2.3 Funding sources have been identified from s106 and CIL and allocated to the two schemes that are due to commence during this financial year, which total **£4.700m**. The remainder of the Phase 2 schemes will be included in next year's capital programme which will be presented to Cabinet in January 2021.

7.2.4 The School Streets programme requires **£1.450m**, and funding has been identified from s106 and CIL to enable delivery.

7.2.5 In addition to the use of internal funding sources, the team are actively bidding for external funding streams to support delivery.

7.2.6 Alongside the Liveable Streets programme are other capital schemes that deliver improvements to public realm and have specific s106 allocations to fund them. These include open space projects in the Whitechapel area, namely Grow it here, Chicksand, Montague, Durward Street and Brady Street. With area-specific s106 funding identified and available, the total of **£0.713m** is being added to the Approved Capital Programme.

7.3 **Electric Vehicle charging (new)**

Approval is required for **£0.227m** to fund the installation of on-street electric vehicle charging, to support the increase in electric car ownership and help improve air quality. The project will be predominantly grant funded, with £0.069m from s106, and is currently progressing through the capital governance process, where the revenue implications will also be considered.

7.4 **Capital works in existing leisure centres**

7.4.1 Ahead of the leisure management contract review, capital investment works are required to improve and maintain the council's assets. Under the terms of the current contract extension, and to reduce revenue spend, GLL are required to carry out essential maintenance only.

7.4.2 Whilst the leisure and wellbeing offer to residents and the redevelopment options within the leisure portfolio are being reviewed, there is certainty that a number of the centres will continue to operate on their existing sites and it is recommended that works, such as roof repairs, wetside change refurbishments and air handling unit upgrades, continue on these sites. The cost of these works total **£1.694m** and can be funded s106.

7.5 **Registered Providers (RP) Grant Scheme**

7.5.1 The Registered Providers (RP) grant scheme requires **£13.468m** over three years, to be funded from RTB receipts. This has been included in full in the capital programme.

7.6 **Projects being funded solely by earmarked s106 contributions (new)**

7.6.1 The following are projects which have been through the capital governance process and can be funded solely by earmarked s106 contributions

- Historic water fountains: A budget allocation of **£0.110m** to refurbish and bring back into use three historic water fountains in Whitechapel, Mile End and Stepney Green
- Island Gardens Café: An allocation of **£0.442m** from s106k to fund the replacement of the café, which will include public toilets (a publicly-nominated scheme in LIF Programme 1)
- Maroon Street parklet: A budget allocation of **£0.350m** is required for a local improvement project
- Berner Community Garden: A budget allocation of **£0.250m** required for the creation of community allotments
- Adaptations to new homes at Barchester Court to create fully accessible dwellings: A budget allocation of **£0.054m** is required for these adaptations

7.6 Small projects

The repairs to the underground car park at Hainton Close will be funded by slippage from the 2020/21 THH approved capital programme funded by the HRA. This will be taken into account when the 2021/22 programme is set.

7.7 With insufficient funding available to support the remainder of the new and committed schemes, or the future schemes which are emerging through current service reviews, the inclusion of further projects will be considered again as part of the next capital programme which will be presented to Cabinet in January 2021.

7.8 The funding sources, excluding grant, identified for the additions to the Approved Capital Programme referred to in this report, are set out in [Table 3](#).

Table 3: Summary of funding sources identified for additional projects referred to in this report

New additions	Total	Of which:			
		Grants	Right to buy (RTB) receipts	S106, CIL	Capital receipts
	£ m	£ m	£m	£ m	£ m
Street lighting maintenance for 2020/21 (Annual Rolling programme)	0.400	0.000	0.000	0.000	0.400
Maintenance of footways and carriageways for	5.000	0.000	0.000	0.000	5.000

2020/21 (Annual Rolling programme)					
Buy-back programme (Invest to Save)	5.403	0.000	1.621	3.782	0.000
Liveable Streets, School Streets, Whitechapel Public Realm	6.863	0.000	0.000	6.863	0.000
Electric vehicle charging	0.227	0.158	0.000	0.069	0.000
Capital works to leisure centres	1.694	0.000	0.000	1.694	0.000
RP Grant scheme	13.468	0.000	13.468	0.000	0.000
Projects funded by earmarked s106	1.206	0.000	0.000	1.206	0.000
IT Transformation for 2020/21	2.680	0.000	0.000	0.000	2.680
Total	36.941	0.158	15.089	13.614	8.080

- 7.10 Adjustments to the programme, including the reduction of £0.060m for street lighting replacement in Year 3 and accruals for completed schemes and retentions, increase the requirement to **£37.133m** as shown in Appendix 1.

8 FUNDING OPTIONS FOR GEORGE GREEN RE-BUILD

- 8.1 At Cabinet in September 2020, the council confirmed its commitment to deliver a new school for George Green on its existing site. Based on a brief developed in partnership with the school, a feasibility study has been commissioned to prepare a concept design, logistics plan and more accurate cost estimate. The expectation is that this is completed by the end of this year, to inform the capital requirements for inclusion in the next three-year capital programme. If the project does not proceed, the cost of the feasibility will have to be funded from Revenue CIL, as this cannot be capitalised.
- 8.2 The rebuild of George Green School is a significant, high value project, which is currently estimated to cost in the region of £51.400m. Funding sources would be expected to include grant funding, funding from s106 and CIL, and capital receipts.

9.0 COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 This report asks Cabinet to approve changes of **£37.133m** which increases the General Fund programme of **£359.583m** approved in September 2020 to **£396.524m**. The total approved programme including the HRA programme of **£308.496m** is therefore **£705.212m**

9.2 In addition to schemes that are funded from S106, CIL, grant and Right to Buy receipts, this report recommends changes to the capital programme to fund three annual rolling programmes totalling **£8.080m** (IT, Streetlighting Maintenance and Maintenance of Footways and Carriageways) that require funding from capital receipts. The Council can only fund the rolling programmes for 2020/21, as there are no other capital receipts available at this point. The Cabinet report in January 2021 will contain an updated programme for 2021/22/23/24 and the funding of schemes that are dependant on capital receipts will be considered at that point. If no further disposals are made, then the Council will need to further review what schemes can be funded from this limited source.

10.0 COMMENTS OF LEGAL SERVICES

- 10.1 The allocations of the various funding streams referred to in this report are in line with the various legal frameworks which relate to each funding stream.
- 10.2 The report refers to ensuring that the allocation of S.106 funds and grant funds should only be confirmed once the relevant funds have been physically received by the Council in order to mitigate the risk of committing to schemes where the funds subsequently are not received. Similarly caution needs to be exercised with funds that are the subject of grants from third party organisations as the funds could be withdrawn. The Council will need to ensure that the relevant scheme aligns with the conditions referred to in the relevant S.106 agreement or the relevant grant conditions to minimise this risk.
- 10.3 Recommendation 5 refers to a delegation of authority to the relevant Corporate Directors to commit the Council to expenditure of the various sources of funds. Any such commitment will be subject to the Council running an appropriate level of procurement exercise having regard to the Council's constitution and the relevant domestic and European Law.
- 10.4 The winning bidder for each exercise will be chosen against pre-published evaluation criteria which will represent an appropriate blend of price and quality with respect to the subject matter of each procurement. The award to the best scoring bidder on this basis will not only comply with the relevant procurement law and the Council's constitution but will also assist the demonstration of the Council's compliance with its Best Value Duty.

11.0 CRIME AND DISORDER (SECTION 17) IMPLICATIONS

- 11.1 Under Section 17 of the Crime and Disorder Act 1998, the Council is under a legal duty when exercising its various functions to have due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area, including anti-social behaviour adversely affecting the local environment and the quality of life of residents; the misuse of drugs, alcohol and other substances and re-offending. It is anticipated that a number of the capital schemes proposed will have beneficial consequences for crime and disorder in the borough through the enhancement of the public realm, improving life chances for children and young

people, improving our counter terrorism resilience and through the upgrade of critical infrastructure like CCTV.

12.0 EQUALITIES IMPACT ASSESSMENT

- 12.1 All residents of the Borough are likely to be affected to varying degrees by the proposals in the Capital Programme. To ensure there is not a disproportionate impact on individuals or groups that share a protected characteristic under the Equality Act 2010, An Equality Impact Assessment is required to be undertaken for each individual project as part of the Capital Governance approval process.
- 12.2 The Council's Capital Governance approval process prevents any proposal which amounts to discrimination from being implemented and any project that is likely to lead to differential impact is varied to mitigate the differential impact.
- 12.3 It is intended all projects included in the proposed capital programme will reduce inequality and foster cohesion in the borough.

Linked Reports, Appendices and Background Documents

Appendices

- 1 Updated Approved Capital Programme 2020/21 – 2023/24**

Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

- NONE

Officer contact details for documents:

N/A