

Capital Programme 2023-27 Report

EXECUTIVE SUMMARY

Following the election of a new administration in May 2022, a comprehensive refresh of the Capital Programme was undertaken with the key purpose to ensure the programme aligned with London Borough Tower Hamlet (LBTH) strategic priorities translated from the Mayor's vision and the new administration's manifesto. The review evaluated the existing priorities across the various directorates to ensure clear integration with the current needs of the Borough and its residents. This previous refreshed programme was approved at Full Council in March 2023 for 2022-26.

This updated capital programme is for a three-year period, with commitments beyond 2027 resulting from the current programme to be funded in future years. Capital expenditure is focussed on the council's strategic priorities. This is a live delivery programme which is refreshed annually to include all-new additions and any projects that require removal. This report provides details of the updated capital programme 2023-27 and a summary of some of the key achievements within the last reporting period.

1 REASONS FOR THE DECISIONS

- 1.1 The priorities of the new administration were set out in the new Strategic Plan for 2022-26. The Strategic Plan sets a clear direction for the council and is the main business planning document. It is updated annually to accurately reflect the council's priorities and used in the process of making decisions on the priority of projects for inclusion in the capital programme. The new strategic plan has 8 priorities with associated outcomes and each priority sets out a series of outcomes, with high level activities that will be undertaken to facilitate delivery.
- 1.2 The refreshed capital programme approved in Cabinet in March 2023 was aligned to the new administrations priorities and to maintain this alignment new projects will need to seek approval via the capital governance process.
- 1.3 The reasons the approvals and amendments are being requested at this time is to ensure that existing approved schemes in the capital programme can continue to be delivered, once approval to proceed is granted, with budgets for urgent projects agreed and allocated.
- 1.4 The report includes new approvals and amendments to the existing General Fund capital programme totalling £67.972m and new approvals to the existing Housing Revenue Account capital programme totalling £54.700m, which have progressed or are progressing through the capital governance process and require additional budget approvals. The report also includes approvals for removals of capital schemes from the existing General Fund and Housing Revenue Account capital programmes totalling £35.565m and £13.804m respectively.

2 ALTERNATIVE OPTIONS

- 2.1 In previous years an alternative route for capital programme approvals would have been through the Quarterly Monitoring Report prepared by Corporate Finance, however, producing a stand-alone report for approvals and additions to an existing capital programme is considered a more consistent and transparent approach and the intent with this refresh, is to ensure the priorities of the new administration are adequately addressed.

3 ESTABLISHING THE PROGRAMME

- 3.1 The long-term capital investment plan is underpinned by the council's strategic plan 2022-26. Capital proposals 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 as part of the revenue budget setting process, including setting aside additional revenue funding where required to cover the financing costs of the programme.
- 3.2 The principles on which the council's capital programmes have been based are that approved projects will not proceed until the identified funding sources are received, or in the case of external grant, confirmed in writing; the council will not borrow more than it can afford to repay; and the total approved capital programme will not exceed the total funding available.
- 3.3 In addition to the core capital programme, the 2023-27 Approved Capital Programme for the General Fund includes separate programmes for annual rolling programmes, invest to save projects and the remaining legacy Local Infrastructure Fund (LIF) programme. The purpose of the annual rolling programme is to ensure the council's assets are maintained to avoid deterioration, address ongoing health and safety requirements, and to meet statutory duties. It is expected that these remain within the programme, totalling £53.363m (2023-27). Invest to save project support income generation and the capital investment, totalling £8.309m (2023-27), will deliver substantial revenue savings and the remaining legacy Local Infrastructure Fund (LIF) funded programme budget allocation totals £5.483m (2023-27), which was the previous term for the neighbourhood portion of the Community Infrastructure Levy (NCIL), before a new approach to NCIL was approved in June 2023.
- 3.4 To successfully deliver a substantial and agile capital programme, it is essential to have effective governance, project monitoring, financial management and appropriate staff resources in place. The current governance arrangements seek to ensure that quality outcomes are delivered on time, with best value always demonstrated.
- 3.5 For a scheme to be delivered through the council's capital programme, it will have needed to have progressed through the capital governance process. Capital bids for new schemes are signed off by Divisional Directors, following consideration at the relevant directorate Programme Boards. Schemes are expected to be prioritised by directorates based on service need in line with the priorities set out in the Strategic Plan 2022-26.

- 3.6 The first step in the governance process is to identify funding sources. This exercise is completed by the Financial Assessment Group, comprising of representatives from the Corporate Capital Finance Team, Capital Delivery PMO and lead monitoring officers for s106 and CIL funding sources are allocated in the following order: external grant, s106 and CIL, capital receipts and requirement for borrowing.
- 3.7 Once bids have been accepted in principle, directorate client teams are required to complete a Project Initiation Document (PID). Subject to the consideration of financial and technical appraisals, the scheme is recommended for approval to the Capital Strategy Board, ahead of Cabinet approval and approved budget allocation as required.
- 3.8 The capital programme for the Housing Revenue Account (HRA), which includes funding for the annual housing capital rolling programme to maintain and improve the council's housing stock and carry out the essential fire and building safety works, and funding for the delivery of new council homes. The programme is in line with the latest update to the HRA business plan, which takes into consideration the affordability of the HRA capital programme on the HRA as a whole. The capital programme maximises the availability of external funding and Right-to-Buy receipts, but the regulations associated with the use of these sources means that there is also a need for borrowing to be used.

4 THE CAPITAL PROGRAMME

- 4.1 The report seeks budget approval for the council's proposed 2023-27 capital programme of £291.117m for the General Fund (GF) programme and £457.075m for the Housing Revenue Account (HRA) programme as set out in Appendix 8A (and further detailed by programme in Appendix 8B for the General Fund) and Appendix 8D respectively. The details of the GF programme are set out in Appendix 8B and the capital growth/reduction items which have been added/removed to the capital programmes are set out in Appendix 8C. The capital programme is for a three-year period, with commitments beyond 2026/27 resulting from the current programme to be funded in future years. Capital expenditure is focussed on the council's strategic priorities.
- 4.2 Within the report is an additional request for approvals of £67.972m for the 2023-27 General Fund Capital Programme and £54.700m for the 2023-27 Housing Revenue Account Capital Programme to enable project budget provisions to be increased and included within the programme where required, further detailed in Appendix 8C. Included within the additional requests, largely due to an additional year being added to the capital programme as part of budget setting process (i.e. financial year 2026/27), re-occurring spend relating to the council's Rolling Programmes have also been added, amounting to £5.300m for the General Fund capital programme (conditions and improvements on schools and investment works on the councils own assets) and £34.700m for the Housing Revenue Account capital programme (to maintain and improve the existing council stock, including £10.000m for any emergency works as required).

- 4.3 The report includes approval for the request for reductions of £35.565m for the 2023-27 General Fund Capital Programme, which are included to ensure to ensure the programme is better aligned with the Strategic Plan for 2022-26 and to release funding to contribute towards the approvals and amendments requiring additional budget provision, which includes projects that are in final year of delivery, are complete and releasing funds. The report also includes approval for the request for reductions of £13.804m for the 2023-27 Housing Revenue Account Capital Programme relating to Tomlinson Close and O’Leary Square Rooftop extension schemes.
- 4.4 The 2023-27 proposed capital programme for the HRA, as set out in Appendix 8D, shows the committed programme, which for the period 2023-27, includes £108.903m for the annual housing capital rolling programme, to maintain and improve the council’s housing stock, carry out essential fire and building safety and emergency works, and £344.107m for the delivery of new council homes.

Key General Fund Capital Program Highlights to Date

- 4.5 The Council has been continuing to deliver against Strategic Plan priorities since the last capital programme was approved in March 2023. Key achievements include;

4.6 Parks

The redevelopment of the Island Gardens Café to provide a modern style café with public toilet access is nearly complete, enhancing the social value of the park and its place in the community. The historic parks programmes approved in 2018 are coming to an end. Achievements include:

- Playground has been fully replaced.
- Self-locking gates have been added to tennis courts on 5 sites.
- Improvements including more tree planting, replacement of bins/benches and health and safety upgrades across parks.
- New interpretations, orientation, park rules and information signs have been installed at various parks across the borough.
- New lighting and CCTV cameras have been installed at various parks across the borough.

4.7 Tree Planting

The programme to plant trees across the Borough continues to help the council reach its Air Quality Action Plan Targets and support commitment to carbon neutrality by 2025. To date, 522 trees have been planted split across highways, parks and THH housing estates.

4.8 Education

The Basic Needs Programme is set to deliver a new two form entry primary school at Wood Wharf, which will open to students early 2024. In addition, the Council has successfully delivered amalgamations at St Annes and Guardian Angels Primary Schools, Stepney Park Primary School, as well as the expansion of alternative provision at London East Alternative Provision (Harpley), and delivery of a rolling programme of condition and improvement to ensure our assets remain safe and usable continue.

4.9 **Youth Safe Spaces**

As part of youth transformation, two 'safe spaces' have been provided at 27 Columbia Road, Bethnal Green and 16 Goulston Street, Whitechapel. The buildings underwent a full refurbishment to provide modern, safe, welcoming spaces for young people.

4.10 **Health and Social Care**

The Tower Hamlets Public Health Team work together with NHS North East London Integrated Care Board to ensure there are sufficient modern health facilities available to meet the primary care needs of the boroughs residents. The following are now complete and operational:

- Goodman's Fields Health Centre
- Sutton Wharf Health Centre
- Island Medical Centre
- Wellington Way Health Centre
- Wood Wharf Health Centre

4.11 The Adult Day Care centre at Sewardstone Road has been completed, increasing in-borough provision of support and accommodation services to people with learning disabilities. A new Service Provider will be appointed early 2024 following fit out of the facility with specialist equipment.

4.12 **Carbon Offset programme**

The Council remains committed to carbon neutrality by 2025 and through the s106 Carbon Fund offset fund, the council has successfully delivered;

- Boiler Replacement Programme to replace old, inefficient gas boilers and faulty radiators as well as upgrading heating controls.
- Schools Carbon Emission Reduction Programme supported various schools with carbon reduction projects to reduce energy consumption and improve energy-efficiency of the buildings, install renewable and low-carbon technology resulting in lower energy costs, consumption and related carbon emissions.
- Small and medium-sized enterprises (SME) Energy Efficiency Grants Programme provided SMEs across the borough with grants to deliver energy-efficiency improvements, heating upgrades and renewable energy technologies.
- Public Sector Retrofit project replaced gas boilers with air source heat pumps in council buildings to provide decarbonised heating.

4.13 **Street Lighting**

Street lighting programme is nearing completion, installing new Light Emitting Diode (LED) lanterns in an effort to reduce the energy consumption which in turn reduces costs and carbon footprint within the borough and work is also underway to complete the replacement of the columns. In addition, they are future proofed for advertising, banners, way finding and EV charging points.

4.14 **CCTV Transformation**

The CCTV Transformation Programme is in the final stages of completion with 337 new cameras installed (96%). It is anticipated that all 350 cameras will be upgraded by the end of March 2024.

Key General Fund Capital Program Additions

4.15 Approvals are also being sought to include additional budget provisions with the capital programme to further deliver against Strategic Plan priorities since the last capital programme was approved in March 2023. Key additions include;

4.16 Institute of Academic Excellence (IAE)

Funding of £15.000m is allocated to deliver on the Mayoral pledge 'Accelerate Education':

- Establish a high-performing, selective A-Level institution to accelerate attainment, to ensure more Tower Hamlets students attend the world's top universities, including Oxbridge and Russell Group universities.
- Review our sixth forms and colleges' performance to accelerate A level attainment so more of our pupils go to the top universities, including Oxbridge and Russell group of universities.
- Increase the number of our youngsters going on to Further and Higher Education, including boosting Oxbridge and Russell Group entrance through intensive learning after school, and support with applications, and a full review of sixth-form and college performance.

The primary purpose of this growth bid is the reassignment and reconfiguration of the Professional Development Centre (PDC) through a feasibility study utilising the 6th form Schedule of Accommodation model for a 250 place setting.

4.17 Culturally Sensitive Misuse Treatment Centre

Funding of £1.510m is allocated to develop and deliver a specialist recovery service for problematic substance users local to Tower Hamlets from the Black, Asian, and Minority Ethnic (BAME) communities. This service will deliver drug and alcohol related prevention, treatment, recovery and aftercare services which are culturally sensitive and meet the needs of these communities. Service delivery will be flexible to meet the needs of the service users which will include evening and weekend opening times.

4.18 Women's Resource Centre (with a focus on Bangladeshi women)

Funding of £1.000m is allocated to establish a dedicated Women's Resource Centre, with a particular culturally sensitive approach towards the needs of Bangladeshi women, as data suggests Bangladeshi women continue to be marginalised and face economic, health, social and gender inequalities disproportionately. The project aims to provide a dedicated resource centre to enable opportunities for the development of all marginalised women, especially Bangladeshi women.

4.19 Basic Need Programme

The Basic Need programme will continue to deliver expansions across the borough including a new flagship 6FE Secondary School at Mulberry London Dock. The Department of Education (DfE) have provided grant funding of £53.8m to deliver the school which is designed as a passiv haus building to ensure the air quality within the school provides the best learning environment for its pupils. An additional budget provision of £11.128m is required for the development, which is due to be completed by July 2024 in time for the school to be opened before the start of the 2024-25 academic year. The facility will also provide wider benefits to the Tower Hamlets community through a

'Community Use agreement' which will ensure the sporting and social facilities of the school are available for wider community use outside of school hours. Additional budget provisions of £2.450m and £0.804m will also enable the basic need programme to delivery expansion at Beatrice Tate Special School and Wood Wharf respectively.

4.20 The borough's SEND sufficiency review has highlighted areas of significant need which will be a focus for capital investment in the coming period. A programme for investing HNPCA (DfE) grant will progress, with key investment in Beatrice Tate and Hermitage; as well as the development of Alternative Resource Provisions (ARPs) at key education sites across the borough.

4.21 **Universal Free School Meals (UFSM)**

Tower Hamlets will be the first Council to extend free school meals to all secondary school pupils up to the age of 16. An additional capital investment of £0.792m will ensure that secondary schools have the correct equipment and resources to increase their catering capacity to successfully deliver UFSM from September 2023.

4.22 **Parks programme**

The council is additionally investing £4.988m into improvements to recreational, leisure and play facilities across the borough's parks and open spaces, including a number of housing estate sites. With a growing population and a high number of residents having little or no access to private outdoor space, well maintained parks and open spaces are more important than ever in supporting the health and well-being of our residents. Better play, recreational and sports facilities are also needed to help tackle high levels of childhood obesity and general poor health in the population. The programme has four key strands, which are detailed as follows:

- Improving Sporting Facilities in Parks - seeks to upgrade existing multi-use games areas and install new astroturf facilities at Stebondale, Millwall Park, and at King Edward Memorial Park. The funding will also enable the Council to install the borough's first natural turf cricket pitch at Victoria Park and provide cricket practice nets at Millwall Park and Stepney Green Park.
- Inclusive playgrounds programme will support families to have access to high quality, accessible, local play facilities. Our play facilities are particularly important for low-income households who rely on local free provision. This programme will improve the accessibility of six play areas for children and young people, including those with additional needs.
- Six housing estate sites that are part of the Tower Hamlets Homes portfolio will benefit from upgrades to playgrounds to ensure they are inclusive. There will also be improvements to gym equipment and general upgrades to sites.
- Improve three parks and open spaces that include Alton Street Open Space, Pennyfields Open Space and Shandy Park. These sites will benefit from general upgrades, improved site layout to reduce anti-social behaviour and improved recreational facilities.

4.23 **Highways**

Funding of £4.227m is allocated to deliver a series of public realm improvements across 7 key sites; Bigland Street, Poplar High street, Bromley-by-Bow, City Island, Plumbers Row, Preston's Road and Marsh Wall. Improvement works will include additional parking bays, new electrical vehicle charging points, increased provision of pedestrian crossing facilities, undertaking footway and carriageway improvements, increasing cycle parking and environmental improvements such as tree planting. These schemes aim to provide safer roads and cleaner air quality for the local community, encourage walking and cycling, encourage the community to switch to electric vehicles to reduce the negative impact of carbon emissions.

4.24 Rubbish and Recycling bins

The council is investing £1.485m in additional rubbish and recycling bins to support the rapid growth in housing development in Tower Hamlets. It is recognised existing purpose-built blocks of flats, storage and signage infrastructure is often inadequate to accommodate the type and volumes of waste being produced.

4.25 Care Technology Transformation

The council is investing £0.300m in 'care technology' as a key part of the Council's Adult Social Care vision and strategy. Care Technology offers opportunities for residents to be better supported, to live independently and with improved health and wellbeing for longer and be better connected with their communities.

4.26 Idea Stores IT Hardware

Capital funding of £0.300m is allocated for new IT hardware (Desktops and Monitors) to be used in Idea Stores to benefit Residents and other Idea Store Service Users.

4.27 Carbon offset programme

Through the strategic plan, there is a commitment to making the borough cleaner and greener. Commitments have been included across the programme funded from the 'carbon fund' to deliver the following;

- Community tree planting - Approx. 200 trees planted on THH estates, at locations which have been identified in consultation with residents.
- installing Solar PV panels onto council offices and leisure centres.
- Residential Energy Efficiency Project - deliver energy efficiency measures such as insulation, double glazing, replacement boilers to reduce carbon emissions from the existing housing stock in the borough.
- Funding will be made available to community groups to install low-carbon heating and energy-generating technologies, energy-efficiency retrofits and to promote learning and behavioural projects.
- Bio-Solar Installation Project- will deliver biodiverse roof area and renewable energy generating technologies to buildings across the Borough.

Housing Revenue Account

- 4.28 The 2023-27 budget for the HRA capital programme set in this report is £457.075m, which is supported by the refreshed HRA Business Plan and will enable the completion of homes already in the delivery programme and enable

new sites in the pipeline to be identified and progressed through the design process for inclusion in the programme when future funding or partnership opportunities become available.

- 4.29 The 2022-26 HRA Capital Programme approved in March 2023 required updating following review of capital schemes within the new council homes capital programme by the Mayor and the administration and additional unallocated funding arising principally from reductions made on other capital projects and through increased Right to Buy receipts, which will contribute to the supply of affordable housing and the Mayoral target of 1,000 rented social homes a year.
- 4.30 The council is planning to increase specialist housing provision within the borough to meet the demand of significant numbers of people for their care and support needs. The Housing with Care strategy identifies a need for an additional 240 additional Extra Care beds by 2033. An initial budget provision of £20.000m is included within the HRA capital programme for a **Culturally Sensitive Extra Care Housing Development** scheme of between 50 and 60 beds to ensure delivery of the Mayors Priority is allocated within the programme for approval, subject to full feasibility. A programme wide approach will be taken, to enable schemes to be brought forward or moved back if issues that impact delivery arise, whilst also ensuring the provision of new homes is maintained. If schemes listed in the existing programme need to be removed, replacement schemes will be brought forward from the pipeline programme.
- 4.31 The report requests approval for reductions of £13.804m for the 2023-27 Housing Revenue Account Capital Programme relating to Tomlinson Close (£4.767m) and O'Leary Square (£9.038m) Rooftop extension schemes as they are now deemed not to be returning value for money on investment with the funding released (as detailed in Appendix 8C) being made available for future pipeline schemes.
- 4.32 The priorities for the annual housing capital rolling programme for the next three years are to maintain and improve the existing council stock and carry out the essential fire and building safety works. The existing approved programme totals £74.203m for 2023-26. Approvals are sought for additional budget provisions totalling £34.700m, largely related to providing budget provision in 2026/27 for the programme, to update the programme to equate to £23.903m in 2023-24, £23.000m in 2024-25, £28.000m in 2025-26 and £34.000m in 2026-27, totalling £108.903m from 2023-27 (including £10.000m for emergency works as required). The 30-year HRA Business Plan has established that there is sufficient funding available for this programme.

5 FUNDING

- 5.1 There are various funding options available to the council for the capital programme, including external grants, Community infrastructure Levy (CIL), Neighbourhood Community Infrastructure Levy (NCIL) which replaced the Local Infrastructure Fund (LIF) payments, s106 contributions, capital receipts, reserves/revenue and borrowing. The availability of each funding source is considered in this order, to ensure that all other funding options have been

maximised before drawing on capital receipts, reserves/revenue and borrowing.

- 5.2 Identified funding sources for the new additional growth to the General Fund capital programme are funded from external grants (£22.053m), s106 contributions (£31.885m), Community infrastructure Levy (CIL) contributions (£11.326m), and prudential borrowing (£2.708m), of which £0.647m will be substitution of existing borrowing, totalling £67.972m for 2023-27. New additional growth to the Housing Revenue Account capital programme are funded from HRA Leaseholder and Major Repairs Reserve contributions (£27.737m), HRA Capital Receipts (£8.000) and HRA prudential borrowing (£18.963m), totalling £54.700m for 2023-27.
- 5.3 Funding sources for the reductions to the General Fund capital programme will release external grants (£5.344m), s106 contributions (£14.493m), Community infrastructure Levy (CIL) contributions including the legacy Local Infrastructure Levy (LIF) (£14.371m), capital receipts (£0.711m) and substituted existing borrowing (£0.647m), totalling £35.565m for 2023-27. . Funding sources for the reductions to the Housing Revenue Account capital programme will release (£5.522m) Right-to-Buy receipts, (£1.554m) revenue reserves and (£6.729m) of existing prudential borrowing, totalling £13.804m for 2023-27.
- 5.4 In accordance with the council's financial regulations, formal approval from Cabinet is required for these schemes to be included/removed to/from the Approved Capital Programme.
- 5.5 For each project in the 2023-27 General Fund Capital Programme, funding sources have been identified and allocated (including borrowing where required). The remaining available resources for future allocation to the General Fund capital programme for CIL (including NCIL), S106 and capital receipts are as follows:

Resource	Brought forward balances as at 01/12/2023	Allocated in Capital Programme 2023-27 within this report	Total of balance remaining
	£m	£m	£m
CIL (including NCIL)	101.8	(59.6)	42.2
GF Capital receipts	8.2	(5.6)	2.6
GF S106 Capital monies	105.8	(53.5)	52.3
Total	215.8	(118.7)	97.1

- 5.6 The £42.2m total balance remaining relating to CIL (including NCIL) predominantly relates to NCIL monies and will need to be administered in line with the implementation of the Neighbourhood Community Infrastructure Levy (NCIL) as approved by cabinet in June 2023. Including, project level allocations of NCIL on an annual basis to Capital Programme and Affordable Housing schemes, being made via the Council's standard Capital Programme governance process and decisions on the allocation of NCIL to individual grants being made via the existing Council Grants process.

5.7 The balance remaining of GF capital receipts (£2.6m) has been ring-fenced to fund transformational costs to support the councils Medium Term Financial Strategy (MTFS).

5.8 The status of General Fund S106 funds by Heads of Terms are further detailed as follows:

S106 Heads of Term	Brought forward balances as at 01/12/2023	Allocated in Capital Programme 2023-27 within this report	Total of unallocated resources
	£m	£m	£m
Affordable Workspace	4.1	(0.0)	4.1
Public Art	0.1	(0.0)	0.1
Carbon Offset	14.6	(9.7)	4.9
Community Payment	4.0	(0.7)	3.3
Education	13.7	(12.9)	0.8
Environment and Public Realm	7.2	(3.7)	3.5
Health	8.5	(3.9)	4.6
Leisure	5.2	(2.7)	2.5
Landscape and Open Space	16.0	(13.0)	3.0
London Thames Gateway Tariff (for infrastructure in Lower Lea Valley)	13.4	(1.8)	11.6
Millennium Quarter	0.6	(0.6)	0.0
TfL	12.8	(2.0)	10.8
Highways and Transportation	5.5	(2.4)	3.1
Employment and Enterprise (Capital)	0.1	(0.1)	0.0
Total	105.8	(53.5)	52.3

The HRA capital programme of £457.075m for 2023-27 (Funding as per detailed in appendix 8D) represents the latest update to the HRA business plan, which takes into consideration the affordability of the HRA capital programme on the HRA as a whole. The capital programme maximises the availability of external funding and Right-to-Buy receipts, but the regulations associated with the use of these sources means that there is also a need for borrowing to be used.