


<b>Cabinet</b>  23 September 2020	 <b>TOWER HAMLETS</b>
<b>Joint report of</b> Neville Murton, Corporate Director of Resources Ann Sutcliffe, Corporate Director of Place	<b>Classification:</b> [Unrestricted or Exempt]
<b>Capital programme 2020-21 to 2022-23</b>	

<b>Lead Member</b>	<b>Councillor Blake, Deputy Mayor and Cabinet Member for Adults, Health and Wellbeing and Capital Delivery</b>
<b>Originating Officer(s)</b>	<b>Kevin Bartle, Divisional Director of Finance and Michael Rourke, Divisional Director of Property &amp; Major Programmes</b>
<b>Wards affected</b>	ALL
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	Yes – 10 August 2020
<b>Reason for Key Decision</b>	Financial Threshold
<b>Strategic Plan Priority / Outcome</b>	1. People are aspirational, independent and have equal access to opportunities; 2. A borough that our residents are proud of and love to live in; 3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

## Executive Summary

The purpose of this report is to set out the capital strategy and proposed capital programme for the next three years for approval. Capital expenditure is focussed on the council's strategic priorities. Approval is sought for the committed schemes, annual rolling programme and invest to save programme, subject to internal governance and funding processes. Financing options for uncommitted and new schemes will be prepared in the coming months.

The provisional capital programme presented to Cabinet in January 2020 did not include full references to the sources of funding available to enable delivery of individual schemes. As a result, a fundamental review of the capital programme has been undertaken over the past few months, to confirm the availability of funding

sources for each year of the proposed programme to ensure that approval for delivery made by Cabinet can proceed without delay. The review included a series of meetings with Divisional Directors to review each programme area, confirm the fit to strategic priorities and identify any new schemes that will deliver measurable improved outcomes for local communities.

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.

Much of the capital programme is funded solely by external grant. Once this has been taken into account, the council has £215.410m available for the capital programme, brought forward from 2019/20. Added to this are £148.410m of new resources expected during the next three-year period, from which £118.742m is required for the committed programme, leaving £245.078m to be allocated.

Whilst recognising that finances may be required to address the challenges arising from Covid-19, the changing priorities and different service models which may emerge, the current financial position in relation to capital set out in this report demonstrates that the council is able to fund a substantial and ambitious programme to deliver improved outcomes to residents in the build environment.

The principles on which this report is based are that approved projects will not proceed until the identified funding sources is 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 and if new schemes are prioritised above those already in the programme, they will need to replace existing approved schemes. The programme-wide approach will enable individual projects to be brought forward and moved back as issues that impact on delivery arise, to maintain delivery outcomes.

The 2020-23 proposed capital programme for the General Fund (GF), as set out in Appendix 1a shows committed schemes with identified funding of £359.583m. Capital projects which were included in the provisional capital programme presented in January 2020, but that have not commenced, are included as uncommitted, in order that their inclusion in the capital programme can be reviewed, alongside new schemes which have been put forward by directorates to meet strategic priorities over the next three years. The uncommitted schemes listed in the proposed capital programme total £73.377m and new schemes listed total £97.272m and are shown in Appendix 1e.

Beyond this, service areas have identified future priorities that have yet to be fully worked up and will require capital investment to be identified or made available within the next three years, to support emerging priorities and the council's revitalised approach to regeneration. The importance of retaining sufficient s106 and CIL to fund long term infrastructure (over the next ten years) is recognised, as this is essential to the sustained success of the borough beyond the period of this programme.

Unlike the way in which previous capital programmes have been presented, there are now separate programmes for annual rolling programmes (Appendix 1c) and invest to save projects (Appendix 1d). The purpose of the annual rolling programme is to ensure that the council's assets are maintained to avoid deterioration, address ongoing health and safety requirements and meet statutory duties, totalling £19.050m; and additionally includes the Local Infrastructure Fund Programme, funded by ring-fenced CIL, of £23.000m. The invest-to-save programme, totalling £49.297m, supports income generation and the capital investment required to deliver substantial revenue savings.

The 2020-23 proposed capital programme for the Housing Revenue Account (HRA), as set out in Appendix 1f, shows committed funding of £74.596m for the annual housing capital rolling programme for THH to maintain and improve the council's housing stock and carry out the essential fire and building safety works, and £233.901m for the delivery of the first 1,000 new council homes. 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 a need for borrowing to be used alongside.

The 2020-23 proposed capital programme contained in this report enables Members make decisions about what to include in the programme based on a robust understanding of the funding sources currently available and those expected to come forward during the next three years. Whilst the total of capital receipts, s106 and CIL unallocated 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 will come forward as programmed, despite recent events. These factors will need to be considered when deciding the 2020-23 capital programme to be approved.

In order to successfully deliver a substantial capital programme, it is essential to have effective governance, project monitoring, financial management and staff resources in place. This report sets out the current arrangements and the plans in place to streamline the process to ensure quality outcomes are delivered on time and value for money is demonstrated.

## **Recommendations**

The Mayor in Cabinet is recommended to:

1. Approve the 3-year General Fund and Housing Revenue Account Capital Programme 2020-23 as set out in Appendix 1a and Appendix 1f
2. Approve the budget allocation for schemes in the programme, including the Local Infrastructure Fund Programme 2, 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 that schemes funded by future capital receipts, s106 and/or CIL will not go ahead until such funds have been securely received

3. Approve the new additions to the Annual Rolling Programme, subject to Recommendation 2, as set out in Appendix 1c
4. Approve 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 in Appendix 1d
5. Approve the use of 5% of CIL or £1.500m whichever is the lower for use on feasibility studies and associated surveys for infrastructure projects as set out in paragraph 7.5.7
6. Approve the funding principle that Education schemes will not be funded by council borrowing or by non-Education capital receipts
7. Approve delegated authority to the Corporate Director of Place and Corporate Director of Resources for all activities required to deliver 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
8. Approve the following specific recommendations:
  - i. The transfer of funding for Angela Court from the General Fund to the Housing Revenue Account as set out in paragraph 11.3.13;
  - ii. The expansion of Beatrice Tate School to provide an additional 45 spaces for pupils with special needs; Approve the expansion of alternative provision at Harpley School to provide additional spaces for KS4 and post-16 pupils as set out in paragraphs 10.5.4 and 10.5.7 respectively;
  - iii. Realign the previously approved budgets streams in relation to buyback programme, as set out in paragraph 11.3.26;
  - iv. Disposal of assets, as set out in paragraph 7.6.2;
9. Note the consideration of the financing options and proposals for the uncommitted and new schemes, as set out in Appendix 1e, will be brought forward in January 2021
10. Note the development of the medium term and long-term Prioritisation and Financing Delivery Plan for Infrastructure (PFDP) identifying priorities beyond 2023 to 2030
11. Note Capital Governance changes contained in section 14 designed to support further improved monitoring and management of the capital programme.

## **1 REASONS FOR DECISIONS**

- 1.1 The provisional capital programme approved in January 2020 did not fully capture all of the council's capital requirements over the 3 years and a review was needed to ensure that all known requirements were captured, prioritised and assessed against existing and planned resources. The HRA 30-year Business Plan also needed to be robustly reviewed.

## **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 all schemes listed in the draft capital programme presented in this report.
- 2.2 The alternative option would be to increase the capital programme, which would increase the level of borrowing and put additional pressure to increase the level of capital receipts and the identification of other funding sources. This would make increase the financial burden on revenue budget and be undeliverable in terms of resources available for delivery.

## **3 DETAILS OF THE REPORT**

- 3.1 This report seeks budget approval for the council's 2020-23 capital programme, totalling **£359.583m** for the General Fund programme and **£308.496m** for the Housing Revenue Account programme as set out in Appendix 1a – 1f. and for the new additions to the annual rolling programme and invest to save, subject to governance. The capital programme is for a three-year period, with future commitments beyond 2023 resulting from the current programme to be funded in future years.
- 3.2 The provisional capital programme for 2020-21 to 2022-23 was presented to Cabinet in January 2020, setting out budget requirements for each programme area, for a three-year period. At that time, the provisional capital programme relied on new General Fund (GF) borrowing of £111.679m over the 3-year period, and these borrowing costs needed to be factored into the future MTFS.
- 3.3 The proposed GF programme set out in this report relies on £118.957m of borrowing and the proposed HRA programme relies on £151.654m of new borrowing, alongside other funding sources.
- 3.4 The draft proposed capital programme for 2020-23 set out in this report follows the completion of the fundamental review of the provisional capital programme, referred to in the report to Cabinet in January this year.

## **4**     **CONTEXT**

4.1     Developed by the Tower Hamlets Strategic Partnership, the Tower Hamlets Plan 2018-2023 sets out the five-year vision for the borough, articulating local aspirations, needs and priorities. The key objective of the plan is tackling inequality by building a strong, inclusive and fair borough, and focuses on four key themes:

- A better deal for children and young people: aspiration, education and skills
- Good jobs and employment
- Strong, resilient and safe communities
- Better health and wellbeing

4.2     It informs all other strategies and delivery plans of the partnership, including the council's Strategic Plan.

4.3     The Strategic Plan sets a clear direction for the council and is the main business planning document. In line with the budget setting process, the Strategic Plan is a rolling three-year plan which is updated annually to accurately reflect the council's priorities.

4.4     The Strategic Plan 2020-23 takes into account the CV-19 pandemic impacts of exposed inequality and rising demand, as well as opportunities to hold on to gains such as improved air quality, delivering services in a different way and tackling rough sleeping.

4.5     It sets out the corporate priorities and outcomes, the high-level activities that will be undertaken to deliver the outcomes, and the measures that will help determine whether the outcomes have been achieved.

Priority 1: People are aspirational, independent and have equal access to opportunities

Priority 2: A borough that our residents are proud of and love to live in

Priority 3: A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of the borough

4.6     The Strategic Plan is used to inform directorate, service and team planning, which are used in the process of making decisions on the priority of projects for inclusion in the capital programme.

## **5**     **ISSUES**

5.1     A number of recent events have impacted on the development of the capital programme and will continue to impact on future delivery, availability of resources, supply chain, process and pace, such as Brexit.

## **5.2 Grenfell fire**

5.2.1 The fire which destroyed Grenfell Tower in June 2017 led to significant changes in building safety regulations. The cost of implementing these new rules, both within new build schemes and through retrofitting, will have an impact on the availability of capital, primarily in the HRA, for other projects.

## **5.3 Covid-19 pandemic**

5.3.1 The global pandemic has re-established community priorities and identified areas which are likely to be focus of future investment. Whilst the Government made some funding available to contribute towards the immediate response, there will be long-term financial implications on future capital and revenue expenditure. This has influenced the priority weighting for a number of projects within the capital programme.

5.3.2 The impact of CV-19 has been set out in a Cabinet report in July 2020 and the impact of that affects the current year and has significant implications for future year's revenue funding gaps. The July 23<sup>rd</sup> 2020 Cabinet report "Medium Term Financial Strategy (MTFS) Refresh and 2021-22 Budget Planning" states that:

5.3.3 "Tower Hamlets now finds itself in a materially changed environment from that which existed in February 2020 when the budget and medium-term financial strategy were approved by the Council. The priorities set out in its strategic plan were temporarily set aside in order to respond to the crisis. However, four months further on there is a need to re-evaluate the extent to which those priorities remain relevant in the context of the continuing uncertainty associated with CV-19 and, just as importantly, the financial position that the council now finds itself in."

5.3.4 The council's forecast gross revenue overspend for 2020/21 is significant and whilst additional government support has been received, and more is expected in light of recent announcements, there is a significant and worsening gap between the financial impact of CV-19 on the Council and the level of promised government support. The July 2020 MTFS Cabinet reported updated the MTFS by extending it to 2023-24, identifying a potential budget gap of £12.900m for 2021/22 with a further £26.300m in 2022/23.

5.3.5 This report needs to be seen within the context of that changed environment and the implications of the council's changing requirements.

## **6 REVIEW METHODOLOGY**

6.1 Section 8 sets out the remit of the Capital Review. The General Fund (GF) and Housing Revenue Account (HRA) were considered separately. The methodology for the Review is as follows:

## *Funding*

- 6.2 Each funding source has been examined to assess what has been received in funding; set out what is committed against that for the schemes which are committed in the 3 year programme (20/21, 21/21, 22/23) and what potential resources will become available over that period for the remainder of the programme. The outcomes are shown in Table 7a.

## *Scheme Budgets*

- 6.3 The provisional capital programme was examined to identify the schemes that are already being delivered, in contract, and thus committed, such as the New Town Hall, and completed schemes and retentions. These total **£268.237m** and are summarised in Table 15a and shown in Appendix 1b. They have not formed part of the Review. Rolling programmes and invest to save are identified separately.
- 6.4 The outcomes from discussions with Directorates about the schemes which are uncommitted and don't have earmarked funding and the new schemes they wish to be considered for inclusion in the capital programme are set out in detail in Table 15b. Appendix 1a – 1e contains a summary of the draft 2020-23 capital programme for approval. Details are discussed from Section 8 below.

## **7 FUNDING SOURCES**

- 7.1 Capital is funded through a variety of sources, including Grants, borrowing, S106, Community Infrastructure Levy (CIL) and capital receipts, including RTB receipts. 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.
- 7.2 With regards to New Homes Bonus (NHB), the July 23<sup>rd</sup> 2020 Cabinet MTF report stated that: "In the light of the financial situation that the Council now finds itself in, the Chief Financial Officer has considered the previous approach set out in the MTF i.e. to only allocate £3.200m NHB to support the revenue budget in 2021-22 and 2022-23 and has concluded that this must now be revisited. The previous approach of placing the balance into an earmarked reserve was appropriate prior to the impact of CV-19 but, given that it is a non-ringfenced grant and the acute pressures now being seen that position has been revisited". Hence, NHB has not been considered as a source of funding at this stage, although an NHB reserve is in place as a potential future source of funding should that be considered necessary.
- 7.3 Section Table 7a sets out the councils CIL, s106 and capital receipts excluding right to buy as at 1<sup>st</sup> April 2020 and reflects the resources that are required to fund the committed and approved programme. In addition, the



table sets out expected new resources that are described in the rest of Section 7.

**Table 7a: Capital resources brought forward as at 1/4/20 and allocated for the proposed capital programme (General Fund)**

Resource		Add	Less	
	As at 1/4/20 (b/f balance)	Potential new resources to March 23	Resources to be used in the proposed draft capital programme, less uncommitted	Total of unallocated and potential resources to March 23
	£m	£m	£m	£m
Capital receipts	40.677	53.750 (disposals)	34.420	60.007
S106 (GF/HRA)	109.986	67.434	54.618	122.802
CIL	64.747	27.226	29.704	62.269
<b>Total</b>	<b>215.410</b>	<b>148.410</b>	<b>118.742</b>	<b>245.078</b>

7.4. The capital resources available for the HRA capital programme include s106 contributions ringfenced for housing and capital receipts from Right-to-buy (RTB) receipts. The brought forward balance of the latter is £92.296m, of which £69.228m is allocated to committed schemes.

## **7.5 COMMUNITY INFRASTRUCTURE LEVY (CIL) AND S106 FUNDING**

7.5.1 CIL is a charge that local authorities set to collect funds for infrastructure, facilities and services, associated with new development. The regulations require that this is to be spent on infrastructure, including social infrastructure (schools, community centres, etc.), physical infrastructure (roads, bridges, flooding works, etc.) and green infrastructure (parks, trees, etc.). The amount available as at the end of March 2020 was £64.747m.

7.5.2 CIL cannot be used to fund housing. S106 can be used for housing, but not alongside Right-to-buy (RTB) receipts.

7.5.3 CIL can be spent on new infrastructure or the replacement or improvement of existing infrastructure. The key factors are that it must be providing additional capacity (either by space or quality) to accommodate new development and it

must be for general public good. In limited circumstances, CIL can be spent on revenue.

7.5.4 The total of £361.386m (medium term £113.301m + long term £248.085m) has yet to be received or legally agreed and is programmed up to 2030/31. In the current climate, there is a very high degree of risk around those resources becoming available and/or the time frame for them becoming available.

7.5.5 The key forecast figures for CIL income are shown in Table 7b, showing that a significant proportion of this is 'in kind'. Over the next three years, there is estimated to be about £10.000m per year available, increasing to about £12.000m a year in the longer term.

**Table 7b: CIL position**

**Medium Term (20/21 - 22/23)**

			of which the following is CIL in Kind	Remaining CIL
<b>Med Term (20/21 - 22/23)</b>	Residential	£99,756,136	£41,596,551	£58,159,585
	Commercial	£13,545,455	£7,404,960	£6,140,495
	<b>Total</b>	<b>£113,301,591</b>	<b>£49,001,511</b>	<b>£64,300,080</b>

	Admin Fee (5% of total CIL)	LIF (25% of Net CIL)	5% for feasibility* work	CIL available for the capital programme
<b>Med Term (20/21 - 22/23)</b>	5,665,080	26,909,128	4,500,000	27,225,873

\*either 5% of Net CIL (after Admin fee) or a maximum of £1.5m per year

**Long Term (23/24 - 30/31)**

		CIL	of which the following is CIL in Kind	Remaining CIL
<b>Long Term (23/24 - 30/31)</b>	Residential	£192,417,050	£63,852,086	£128,564,964
	Commercial	£55,668,410	£18,071,288	£37,597,122
	<b>Total</b>	<b>£248,085,460</b>	<b>£81,923,374</b>	<b>£166,162,086</b>

	Admin Fee (5% of total CIL)	LIF (25% of Net CIL)	5% for feasibility work	CIL available for the capital programme
<b>Long Term (23/24 - 30/31)</b>	£12,404,273	£58,920,297	£8,838,045	£85,999,471

\*either 5% of Net CIL (after Admin fee) or a maximum of £1.5m per year

- 7.5.6 Forecasting income from development (both CIL and S106) is subject to significant risk. Payment is made only if / when the development commences. Planned commencement dates are not in the control of the Council and are subject to extensive change dependent on a range of factors such as macro-economic and political circumstances, CV-19 impacts, National and Local policy and housing market conditions. Individual payments on large sites are significant (often exceeding £5.000m and in some cases exceeding £30.000m) meaning that income tends to arrive in batches and not smoothly. As a result, it is not possible to accurately forecast income on an annual basis. There is more certainty in the Medium Term / Long Term approach in this report. Income in the short term (1-2 years) is monitored quarterly on a site by site basis to increase certainty and reduce risk regarding forecast income.
- 7.5.7 In addition to a top slice of CIL for Local Infrastructure Fund projects (LIF), and 5% for administration of CIL, the intention is to use a further 5%, up to a maximum of £1.500m per year, to fund feasibility studies and associated surveys for infrastructure projects which are expected to form part of the future capital programme, which have been deducted from the CIL available for the capital programme.
- 7.5.8 There is a time lag between agreeing the CIL payable for a development and receiving payment, which is received shortly after commencement.
- 7.5.9 Where agreement has been reached for infrastructure 'in kind', the developer will deliver the infrastructure on site, which could be a long time after commencement, for example, a new school may not be delivered until 3-4 years after commencement, meaning that the reduced CIL income and equivalent delivery of infrastructure happens in separate years. Sites currently delivering on-site infrastructure, up to 2023, are dealt with under the old S106 system.
- 7.5.10 The council's ambition is to develop a resilient long-term strategy for financing the delivery of the infrastructure needed to support both existing and new residents. The Council recognises the challenges in financing and delivering the right infrastructure in the right places at the right time.
- 7.5.11 Using the council's Infrastructure Delivery Plan (IDP), its range of long-term strategies and through close working with key partners such as TfL and the NHS, the council has a robust picture of the infrastructure needs over the next ten years. The Infrastructure Delivery Plan and the Capital Programme include a range of projects that will deliver across the borough, supporting those areas impacted by development growth while also improving facilities for existing residents and businesses.
- 7.5.12 In order to ensure the identification and prioritisation of strategic infrastructure projects and continued delivery, the council will develop a medium term and long-term Prioritisation and Financing Delivery Plan for Infrastructure (PFDP). The PFDP will utilise the Council's infrastructure needs evidence base to enable informed decision making to prioritise delivery of infrastructure over

the Local Plan period to 2031 and beyond where necessary. This work will consider the importance of both critical enabling infrastructure such as utilities and transport connectivity, as well as social infrastructure and local infrastructure initiatives that create great places to live and work. Finance will work closely with colleagues in service directorates to develop the plan. The scope of this work is being defined and an officer group set up, after which a delivery timetable will be set and published in the next report to Cabinet on the capital programme.

7.5.13 Costs and income forecasting will then support a robust approach to financing the medium and long term aims of the Council to deliver all infrastructure and meet the objectives of the Local Plan. If/where additional funding is required to support infrastructure delivery, the PFDP will guide the Councils approach to proactively bidding for funding from external private/public bodies, maximising opportunities for investment in the borough.

7.5.14 The PFDP will also support identification of opportunities for efficiencies in delivering infrastructure through programming at scale, multi-use interventions and partnership delivery. It will also support the Councils approach to delivery, at scale, preparing in advance for phasing delivery to meet peaks and troughs in needs.

7.5.15 Prior to the introduction of CIL, the council only collected contributions from developers through s106 agreements, to fund local infrastructure needs arising from new development, including affordable housing. A breakdown of the £109.986m of s106 available as at the end of March 2020 is shown in Table 7c. A total of £49.427m has been allocated to committed schemes in the GF. In addition, £5.191m has been allocated to affordable housing delivery in the HRA.

7.5.16 The as yet unallocated CIL is financially significant, however, plans outlined in council strategies, set out where future allocations will be made. Part of the available balance will be allocated through the capital review process to schemes that are currently shown as uncommitted or new.

**Table 7c: Status of s106 as at end of March 2020**

Head of Term	Account Balance £m	Of which the following is allocated £m	Available for allocation £m
Affordable Housing (wheelchair adaptation)	0.141	0	0.141
Public Art	0.469	0.278	0.191
Carbon Offset	3.744	3.052	0.692
Community Payment	3.678	1.903	1.775
Education	20.300	15.059	5.241
Environment and Public Realm	8.298	2.653	5.645
Health	15.520	11.970	3.550
Leisure	4.747	1.028	3.719
Landscape and Open Space	15.503	9.808	5.695
London Thames Gateway Tariff (for infrastructure in Lower Lea Valley)	12.031	0.372	11.659
Millennium Quarter	0.620	0	0.620
TfL	4.042	0	4.042
Highways and Transportation	7.879	3.304	4.575
<b>Sub-total (Appendix 1a)</b>	<b>96.972</b>	<b>49.427</b>	<b>47.545</b>
Affordable Housing	13.014	5.191	7.823
<b>Sub-total (Appendix 1f)</b>	<b>13.014</b>	<b>5.191</b>	<b>7.823</b>
<b>GRAND TOTAL</b>	<b>109.986</b>	<b>54.618</b>	<b>55.368</b>

7.5.17 All 2019/20 spend from the s106 account has been taken into account. A proportion of s106 funding is used for revenue and spent on employment and training, master planning, Crossrail (via TfL), and monitoring and administration. This is not included in the table above.

7.5.18 Unlike CIL, s106 contributions need to be spent for the purposes for which they were collected, meaning that the funding is ring-fenced for specific purposes.

7.5.19 A breakdown of the projected s106 contributions for the next three years is shown in Table 7d:

**Table 7d: s106 projections for the next three years**

Head of Terms	Received to date 20/21	Financial Year £m			Total
		Forecast full year			
		20/21	21/22	22/23	
Affordable Housing		2.237	10.250	7.700	20.187
Carbon Offset		2.083	2.004	0.583	4.670
Community Payment		0.607	0.377		0.984
Education		0.900	3.892	3.812	8.604
Environment and Public Realm	0.618	5.462	0.602	1.239	7.303
Health	1.130	1.861	1.341	0.645	3.847
Leisure	0.892	2.336	0.752		3.088
Landscape and Open Space	0.060	2.050	0.287	0.648	2.985
London Thames Gateway		2.231			2.231
Highways and Transportation	0.101	2.522	3.178	7.835	13.535
<b>Total</b>	<b>2.801*</b>	<b>22.289</b>	<b>22.683</b>	<b>22.462</b>	<b>67.434</b>

\*includes indexation

7.5.20 The total of £67.434m is expected in the next three years. Payments are contingent on developments progressing as approved in the planning permission and the developer paying in line with the trigger point defined in the S106 agreement. All payments are index linked from the date the s106 is signed to generate uplift in the money received by the Council, where required.

7.5.21 In the current climate, there is a very high degree of risk around those resources becoming available or the time frame for them. There is a greater level of certainty relating to payments forecast to be received in respect of large scale developments with multiple phase trigger points closely monitored by the Council. To achieve this year's forecast a further £19.488m needs to be received; £13.460m relates to five large schemes which are South Quay Plaza, Woodwharf, London Dock, Blackwall Reach and City Island.

## **7.6 CAPITAL RECEIPTS**

- 7.6.1 One of the funding sources for the capital programme is capital receipts, primarily generated by the sale of assets. A tactical review of council assets has been carried out in tandem with the review of the capital programme, to identify council-owned land and buildings which are surplus to requirement and offer potential for disposal.
- 7.6.2 Subject to Member agreement on the potential assets to be disposed of, the sale of identified assets is estimated to generate capital receipts in the region of £75.000m. This is a best-case scenario, as there is risk attached to achieving this level of receipt. It is estimated that £53.750m of capital receipts can be generated within the next 12 months.
- 7.6.3 The potential assets for disposal include buildings originally identified for sale to fund the delivery of the new Town Hall, which have become surplus to requirement more quickly as a result of the pandemic, hastening the move towards new ways of working and delivering services. However, in the current economic circumstances, the council cannot commit expenditure to be financed against these receipts until, as a minimum, they are physically received.
- 7.6.4 The disposal of council-owned assets provides the opportunity to generate a capital receipt to invest in the capital programme, and potentially contribute to meeting other priorities, such as increasing the supply of affordable housing.
- 7.6.5 Capital receipts are not ring fenced for specific projects, but available for use across the programme as agreed, unless they are RTB receipts or for education.
- 7.6.6 Last year the council received £8.074m in RTB receipts. This income has been taken account in the Savills HRA capital review.

## **7.7 PRUDENTIAL BORROWING**

- 7.7.1 The provisional capital programme for 2020-21 to 2022-23 was presented to Cabinet in January 2020, relied on new General Fund borrowing of £111.679m over the next 3 years. The borrowing requirement for the proposed capital programme presented in this report is **£118.957m** and the funding of these borrowing costs was factored into the future Medium Term Financial Strategy (MTFS).
- 7.7.2 The HRA budget relies on **£151.654m** of new borrowing.

## **8 REVIEW OF PROVISIONAL CAPITAL PROGRAMME**

- 8.1 In January 2020, it was agreed by Cabinet that a fundamental and robust review of the provisional capital programme would be carried out to ensure

that programmes demonstrated value for money and delivered agreed outcomes for local communities.

- 8.2 A series of meetings have been held with Divisional Directors to review each programme area, confirm the fit to strategic priorities and identify available funding sources. Each directorate area has been reviewed in detail, to review projects which have been committed and are in train, identify funding sources for prioritised projects and set out a future capital programme that could be afforded. Consideration was given to why the need to invest capital was identified; be it Health and Safety, maintaining the value of existing assets, statutory duty, invest to save/generate income or service improvement.
- 8.3 Capital projects which address health and safety issues or are required to enable the delivery of a statutory duty should as best practice be prioritised, followed by rolling annual programmes to prevent the deterioration of council assets.
- 8.4 Part of the review process has been to look at where there are options to defer, reduce or delete schemes in order to minimise the requirement for prudential borrowing or allow headroom for new schemes that are currently unfunded.
- 8.5 Section 9 identifies the outcomes of the departmental meetings, with the annual rolling programme that maintains the council's assets at their current level or up to the ceiling of external funding first, invest to save/income generation schemes second, then lastly, uncommitted (yet to be in contract) in the current capital programme and new additions to meet directorate priorities.

## **9 REVIEW OUTCOME AND DRAFT 2020-23 CAPITAL PROGRAMME**

Following the review of the provisional capital programme, a draft 2020-23 capital programme for consideration is presented in this report. A summary of the draft proposed 2020-23 capital programme is shown in Appendix 1a, with a breakdown by programme area shown in Appendices 1b – 1e, including committed schemes, annual rolling programme, invest to save, uncommitted and new schemes to meet new and emerging need.

### ***9.1 ANNUAL ROLLING PROGRAMME***

- 9.1.1 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.
- 9.1.2 The capital programme includes approved annual rolling programmes for some council assets but not for all assets; a new, proposed annual rolling programme for 3 years to bridge this gap and set out below:



- Condition and Improvement programme for schools is entirely funded by Schools Condition Grant (section 10.7.1). A third year has been added to the programme for £3.000m, which is the estimated level grant. This brings the budget to £10.808m over 3 years;
- Private Sector Improvement grants of £0.300m over three years would require a rolling budget of £0.100m a year to continue to be provided, which would need to be funded from the council's resources;
- Disabled Facilities Grants (DFGs) of £4.906m are funded by grant; and a further £0.900m is made available to Adult Social Care from the same grant funding source, to give a total budget of £5.806m over the 3 years for adaptations to support independent living;
- Streetlighting maintenance, which has no external funding source (section 11.2.16) if approved this would need funding of £0.400m per annum from council resources; the reactive maintenance budget will be reduced by £0.200m by 2023/24 and there will be revenue savings of £0.150m from the energy budget;
- Maintenance of footways and carriageways maintenance has no external funding source (section 11.2.13); a £5.000m annual budget will ensure that the assets are maintained at the current level of condition. If approved, this £15.000m would need to be funded from council resources;
- Investment in council-owned assets (building fabric works, M&E) for which there is no external funding (section 11.5.1). If approved, this additional £4.000m (£6.141m over 3 years) would need to be funded from council resources.

9.1.3 Finally, there is a requirement to establish a LIF programme for 2020-23, funded from a 25% contribution from CIL (section 11.6), which would, if approved, require **£23.000m** over 3 years as part of the annual rolling programme, requiring £19.300m of additional funding to that already budgeted for in the Provisional programme.

## **9.2 INVEST TO SAVE (INCOME GENERATION)**

9.2.1 The current funded committed programme contains **£49.297m** of schemes that are invest to save (income generation), which are:

- Streetlighting – the revenue saving generated by the replacement LED programme are set out above in paragraph 9.1.2
- Increasing the provision of temporary accommodation by:
  - (a) Purchase of existing street properties as temporary accommodation
  - (b) Conversion of council buildings to temporary accommodation (programme approach)
  - (c) Modular buildings for temporary accommodation (PLACE Ltd)

For each additional unit of directly managed self-contained temporary accommodation provided within the borough results in a significant cost avoidance per household per week and eliminates the need to fund the shortfall between rents and Local Housing Allowance. In addition, this provision will deliver additional social value benefits of improved health and wellbeing, convenient access to schools, healthcare and support networks.

- 9.2.2 An additional **£35.403m** is requested to expand the buyback programme, of which 30% (£10.620m) would come from RTB receipts and an allocation of **£13.468m** is requested for the RP grant scheme. This is covered in more detail in section 11. The total for invest to save projects is **£98.168m**.
- 9.2.3 The Commercialisation Board will consider the business cases of all future invest to save proposals as they are brought forward, including those that arise from the current MTFS refresh. If there is a robust business case, these proposed schemes may need to be funded from existing resources but the impact will be to produce revenue savings, mitigate revenue pressures or produce new income to reduce the council's revenue funding gap in the GF or HRA.

## **10 PROPOSED CAPITAL PROGRAMME FOR CHILDRENS SERVICES DIRECTORATE**

### **10.1 Children's Services: Education**

- 10.1.1 Providing high quality education is essential to improving life chances and increasing future employment opportunities. In partnership with Tower Hamlets Education Partnership and local schools, the council is working hard to help young people to do well at school and achieve their potential.
- 10.1.2 The council has a statutory duty to provide and plan for sufficient, high quality and appropriate schools, which are accessible to children in the local community and available when they are needed. Evidence of projected need is reviewed regularly to enable decisions on future provision to be taken in a timely manner.
- 10.1.3 As with all other local education authorities across the country, the council receives a contribution towards the cost of creating new pupil places through Basic Need grant from the Department of Education (DfE). As a limited funding source, the council needs to ensure that its use is focussed on adding educational value to the school estate.
- 10.1.4 The funding available for Education projects is shown in Table 10.1. This includes funding which has already been received, estimated grant funding (including Basic Needs Grant and Special Provisions Capital Grant), s106 and other funding that is forecast to be received over the 3-year capital programme.

10.1.5 Devolved formula grant is provided directly to the schools involved and cannot be used by the council. CIL funding is not ringfenced for any specific service, but Education is one of the key services that would seek to utilise CIL funding, as it relates to new service provision arising from developments. This report seeks Member views on establishing as a principle that there should be no prudential borrowing for the Education capital programme and the programme will have to be funded by ringfenced funding, Education capital receipts and CIL.

**Table 10.1: Sources of Education funding**

	Amount b/f as at 1/4/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Basic Needs Grant (£2.437m confirmed but not received)	10.292	0	2.437	Not announced	12.729
Special Provisions Grant (£1.166m confirmed but not received)	4.834	1.166	Not announced	Not announced	6.000
Schools Condition allocation	10.935	3.965	Not announced	Not announced	14.900
Scheme-specific DfE grant – London Dock	0	45.300	-	-	45.300
S106 contributions for education	5.241	0.900	3.892	3.812	13.845
Capital receipts from disposals (estimated)	0	0	0	17.000	17.000
Other small grants	0.145				0.145
<b>Total</b>	<b>31.447</b>	<b>51.331</b>	<b>6.329</b>	<b>20.812</b>	<b>109.919</b>

The following have not been included

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Devolved formula grant DfE	0.589	Not	Not	Not

		available to LBTH	available to LBTH	available to LBTH
CIL*	0	0	0	0

\*CIL is not ringfenced. It can be used as agreed for Education

## 10.2 Secondary School Provision

10.2.1 The council's plan for secondary school provision is to provide new schools and improve the existing school estate, to meet the projected needs of 11 to 16 year olds.

### *London Dock School – committed scheme*

10.2.2 In November 2018, as part of the report to Cabinet on school places, the commitment to delivering London Dock School was approved and a budget allocation of £52.000m was allocated, of which £1.660m has been spent. The development will be funded by £45.300m of DfE grant, with the remainder from s106. Final confirmation of the grant has yet to be received. Value engineering will be undertaken with the appointed build contractor at an early stage. There will be no prudential borrowing for this project.

### *George Green's/Westferry – uncommitted scheme*

10.2.3 George Green's School is an existing 7FE secondary school in the south of the Isle of Dogs, which is no longer suitable for the requirements of a modern secondary school. The Council would like to provide a new school for George Green's, either by redeveloping its existing site or using the Westferry Printworks site, if it is available.

10.2.4 Cabinet approved a budget allocation of £45.000m for a new secondary school on the Westferry Printworks site in 2019, with an assumption that the development would be funded from s106 and CIL contributions and prudential borrowing.

10.2.5 If the Westferry site goes ahead, the council would expect the development to be funded by grant from the DfE, which would enable a review of s106 and CIL contributions currently identified for this scheme.

10.2.6 If the Westferry site is not available, and the redevelopment of George Green's needs to go ahead on its existing site, the estimated cost is likely to be in the region of £51.400m, and this is included as an uncommitted scheme in [Appendix 1e](#). This is based on indicative design and phasing plans and the final amount will need to be validated when a full feasibility appraisal has been carried out.

- 10.2.7 As a result of the constraints of the existing site, significant decant costs will need to be factored in and a longer development period to ensure that the school can function during the redevelopment period. The impact on projected pupil numbers, if the Westferry site is developed for another school provider, will also need to be taken into account in assessing the future needs for the school.
- 10.2.8 Consideration is being given to the preferred route to improve George Green's School and a feasibility study will be commissioned, using £0.250k from the CIL-funded feasibility pot to inform a report on funding options for this scheme that will be brought back to Members later in the year.

#### *Oaklands Expansion – new scheme*

- 10.2.9 Following the closure of Raines Foundation School on 30 August 2020, there is a need to increase the capacity of nearby Oaklands School by three forms of entry. This requires capital investment of £6.000m on the Oaklands School site to create additional teaching and learning space for Years 7 to 10, and works on the second site for Years 11, 12 and 13.
- 10.2.10 The options for the second site include the purchase of the former Raines Lower School, which would require £10.000m to purchase the land from the Diocese, and an additional sum in future years to secure the land owned by Raines Foundation Trust. The future proposals for expanding Oaklands are as agreed by Cabinet in July 2020.
- 10.2.11 The closure of Raines Foundation School has not resulted in capital or revenue savings, or generated a capital receipt for the borough, because it is owned by the Raines Foundation Trust.
- 10.2.12 This scheme is expected to be funded from education capital receipts. Currently, no receipts are available, although Education have identified two schools, which are likely to become surplus to requirement, that could generate a receipt in the region of £17.000m. Until these receipts are realised, the council can cashflow the scheme from GF capital receipts. If no receipts are available, the council will seek to cashflow via another route.

### **10.3 Primary School Provision**

#### *Implementing the Primary School Review*

- 10.3.1 The local education authority has a statutory duty to ensure that sufficient school places are available through the pupil place planning process, to ensure that schools are sustainable and that the buildings they occupy are in good condition.
- 10.3.2 The demand for school places is driven by population growth and the increase in new homes across the borough. Whilst population growth in Tower Hamlets is among the fastest in the country, the falling birth rate,

changing resident demographics and the migration of young families out of parts of the borough, the need for primary places has reduced in the west of the borough and increased in the east.

10.3.3 In October 2019, Cabinet received a report on Planning for School Places 2019-20 Review and Recommendations, which agreed to rationalise primary school provision in areas of surplus and increase places elsewhere in the borough to meet the anticipated need.

10.3.4 Within the committed programme is an allocation of £4.000m for the expansion of primary provision in the Poplar catchment, because this is a significant area of growth. Other primary schemes, principally funded by Basic Needs Grant, include:

Creation of a new 2FE school at Wood Wharf by September 2022	£4.800m
Amalgamation of Redlands and Smithy Schools to create a 3FE primary school by September 2020	£1.200m
Amalgamation of Guardian Angels and St Anne's School to create a 2FE primary school by September 2020	£1.300m

10.3.5 Funding for the capital programme for primary schools is from either Basic Needs Grant or other grants from the Department of Education, or s106 or CIL contributions. Budgets are based on best estimates.

10.3.6 The Primary School Review set out how the changing needs of the pupil population across the borough could be met. This includes a range of solutions, including increasing the size of schools, amalgamating existing schools, creating hard and soft federations and, where necessary, the closure of schools.

10.3.7 To fund further schemes identified in the Primary School Review, which are included in the list of new schemes but without cost estimates at this stage, such as the expansion of Hermitage School and the possible relocation of Canon Barnett School, and for other education projects, such as the purchase of Raines Lower School, will require the disposal of school premises, when they have been confirmed as being surplus to requirement. In the region of £17.000m is expected to be generated in the next three years through the disposal of school buildings for reinvestment in provision for education. This will need to be earmarked for the purchase of Raines Lower School to facilitate Oaklands Expansion.

10.3.8 Subject to the availability of further funding in future years from disposals or CIL contributions from new development, the amalgamation of Lawdale Junior and Elizabeth Selby schools to form a single primary school and the creation of an all-through school at Swanlea will be brought forward.

10.3.9 The proposal to amalgamate Cubitt Town Infants and Juniors to create a single primary school is in the consultation phase. Beyond the scope of this review is the expansion of Cubitt Town School which is expected to deliver after 2023.

#### **10.4 Post 16 provision**

10.4.1 The provision of temporary classrooms for the George Green's sixth form is included in the current capital programme as a committed scheme and is due to be completed by mid-October 2020. The council is working with the Tower Hamlets Education Partnership to assess the sufficiency, suitability, supply and location of the current provision, and identify where future provision may be needed.

10.4.2 For new post-16 schemes, funding will need to be sought from the Education Skills Funding Agency. Schemes can be funded from education capital receipts. This report seeks to set the principle that post-16 provision will not draw on other council resources, including borrowing.

#### **10.5 SEND Provision**

10.5.1 Tower Hamlets has a high demand for provision for children with special needs. There are currently 6 special schools, 7 resource bases within mainstream schools and two alternative provision centres.

10.5.2 In May 2018, DfE announced details of its Special Provision Capital Fund to support local authorities to create new school places and improved existing facilities for children and young adults with SEND, in consultation with parents and providers. The council received an allocation of about £6.000m. Existing projects within the capital programme are being funded from this grant allocation.

##### *Beatrice Tate temporary accommodation – committed scheme*

10.5.3 In November 2018, Cabinet noted the progress made to expand Beatrice Tate School, by the provision of temporary accommodation on land adjacent to the existing site to accommodate an additional 20 places for secondary school aged pupils, with an approved budget of £1.500m. This temporary solution is being progressed to relieve the immediate pressure in the main building and is expected to be ready for occupation in 2020/21.

##### *Beatrice Tate Expansion*

- 10.5.4 Beatrice Tate School was constructed in 2013. It has a footprint of 3,000m<sup>2</sup> and provides teaching and learning space and associated internal and external amenity space for 75 students with profound learning disabilities and associated physical disabilities aged between 11 and 19 (Key stage 3 and 4). The number of the students currently occupying the building in September 2019 was 102 and pupil projection for the school indicate the pupil roll will rise to 130 by 2026
- 10.5.5 The temporary building has been given planning consent for 3 years until 2022 after which the temporary site, in front of the Victorian workhouse on Southern Grove will need to be vacated and returned to amenity space to enable the refurbished building to be occupied as residential accommodation. The intention is that pupils will be moved into the proposed extension to the main building.
- 10.5.6 Planning consent has been granted for the permanent expansion of the school to increase capacity from 75 to 130 pupils. The expansion will deliver 6 general classrooms over 3 floors which will accommodate between 48- 60 profoundly disabled pupils. A budget allocation of £4.050m is required for the development of this scheme. Cabinet approval for the permanent expansion of Beatrice Tate School is sought in this report.

#### *Expansion of Harpley School*

- 10.5.7 Harpley School provides short and long term programmes to support Key Stage 4 pupils and Individual Tuition for students requiring alternative provision. The school requires additional accommodation to cater for the anticipated growth in Key Stage 4 pupils. Individual Tuition provision currently occupies a floor in the main building; by relocating this into the extension will release a floor in the main building which will be used for extending Key Stage 4 provision and provision for a girls' group. The budget allocation of £2.500m is required to deliver this scheme. Cabinet approval for this project is sought in this report.

#### *Phoenix Special Needs School – committed scheme*

- 10.5.8 The redevelopment of the former Bow Boys School to provide an additional 144 spaces for pupils with Autistic Spectrum Disorder at Phoenix Special School is due to complete in September 2020.

#### *Future projects*

- 10.5.9 The SEND strategy identified additional provision that is required to meet identified need and reduce the use of costly out of borough placement for students, potentially up to the age of 25. Developing dedicated in-borough provision for students aged 19-25 with complex needs, such as those attending Beatrice Tate, continues to be a priority. These projects, which also include additional residential accommodation at Bowden House and improving the accommodation for LEAP Key Stage 3 provision will be brought forward when funding is available.



## **10.6 Early Years Provision**

- 10.6.1 In January 2018, a budget allocation of £1.900m was approved to fund a two-year programme for the creation of new places for eligible two-year olds. This is a statutory requirement under the council's sufficiency duties. There are 1,800 eligible children, and sufficient spaces for only 60% of these. The number of eligible children increases annually, resulting in the need to increase provision to meet current need and address the backlog.
- 10.6.2 New places are required as children become two, enter eligibility and take up a place. They continue to occupy the place when they become three and are then funded through the appropriate free early education for two-year olds stream.
- 10.6.3 The remainder of this budget is £1.395m, and this is included as an uncommitted scheme because there is no further national grant for this programme. Any funding in 2020/21 would have to come from capital receipts. A budget of £0.395m is included in the committed programme for capital works to existing provision.

## **10.7 Condition and Improvement**

- 10.7.1 The annual rolling programme for condition and improvement works to schools is shown in the capital programme for the next three years. The cost of asbestos and condition surveys will be taken from this budget. The programme totals £10.808m, which includes an additional £3.000m allocation for 2022-23, as shown in [Appendix 1c](#). This programme of works is funded entirely from the School Condition Grant.
- 10.7.2 This programme funds high priority condition works in schools, health and safety, statutory requirements i.e. accessibility and security. Schools are expected to contribute up to 10% of the value of the works from their Devolved formula grant.

## **10.8 Children's Services: Leisure, Parks & Culture**

### **Quality Parks**

- 10.8.1 The Council's Open Space strategy recognises the challenges that high population growth, high demand for housing and reducing public sector resources present for the provision and maintenance of publicly accessible open space; as well as the important role that access to green space plays in promoting health and wellbeing. Given the limited opportunities there are for creating new open space, the protection and enhancement of existing open space is of crucial importance. In October 2018 and September 2019, Cabinet approved a total budget allocation of £8.550m for a programme of works to existing parks.

10.8.2 This includes the following projects in the committed capital programme. Work has commenced to deliver this programme and progress is monitored through the governance process:

- a) Inclusive Playgrounds – a programme to improve a minimum of 15 playgrounds
- b) Improvements to Sports Facilities in Parks – a programme to improve 20 sports facilities (tennis courts, multi-use games areas, basketball courts, etc.) in parks
- c) Quality Parks – a programme to carry out feasibility studies and consultation relating to several key sites (Allen Gardens, South Isle of Dogs, Aberfeldy Estate) and to make improvements to a number of parks across the borough
- d) Addressing ASB – a programme to carry out a number of different initiatives to mitigate Anti-Social Behaviour across a minimum of 5 sites across Tower Hamlets
- e) Signage and Heritage – a programme to install interpretation panels around heritage and nature in each of the council's Green Flag sites and other significant heritage/ biodiversity sites, including reinstating the LDDC installed interpretation panels many of which are now unreadable. The programme will also support improvements to welcome and wayfinding signage and will include the creation of self-guided walks.
- f) Biodiversity, Community Gardening and Horticulture – a programme to develop a minimum of three community gardening/ biodiversity projects

10.8.3 The remainder of the schemes that were in train prior to the Quality Parks programme, require a residual spend of £0.191m which included in the committed programme under the culture heading.

10.8.4 A further £3.009m is included in the committed capital programme for other parks and open space projects, including the first phases of Barlett Park, bringing the total for the overall programme of works to £10.811m. There will be additional revenue costs due to the ongoing maintenance resulting from the capital investment.

10.8.5 Significant improvements are proposed for King Edward Memorial Park, programmed in phases linked to the completion of the Tideway works, with ring-fenced funding. A budget allocation of £2.877m is in the uncommitted programme for 2021/22 to 2022/23, when the project is expected to come forward.

10.8.6 In addition to the programme of works to existing park, projects to create new open spaces are progressing through the governance process. This includes Maroon street pocket park and the community garden on the site of the Berner TRA building.

***Investment in Leisure Centres ahead of contract review***

- 10.8.7 The contract with GLL is due for renewal in 2022. Ahead of contract review, funding is required for works on the existing leisure assets over the next few years, recognising the challenges of carrying out these works while the existing operator is in occupation, and for feasibility studies to be carried out on the long term options for the leisure portfolio.
- 10.8.8 In December 2019, Cabinet considered the Physical Activity and Sport Strategy, which set out how assets in the borough could be used to give better access to physical activity and sport and deliver improved health and wellbeing outcomes for residents. Since then, the global pandemic has had a significant short-term impact on the leisure industry and is expected to lead to longer term changes in the way in which people exercise and use the council's leisure centres. In July 2020, Cabinet approved a variation to the main Leisure Management contract to provide a management fee to GLL to ensure the continued operation of the leisure services, following the period of closure due to COVID-19 restrictions imposed by the government.
- 10.8.9 Further work is now required to review the improvement and redevelopment options for the leisure portfolio, which may include future disposals. A project team has been established to drive this programme forward. The outcome of the options appraisal will be presented to Cabinet later in the year.

## **10.9 *Children's Services: Youth Services***

- 10.9.1 As part of the Asset Strategy, all Council owned youth hubs will be reviewed to, for example, determine what services can run from the buildings, community use and disposal. For the retained youth hub buildings at Haileybury, Limehouse, Christian Street, Wapping and St Andrews Wharf there is the potential for upgrade work to the buildings to be required in the next three years and this will need to become part of the capital programme when the upgrade works required have been established and agreed; and the availability of Local Infrastructure Fund (LIF) or s106 has been identified.

## **11 *PROPOSED CAPITAL PROGRAMME FOR PLACE DIRECTORATE***

### **11.1 *New Town Hall***

- 11.1.1 The delivery of the new Town Hall on the site of the former Royal London Hospital site in Whitechapel, at the heart of the Tower Hamlets community, continues to be a priority in the Strategic Plan (Priority 3 Outcome 11). In addition to renovating and refurbishing the hospital building, a new build extension is being built and investment is being made in the provision of high quality public realm. It will provide 26,700m<sup>2</sup> of civic space, designed for public use on the ground floor and for the co-location of partner organisations, to enable local residents to access a diverse range of services in one place.

11.1.2 In 2015, the intention was to fund the development of the new Town Hall through the disposal of assets identified as surplus to requirement. Since that date, more flexibility has been sought on how the project is funded and the scheme is now proposed to be largely funded through prudential borrowing.

11.1.3 In the light of the recent global pandemic, the accommodation strategy is being reviewed and revised, as part of the process of re-casting what the new Town Hall will look like. This will ensure that a dynamic space to work is created and may result in more space being available for compatible uses providing opportunities for further investment to save benefits. This will inform the cost of project inter-dependencies such as the furniture fit-out, ICT, wayfinding and signage, which are not included in the budget allocation for this project. Where relevant service areas require additional funding, these will be brought forward through the capital governance process.

11.1.4 Approval has been given for a budget allocation of £123.350m to cover all the costs associated with this project, of which £90.120m is remaining.

## **11.2 Place Directorate: Public Realm**

### *Liveable Streets future programme*

11.2.1 The Liveable Streets programme of capital works for Public Realm contribute towards meeting Priority 2 in the Strategic Plan: A borough that our residents are proud of and love to live in. Under outcome 6, the Strategic Plan states that the council will deliver the programme of Liveable Streets.

11.2.2 The ambition for the programme is to enhance the public realm in 17 areas across the borough, by improving opportunity to walk and cycle, greening streets to make them more attractive places to be and encouraging active travel in a healthier environment. The programme links with council's Air Quality Management Plan, Town Centre Strategy, Borough Cycle strategy and child health strategies, and works in parallel with the accelerated carriageway and footway programme, streetlighting replacement and street tree planting.

11.2.3 In 2019, a budget allocation the delivery of the Love Your Neighbourhood (Mayoral Refresh) programme was approved, of which £6.400m was programmed for spend in 2020-21. This has now been replaced by the Liveable Streets Programme.

11.2.4 Extensive community consultation is a key part of delivering this programme to ensure that enhancements respond to the needs of local communities Phase 1 of the Liveable Streets programme for Bow, Bethnal Green and Wapping is estimated to cost £4.480m, and work has recently started on the schemes. A timetable for delivery of Phase 1, along with the proposed timetable for later phases is attached at [Appendix 2a](#).

11.2.5 With the exception of Barkentine, at the time of writing this report, where works are currently planned to start at the end of August and are being funded as part of the Phase 1 works, the remainder of the programme has not been programmed to start until 2021, subject to the availability of funding. The estimated cost of the Bow Liveable Streets Programme is £1.500m; with £5.800m for the Phase 2 programme; £2.900m for the Phase 3 programme and £3.250m for the Phase 4 programme, with the latter phases extending into 2024, as set out in [Appendix 2b](#). The total cost of the uncommitted Liveable Streets programme for 2020-23 is £14.005m. In addition to use of internal funding sources, the team are actively bidding for external funding streams to support delivery. Work is anticipated to extend beyond the life of the programme.

#### *Transport for London (TfL) funded projects*

11.2.6 Due to a drop in the use of public transport since the outbreak of the pandemic in mid-March, TfL has withdrawn LIP funding, as well as other discretionary TfL funding to boroughs. Instead a London Streetscape programme has been launched to support a take up in walking and cycling, and the council has initially been allocated £0.200m of funding from this source for delivery-ready schemes that meet the published criteria.

11.2.7 The Crossharbour DLR station is currently prioritised by the TfL and LBTH due to its reaching operational capacity limit by 2022 and the general OAPF (2019) and Local Plan (2020) aspirations for the Crossharbour district centre. LBTH committed to support this investment from our CIL. Total cost is being established through feasibility and design work. At present the expectation is that the funding for Crossharbour will come from CIL, TfL Growth Fund and the GLA Land Fund.

#### *Accelerated Carriageway and Footway Planned Improvements Programme*

11.2.8 This programme of capital works for Public Realm contribute towards meeting

Priority 2 in the Strategic Plan: A borough that our residents are proud of and love to live in. Under outcome 5, the Strategic Plan states that the council will deliver the Mayor's ambitious Love Your Neighbourhood programme to make streets safer, cleaner and more sociable places to use. The programme is linked to the Council's statutory duty to maintain the public highway within the Highways Act 1980.

11.2.9 In 2018/19, the projected cost of the 10-year Carriageway and Footway Planned Improvements Programme was £75.649m, with core improvement works to roads and footways deemed as very poor, poor and fair, to be carried out between 2019 and 2024 estimated to cost £34.000m. In January 2019, approval was given for £15.000m in 2019-20, to fund the first tranche of the programme. The Carriageway and Footway Planned Improvements Programme is currently unbudgeted and the council is preparing funding

options for the delivery of these priorities. This is in addition to the annual rolling programme.

11.2.10 For Tower Hamlets, the current position is that 80% of its roads are in good condition, against the current London average of 85%. Other local authorities with the same percentage are Newham and Waltham Forest; those above the average include Wandsworth, Westminster and Camden. A comparison table is shown in [Appendix 2c](#).

11.2.11 To reduce the backlog of carriageway works and, as a minimum, improve the roads and footways that are deemed as very poor and poor, a budget allocation of £3.800m per year is required, totalling £11.400m over three years. This is included for consideration as a new scheme. The impact of this investment on the ongoing revenue costs for maintenance and a reduction in insurance claims is shown in [Appendix 2d](#). Costs per sqm for carriageway works are currently £40/sqm, and for footway works, this is £105/sqm.

11.2.12 As road conditions deteriorate, an increasing number of defects emerge on the network, some of which will safety hazards result in an increasing ad-hoc revenue expenditure. Revenue spend on newly resurfaced carriageways will result in a 50% reduction in revenue spend and reduce the risk of high value claims related to trips, falls and other accidents.

11.2.13 To avoid deterioration of the carriageways and footways £5.000m annual rolling programme has been included.

#### *Accelerated Street Lighting and LED Replacement Programme*

11.2.14 The Accelerated Street Lighting and LED replacement Programme is programmed over a number of years. A total of £3.758m was spent in 2019/20 and a further £15.492m is included in the capital programme for the next three years. This budget allocation is included as an Invest to Save proposal, supported by a business case that demonstrates the extent of savings associated with this replacement programme.

11.2.15 The programme will contribute towards the Mayor's pledge to switch all streetlights to low energy LEDs, delivering revenue savings based on lower energy consumption charges and reducing maintenance requirements. The impact on the budget is set out in paragraph 9.1.2.

11.2.16 In addition, £0.100m a year for the next three years is included as an annual rolling programme to cover the cost of maintenance.

#### *Street Trees*

11.2.17 A budget allocation of £1.000m for the delivery of 1,000 street trees from 2019-2022 was approved in January 2019, part-funded by CIL. In December 2019, a grant of £0.317m was allocated by the Urban Tree Challenge Fund to

contribute to the target. The grant required the planting of 350 trees in 2019/20 and a further 207 trees in 2020/21. The remaining budget for this programme is £0.806m for 2020-23.

#### *Provision of a new depot*

- 11.2.18 The contract with Veolia came to an end in March 2020, bringing the waste service back in-house. To enable the development of new depot facilities on the existing site, an interim depot building has been recently completed. Additional funding of £0.500m for Phase 2 works has been requested for essential health and safety works to the interim depot. This is included as a new scheme and would be expected to be funded from capital receipts.
- 11.2.19 Feasibility work is underway for the long-term provision, including the opportunity to develop the site as a mixed-use scheme. Delivering residential above the depot, would help to cross-subsidise the scheme and reduce the impact on the capital programme. This will form the basis of a report to Cabinet when the proposals have been developed, funding sources identified and a business case, demonstrating business benefit has been completed.

### **11.3 Place Directorate: Housing**

- 11.3.1 The priorities for housing capital expenditure for the next three years are maintaining the existing council stock, carrying out retrospective works to address fire safety and building safety, delivering 1,000 new affordable homes for rent of high-quality design and sustainable and identifying sites for a further 1,000, carrying out improvements to increase energy efficiency (based on availability of funding, starting with cost effective, less intrusive, quick wins such as new windows, loft insulation), and increasing the supply of affordable housing through mixed tenure development on council-owned land.
- 11.3.2 In January 2020, an HRA budget of £330.776m was included in the provisional capital programme for the period from 2020-21 to 2022-23, subject to the outcome of a review of the HRA being carried out by Savills.
- 11.3.3 The draft proposed capital programme for 2020-23 set out in this report, includes an HRA budget of **£308.496m** for the delivery of the Housing Capital Programme (THH), fire safety works and the first 1,000 new council homes, funded by a mixture of grant funding, capital receipts (including RTB receipts where this is allowed), s106 contributions and borrowing.
- 11.3.4 Proposed development sites are currently brought into the capital programme on a scheme by scheme basis, based on the outcome of estate capacity studies and asset reviews. Whilst project delivery and site-specific budget monitoring will continue to be managed in this way, a programme-wide budget will be set. This will enable new schemes to be swapped into the programme if others are delayed in design, planning or procurement, giving more flexibility within the programme and ensuring the pace of delivery is

maintained. The budget allocation for the delivery of first 1,000 new council homes programme is **£233.901m**.

#### *HRA Capital Review*

- 11.3.5 In January 2020, the council appointed Savills to review the borrowing and investment capacity within the Housing Revenue Account (HRA), and other opportunities available to deliver affordable housing, in the light of the abolition of the HRA debt cap and potential introductions of new flexibilities for the reinvestment of Right-to-buy receipts. The primary driver was to establish if additional new homes could be delivered alongside investment in the existing stock including fire safety and energy efficiency works.
- 11.3.6 The outcome of the HRA Capital Review will inform future decision making on investment and capacity within the HRA.

#### *Housing Capital Programme*

- 11.3.7 The HRA Business Plan Review, which has recently been completed, has established that there is sufficient funding available, for the capital works identified through the existing stock condition surveys, the anticipated costs of fire and building safety works that are expected from new regulations and the delivery of the first 1,000 council homes.
- 11.3.8 The other identified priorities, including in particular the delivery of the second 1,000 homes programme are not currently affordable within existing budgetary constraints, and financial options for each are being explored including cross-subsidy, partnership approaches, additional grant funding and the possible use of the housing companies. As funding solutions are found, schemes will be brought into the programme alongside its funding approach and as such schemes that are currently in this position will also be prioritised.
- 11.3.9 The Savills Review has concluded that addressing all the priorities listed is not affordable and provides the strategic data to help Members decide how best to prioritise competing service demands.

#### *Stock rationalisation*

- 11.3.10 Following the completion of the HRA capital review, Savills have been appointed to undertake both a Carbon Impact Assessment and an appraisal of the performance of the housing stock to allow examination of the costs associated with ongoing maintenance and improvement work. This will ensure that resources are allocated in a way that represents value for money and the impact of investment genuinely improves outcomes for residents. The results of this work are expected to be available in December 2020.

#### *New council homes*



11.3.11 The first 1,000 new council homes programme includes a mix of new build schemes, buy-backs and s106 purchases. The homes that are being delivered as new council homes for rent, and let on secure tenancies, are being delivered through the HRA; those being delivered for Temporary Accommodation are being funded by the General Fund.

11.3.12 The HRA Review has established that funding is available to support the delivery of the 487 new council homes for rent on secure tenancies in the capital programme. Table 11a sets out the current progress in delivering the first 1,000 new council homes, which will deliver a total of 1,066 homes.

**Table 11a: First 1,000 homes programme**

<b>Programme</b>	<b>Status</b>	<b>No of homes</b>	<b>Scheme addresses</b>
New build council homes	Completed	77	Jubilee Street, Baroness Road, Locksley A
	On site	139	Barnsley Street, Hanbury Street, Sidney Street, Keats House, Strahan Road, Lowder House, Mellish Street, St Pauls Way, Solander Gardens
	Planning permissions granted	156	Locksley D, Arnold Road, Shetland Road, Norman Grove, Heylyn Square, Land adjacent to Montefiore Centre, East India Dock Road
	Planning application submitted	77	Yorkshire Road, Wickford Street, Waterloo Gardens
	Consultation phase	38	Gill Street, Buxton Street, rooftops
<b>Sub-total</b>		<b>487</b>	
Conversions for temporary accommodation	Completed	7	Bethnal Green Cottages, conversion of former community spaces
	Works tendered	4	Turin Street
	Planning application submitted	16	Landon Walk (through PLACE)

S106 purchases	Completed	42	Angela Court
	On site	115	Barchester Court
Buy-backs	Completed	395	
<b>Total</b>		<b>1,066</b>	The additional 66 homes will count towards the second 1,000 homes programme

11.3.13 The first 1,000 homes programme includes the purchase of 42 new homes at Angela Court and 115 new homes at Barchester Court, from Canary Wharf Group as part of a s106 agreement. Further s106 purchases may be brought forward in future years.

11.3.14 The council has been awarded a revised grant allocation of £12.100m from the GLA as part of their 2019-22 programme. The first tranche of £3.300m was received at the end of March 2020 (for 2019/20), and the remainder will be claimed as new schemes start on site or complete. For dwellings that receive GLA grant, the council is unable to use its RTB receipts. This highlights the risk that exists around not being able to spend RTB receipts within the specified three years and having to 'bank' them with the GLA.

11.3.15 Where build contracts are yet to be let, best estimates of costs have been included in the capital programme. However, it should be recognised that there may be changes required to the approved budgets when contractors are ready to be appointed and total scheme costs are confirmed. These will be reviewed through the capital governance process.

11.3.16 A number of the sites in the new council homes delivery programme currently sit within the General Fund, having been identified for development through the review of assets, including community buildings. Land which needs to be appropriated from the General Fund to the Housing Revenue account will be done so on the basis of site valuations. Cabinet is asked to delegate authority to the Corporate Director of Place, in consultation with the Corporate Director of Resources, to approve the appropriation of land from the General Fund to the HRA, subject to the individual site valuation.

11.3.17 Whilst there is currently insufficient capacity within the HRA to fund the delivery of the second 1,000 new council homes in full, the council is preparing financial options, including cross-subsidy generated through mixed tenure development, potential partnerships, additional grant funding and the possible use of the housing companies, to identify what future funding could be available to enable the delivery of this programme. As funding solutions are found, schemes will be brought into the programme alongside its funding approach and as such schemes that are currently in this position will also be prioritised.

11.3.18 Within the second 1,000 programme, the regeneration of part of Clichy estate (Harriott, Apsley and Pattison Houses) continues to be a priority, following the positive ballot outcome earlier this year; as well as the redevelopment of Ashington House. The regeneration of part of the Clichy estate will provide new homes for existing tenants and resident leaseholders and has potential

to deliver in the region of 350 additional new homes. The approach to development, and the required budget and funding strategy, will be presented to Cabinet for consideration as part of a separate report in the next few months. The redevelopment of Ashington House is expected to deliver a net increase of 30 new council homes.

11.3.19 For the provisional new build schemes in the second 1,000 homes programme, planning applications have been submitted for 46 council homes for rent and consultation is almost complete on sites with potential to deliver 130 new council homes. Planning applications for these are expected to be submitted by March 2021. Sites for the development of a further 273 new homes have been identified and achieving planning consent for these will demonstrate deliverability.

11.3.20 Development appraisals have been completed for the second 1,000 homes programme and identified those that could be delivered as mixed tenure developments (50% market, 50% affordable), to generate cross-subsidy to support new build. This approach would enable the limited funding capacity to be focussed on ensuring that the majority of estate infill sites continue to deliver entirely council homes for rent.

11.3.21 Table 11b shows the commitments in the proposed capital programme which will enable the delivery of 256 homes in the second 1,000.

**Table 11b: Current position on delivery of second 1,000 homes**

Brought forward from first 1,000 homes	66
Buy-back programme	190
<b>TOTAL</b>	<b>256</b>

11.3.22 In addition, the allocation of £20.000m of grant to Registered Providers (RPs) from RTB receipts (of which £6.532m is in the committed programme and £13.468m is included as an invest to save project) to increase the supply of affordable homes in the borough. These will be available to let to applicants on the Common Housing Register through Homeseekers, the council's choice-based lettings scheme.

*Buy-back and property acquisition programme*

11.3.23 By March 2020, the council had acquired 395 existing properties through its acquisition and buy-back programme and continue to be part of the delivery options for the second 1,000 homes, subject to budget availability. These properties are purchased in the General Fund for the provision of temporary accommodation, reducing the cost of homelessness prevention and providing a good quality directly managed home in the borough for local families. The current programme includes a committed budget allocation of £24.597m, within the invest to save programme.

11.3.24 A new acquisition strategy is being developed, focussing on the buy-back of leasehold properties in the borough, sold under Right-to-Buy; a further £35.403m has been requested to bring the total for the programme to £60.000m. This is included as an invest to save project in the General Fund capital programme.

11.3.25 Cabinet approved a budget allocation of up to £9.000m to buy back leaseholder properties at Maltings House and Brewster House, ahead of major repair works being carried out, £2.000m has been profiled in the capital programme for 2020/21.

11.3.26 A recent audit report on the buyback process identified that, whilst there was sufficient overall budget for the programme, the funding strands identified in the approvals were not fully aligned to the spend and retrospective approval is sought for a variation to the budget allocations within each strand of the programme. The original programme comprised the acquisition of s.106 properties on new developments (£60m), in and out of borough purchases of properties for use as temporary accommodation (£40m) and the acquisition of properties from Poplar Harca (£19m), identified as surplus to requirement. A further £50m was approved at a later date for the purchase of properties for temporary accommodation, taking the overall budget to £169m.

#### *Temporary Accommodation - PLACE Ltd*

11.3.27 In addition to the provision of Temporary Accommodation through the buy-back programme, there is an opportunity to deliver temporary accommodation through modular housing units. As the lead local authority for the Pan-London Accommodation Collaborative Enterprise (PLACE), the council will be acting as agent for £11.000m of GLA grant funding to contribute to the purchase of modular housing units, which will contribute to enabling the provision of temporary accommodation as meanwhile use on available publicly-owned sites. There is an opportunity for the council, as the lead authority to make a loan to the company and £3.820m is included as part of the invest to save programme for this purpose.

11.3.28 A planning application has been submitted for the first 16 homes on a garage site in Poplar, for which a loan to the company is required. PLACE Ltd is expected to deliver in the region of 60 homes in the next few years, avoiding the cost of more expensive alternative temporary housing options and increasing local provision.

#### *Housing Company Review*

11.3.29 On February 2017, two housing delivery vehicles were set up to expand the options available to the council to deliver new supply across tenures, of both permanent and temporary homes, to complement the council's existing delivery approaches within the HRA and General Fund. The Wholly Owned Company (WOC), called Seahorse Homes, was set up with a commercial

purpose to provide homes for rent and sale, returning a dividend to the Council from long term profit-making activities; and the charitable Community Benefit Society (CBS), called Mulberry Homes, was set up to provide homes for sub-market rent, subsidised by grant of land and retained Right To Buy receipts, made possible by governance arrangements within which the Council holds a minority position.

11.3.30 In January 2019, Cabinet approved budget allocations of £6.000m for equity financing from the General Fund for Seahorse Homes, the wholly owned company; and £2.500m from S106 (as shown in [Appendix 1a](#)) and £9.000m from the HRA funded by RTB receipts for Mulberry Homes. These capital allocations are in the draft 2020-23 capital programme, shown as approved but uncommitted, to give Members flexibility to review this budget allocation. Activating the housing companies could be a delivery option for increasing the supply of affordable housing for local people.

11.3.31 A review of the use of the companies is being carried out and a decision on the activity that they will focus on in future will be presented for consideration to Cabinet in due course.

#### **11.4 Place Directorate: Economic Development**

11.4.1 Thriving High Streets: The remaining budget for this pilot project is £0.056m, which will be spent in 2020/21.

11.4.2 Town Centre regeneration programmes (Brick Lane, Roman Road West, Middlesex Street): The capital programme includes a budget allocation for these committed schemes of £5.601m.

#### **11.5 Place Directorate: Property & Major Programmes/Regeneration schemes**

11.5.1 Investment in LBTH assets (building fabric and M&E)

- Annual rolling programme
- Investment in council-owned assets, as invest to save, to increase lettable and maximise income generation
- Refurbishment of St Georges Town Hall and Montefiore Centre

##### *South Dock Bridge*

11.5.2 The South Dock Bridge (SDB) project is £15.000m, of which £0.539m has been spent in 19/20. Of the remaining £14.461m budget, £7.461m is funded by CIL and £7.000m from the Strategic Investment pot (SIP). However, the project has a funding gap of about £5.000m, this is mainly related to land acquisition and compensation for landowners which was not accounted for in the £15.000m for design and build. These costs were unknown at the time

the initial funding was secured. In June 2020 officers submitted a funding bid for £5.000m for SDB, to the Secretary of State for Housing, Communities and Local Government for accelerating capital projects, the bid was submitted via the Greater London Authority. Although London has received £22.000m from this grant, it is currently not confirmed as to how the funding will be divided in London and if any funding will be available for SDB.

11.5.3 Once the project is fully funded, it will take the total cost of the project to £20.000m.

*River Lea bridges*

11.5.4 There are currently seven Lower Lea bridge projects in the pipeline. At the Lower Lea Valley Area Board on 21 November 2019 it was agreed to prioritise four of these projects, three of which (Lochnagar Bridge, Poplar Reach Bridge and Leven Road to Mayer Parry Wharf Bridge) are being led by LBTH.

11.5.5 The council has been successful in securing external funding for the development and enabling phase of Lower Lea Valley bridge projects: SIP – £0.500m for enabling costs; LB Newham – £0.043m for external technical and legal advice, in addition to Newham’s own internal costs; LLDC – £0.052m; Country Garden – an in-kind contribution to take the Lochnagar bridge through to a planning consent, valued at up to £0.250m, plus obligations to deliver utilities connections to safeguarded bridge land.

11.5.6 The three bridge projects which are prioritised are:

*(i) Lochnagar Bridge*

This river bridge will provide the 785 home Ailsa Wharf scheme and surrounding developments with access to the Leaway and a route to jobs and social and transport infrastructure, including Star Lane DLR. This bridge provides a much higher quality route than is currently available and without it walking and cycle journeys to the north will need to use the busy A12. The cost to construct this bridge is estimated at between £4.000m-£5.000m. Design and preconstruction costs are estimated at £0.535m, including £0.150m worth of design and planning related services due to be delivered direct by Country Garden, the Ailsa Wharf developer. The bridge is planned be open for public use in 2024.

*(ii) Poplar Reach Bridge*

This bridge provides a route to the Leaway, Star Lane DLR and key social infrastructure from Leven Road and surrounding areas. The cost to construct this bridge is estimated at between £4.000m-£5.000m. Design and preconstruction costs are estimated at £0.367m, including £0.010m from the London Borough of Newham and £0.052m from LLDC. The bridge is planned be open for public use in 2024.

*(iii) Mayer Parry Bridge*

This river bridge will enable access to Canning Town and the Leaway from the 2,800 home Leven Road Scheme and surrounding areas, improving both journey times and route quality between Leven Road and Canning Town. It will increase PTAL at Leven Road and northern part of Oban Street. The cost to construct this bridge is estimated at between £4.000m-£5.000m. Design and preconstruction costs are estimated at £0.278m, including £0.033m from the London Borough of Newham. The bridge is planned be open for public use in 2025.

11.5.7 While all three projects are still at the feasibility, design and planning stage, work has also been undertaken to secure capital finance and assets, including:

- London Borough of Newham officers are currently developing a business case to secure an initial tranche of up to £6.150m towards capital costs for bridge projects, having previously identified a total potential contribution of just under £23.000m - representative of Newham's proportional share towards total project costs of all Lower Lea Valley bridge projects, based on current high level cost estimates.
- LBTH has secured £2.400m from the GLA towards construction and other capital costs for the Lochnagar Bridge
- LBTH has secured (or is in the process of securing) bridge landings via S106 and commercial agreements as follows. Lochnagar - land in LBTH via S106 and commercial agreement, Poplar Reach land in LBTH via s106 and in Newham by agreement, Mayer Parry – land in LBTH via s106.

### ***Emerging capital projects***

#### *Whitechapel Road Improvement Programme*

11.5.8 Whitechapel Road Improvement Programme is at the initiation stage, directed by the City Fringe Area Board and planned by Public Realm, Regeneration and High Streets and Markets teams. The programme includes improvements to public realm; development of the new model of market operation, designing and delivering new market stalls and market infrastructure.

#### *Slipway Park*

11.5.9 The Regeneration Team have secured LIF funding to undertake a feasibility study looking at the future of Millwall Outer Dock Slipway, and the potential to create new, high quality open space at the site. The feasibility study will consider ownership and maintenance arrangements alongside design aspects including the levelling of the slipway, safety, and use, as well as a cost / benefit analysis of options in order to ensure the preferred option is deliverable and achieves significant benefits.

#### *East India Dock Basin*

11.5.10 The Regeneration Team have secured LIF funding to develop options for securing public realm improvements in the area for the benefit of the growing local population. The basin remains the property of the Lee Valley Regional Park Authority. It is in a poor condition due to high siltation levels and decay of the river walls and basin gates. The Feasibility study will identify options for capital delivery, maintenance and curation of this space including assessment of potential for land acquisition and revenue generation.

#### *Thames Path*

11.5.11 The Thames Path programme will seek to deliver on the Council's vision to ensure the Thames Path is open and accessible for all along its entire length, with clear signage as to its route and access where at all possible to the Thames, and make the most of cultural opportunities linked to the borough's history and natural assets. £0.100m of LIF funding has been secured for the programme's first phase, with delivery funding being sought via further LIF funding, CIL and other third-party sources.

### **11.6 Place Directorate: Local Infrastructure Fund**

11.6.1 CIL regulations provide concessions around the use of the neighbourhood portion, known as Local Infrastructure fund (LIF), which gives the Council freedom to use LIF for aspects of delivering infrastructure where it can be demonstrated that it addresses demands that development places in an area. In Tower Hamlets LIF comprises 25% of CIL collected and will be spent on primarily publicly nominated schemes. The £23.000m that has been added to the rolling programme for LIF will comprise a number of programmes; Programme 1 has been approved and this report seeks approval for LIF Programme 2. There will be future programmes developed that will ensure all the LIF that has been received is spent. The current estimate for LIF that will be available for spend in this period is £26.909m as set out in [Table 7b](#).

11.6.2 Availability of LIF, in the four defined areas across the borough, is dependent on the level of development which has taken place in that area, with higher levels of LIF being available to spend in the City Fringe, Lower Lea Valley and the Isle of Dogs.

11.6.3 A public consultation undertaken in 2017 guides the spend of LIF Programme 1 which utilises funding received up until March 2019. A previously approved PID is now seeing delivery of a range of projects up until March 2022, requiring an approved budget allocation of £11.000m to be spent over the next three years.

11.6.4 A further public consultation undertaken in late 2019 sought feedback on infrastructure priorities and the nomination of projects for delivery using LIF funding collected during 2019/20 for the publicly nominated schemes in LIF Programme 2. The Council engaged over 2,500 local people in a variety of ways, receiving over 1,300 nominations for local projects. LIF Programme 2 requires £5.907m for the next three years, as shown in [Appendix 2e](#).



11.6.5 The Council has been through a comprehensive process to review all nominations and prioritise those found applicable for delivery. This process firstly utilised a filter to ensure eligibility for LIF funding considering a range of criteria, including:

- Where projects are already programmed / funded elsewhere by the Council or other delivery partners
- Those projects ineligible for LIF (for example where the project is outside of Tower Hamlets, is more suited to strategic CIL funding, or is not appropriately linked to the development of the area)
- Nominations that were generic feedback and did not nominate a particular project.
- Strategic projects to be funded/delivered by other public bodies such as TfL.

11.6.6 Outside of LIF, the Council will utilise the public feedback on the points above to hold discussion with internal and external funding and delivery partners to facilitate delivery of these projects wherever possible.

11.6.7 This initial filter provided the Council with a long list of potentially eligible projects for LIF funding. This list was then passed through two further prioritisation filters, firstly assessing deliverability, to ensure that projects can achieve the aims of LIF in good time and secondly assessing the social value of projects to ensure the public benefits and value for money of projects is maximised.

11.6.8 The resulting identified priority publicly nominated projects have been allocated LIF as shown in LIF Programme 2 in [Appendix 2e](#) to create a portfolio of programmes and projects that meet the infrastructure priorities identified by the public and to ensure a fair geographical distribution of funding. The portfolio proposes the use of funding in a range of ways, as follows:

- Funding for immediate delivery of capital projects
- Funding for feasibility of more complex, longer term capital projects
- Funding to establish wider programmes of capital projects with exact locations to be defined
- Funding for key revenue activity to manage the impacts of development, mitigating negative impacts on local people and co-ordinating the effective delivery of local improvements to maximise development benefits to local people in locations of development growth.

11.6.9 As part of Recommendation 2 of this report, the Mayor is asked to approve the allocations in LIF Programme 2 shown in [Appendix 2e](#).

11.6.10A full consultation summary, which will include an update on the status and outcome for each individual project nomination, will be made available on the LIF section of the Councils Website as soon as possible following Cabinet.

## **12 PROPOSED CAPITAL PROGRAMME FOR HEALTH AND SOCIAL CARE DIRECTORATE**

### **12.1 Public Health: Healthy Environments and Communities**

#### *Health Centre provision*

12.1.1 The delivery of the Maximising Health Infrastructure Programme is led by Tower Hamlets Clinical Commissioning Group, in partnership with NHS Property Services who act in most cases as the delivery agent for the project. The exception is Aberfeldy Village which is overseen by Poplar Harca.

12.1.2 As with the rest of the capital programme, progress is monitored through the capital governance process. Over the past year, the council has been working with NHS partners to improve financial profiling and performance to ensure greater value for money justifications to support requests for budget increases.

12.1.3 The capital programme includes funding for the following Health Infrastructure projects, of which £22.028m is left to spend over the next three years:

	<b>Original approved budget (including budget increases)</b>	<b>Revised budgets as shown in Appendix 1a</b>
Aberfeldy Village Practice	3.868	3.787
Aberfeldy WellOne	0.500	0.500
Goodman's Fields	6.880	6.587
Island Medical Centre	0.986	0.965
Suttons Wharf	3.131	2.888
Various Sites	1.872	0.927
Wellington Way	4.613	1.209
William Cotton	Project closed down within budget	
Wood Wharf	5.780	5.166
<b>Total</b>	<b>27.630</b>	<b>22.028</b>

This programme is fully funded by s106 and CIL. Revenue costs are met by the NHS / Poplar Harca.

12.1.4 Public Health are leading asset-based community development programmes in partnership with colleagues in Regeneration from the Open Spaces (£0.317m) and Streets are Spaces too (£0.411m). These programmes intend to unlock under-utilised assets in communities as well as to promote better access to green space and are included in the uncommitted programme.

12.1.5 Public Health are reviewing the current health facilities capital programme and proposed pipeline activity alongside the NHS Estates Strategy, LBTH Local Plan and LBTH Infrastructure Delivery Plan. The process of agreeing the next phase of priority programmes is underway, and these are shown in the table below. No expenditure has been committed beyond the approved and committed programme. As part of this review work, we will be exploring the longer term impact of CV-19 on virtual GP appointments to understand whether less physical space is now required.

<b>Pipeline Health Facilities Programmes</b>	<b>Cost Estimate</b>	<b>Timescales</b>
Health Infrastructure Improvement Programme	£2.5m	TBD
Suttons Wharf (uplift)	£0.4m	2021/22
Life Sciences – Primary Care	£8m	TBD
Millharbour	£6m	TBD
London Dock	£6m	TBD

*Ambition for Life Sciences centre*

12.1.6 The council initiated a coordinated approach to regeneration of the Whitechapel area, involving partnership working with key landlords and developers in order to manage ambitions for delivering world class Life Sciences Centre and healthy and sustainable high-density neighbourhood. Key focus of the council’s involvement is on improvements and new provisions of public realm and sustainable, CV-19 safe circulation. Emerging projects can be funded through CIL and s106.

**12.2 Adult Social Care**

*Accommodation-based services*

12.2.1 The development of the former children’s home at Norman Grove is included in the capital programme to provide 17 new council homes for rent and supported accommodation for up to six young adults with learning disabilities. A budget allocation of £2.000m for the supported accommodation is included in the committed programme, to be funded by CIL.

- 12.2.2 In order to deliver service improvements, including related revenue savings, there is a proposal from the first floor at Stewardstone Road to be converted into two 4-bed flats for people with high/complex needs. Initially for use as respite care, it has the flexibility to be used as permanent supported housing in the future, if need changes. Subject to completion of a business case, £1.600m is required for this potential invest-to-save project, which is expected to be funded by CIL.
- 12.2.3 The creation of a 6-bed supported accommodation for people with learning disabilities at 89 Bishops Way is proposed. Since it ceased to be used as a children's home, its conversion to smaller self-contained council flats for rent has been explored. This option has not progressed because the configuration of the space to create good quality homes was too difficult to achieve for a reasonable cost. Subject to completion of a business case, £0.400m for this potential invest-to-save project is required for the upgrade of this building for the purpose required.
- 12.2.4 These projects are included in the invest to save programme as new schemes, which will require the completion of a business case, and the revenue costs associated with these capital projects will be covered by savings generated from avoiding the use of more expensive, often out-of-borough, placements.

#### *Day care provision*

- 12.2.5 Following the completion of a feasibility appraisal in 2019/20, a budget allocation of £0.600m has been included in the capital programme to make better use of the site at Antill Road. The project will include developing the vacant first floor and refurbishing the ground floor at Antill Road to provide a building-based day service for an additional 15-20 adults with high/complex needs. This project is expected to be CIL-funded. The budget allocation for this potential invest-to-save project is subject to the completion of a business case.
- 12.2.6 A review of borough-wide day care provision, in response to both new models of delivery in a wider range of settings, and to take into account the impact of CV-19 on service delivery, is underway. The review will consider the creation of a day opportunities hub as a revised model of delivery, and the refurbishment of existing specialist day care provision to improve the current offer. The outcome of the review is likely to result in the requirement for additional capital spend to ensure locations are fully accessible and feasibility work will be funded from the CIL budget allocation.

#### *Meeting the needs of older people*

- 12.2.7 In liaison with Housing, and local housing associations providers, Adult Social Care is exploring the future provision of extra care housing, across the borough, which would enable a more holistic approach to supporting older

people, with a range of services under one roof. A partnership model of delivery is preferred. Once proposals are advanced, a separate report will be presented to Cabinet.

- 12.2.8 A review of nursing home provision for older people with greater frailty and personal care needs, will take place to look at the impact of the pandemic and the potential need for the local authority to intervene in the market.

### *CCTV*

- 12.2.9 The capital programme includes a £3.100m for the new CCTV programme, including upgrading of the network, switching from analogue to digital, increasing potential for commercialisation, and developing critical interdependencies to enable the operation to move to the new Town Hall in 2022. This was approved by Cabinet in July.

- 12.2.10 The budget allocation of £0.300m from the Protective Security Fund is included in the capital programme for the provision and installation of counter terrorism security measures such as bollards, pedestrian and vehicle barriers and CCTV. This was recommended for approval by the Capital Strategy Board, recognising that the governance process needed to have a degree of flexibility to enable works required as a result of changes in legislation or regulations to be delivered without undue delay.

- 12.2.11 The introduction of three new unattended CCTV enforcement cameras at various locations across the borough are proposed as part of an invest to save scheme. This is estimated to require a capital investment of £0.066m and will generate an income in the region of £0.156m.

### *Technology-enabled care*

- 12.2.12 The increase in use of assisted technology to support vulnerable or disabled individuals to remain living independently is expected to reduce revenue costs of existing service delivery models. Upgrading to a digital platform will require significant upgrade costs, as an invest to save project, and help to contribute to the overall savings targets that can be generated from investment in technological solutions across the service and the council as a whole. Implementation of these service improvements are likely to require capital spend and feasibility work will be funded from the CIL budget allocation.

## **13 PROPOSED CAPITAL PROGRAMME FOR RESOURCES DIRECTORATE**

### **13.1 Resources: Customer Services**

#### *Idea Stores*

- 13.1.2 As part of the Idea Stores Refresh Programme, which was completed in 2019/20, the current facilities were upgraded, the heating and lighting improved and IT for learning was improved across the provision. A further review of future provision is underway.
- 13.1.3 A 20-year extension to the Canary Wharf Idea Store, is accompanied by a financial contribution from the developer, for investment in the building. The cost of the works will not exceed the financial contribution, the amount of which has yet to be confirmed.
- 13.1.4 A 1,500m<sup>2</sup> space will be available at the new Town Hall for an Idea Store, providing an opportunity to review how the current Whitechapel Idea Store is used in the future. The potential to move the activities currently taking place at Shadwell to Whitechapel are being explored, and a proposal will be presented to Cabinet in due course.

#### *Local History Library and Archive Service*

- 13.1.5 There is a need to upgrade the current accommodation provision for the Local History Library and Archive Service, which is based at Bancroft Library. Alternative locations and delivery models have been explored, including partial out-of-borough storage, to create a fit-for-purpose archive for at least the next 20 years. The estimated cost of this work is £8.000m, which is expected to be funded from s106 funding, if it is available. Confirmation of the funding source has yet to be agreed.

### **13.2 Resources: IT**

#### *IT*

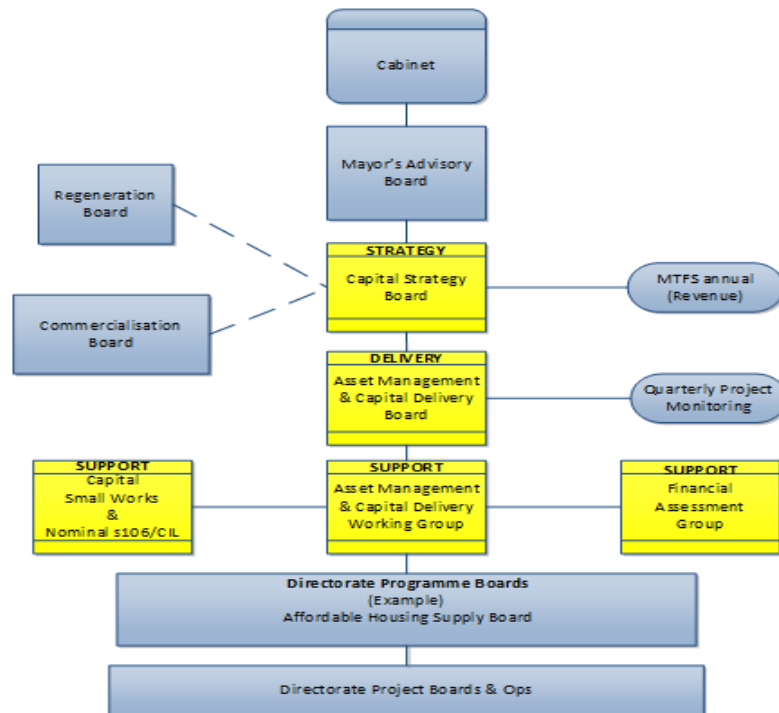
- 13.2.1 The council's requirement for IT programmes and projects is currently being refreshed to ensure that it is accurate, captures all of the service and other needs, that the annual proposed budgets are deliverable and finally, that the CLT project prioritisation criteria have been used. In addition, the list will then be reviewed for an HRA/GF split for the capital programme.
- 13.2.2 It is proposed to include £35.375m in total for the 3 years as a working draft, in addition to the funding that has been already been approved for the Agresso Upgrade (£0.510m) and changes to Mosaic (£0.677m). The requirements include service systems such as those for HR and a CRM (Customer Relationship Management system), as well as business critical non-service systems programmes, such as a network redesign to allow vacation of Mulberry Place and Cyber Security.
- 13.2.3 Once Members have approved a budget for IT, the funding will only be released after each programme has been through internal governance, including a business case, which will identify any cashable savings that can be included in the council's MTFS, or increased costs and identify any non-cashable savings

## 14 APPROACH TO DELIVERY

### 14.1 CAPITAL GOVERNANCE

- 14.1.1 The Capital Programme enables the implementation of the council's strategic priorities and supports the delivery of its statutory functions. Until early 2017, the delivery of capital projects was managed by individual client departments. Since then, the responsibility for delivering major capital projects, including new council homes and schools, within the programme has moved to the Capital Delivery Team within the Place Directorate. In specialist areas, delivery continues to take place in client teams. The roles and responsibilities of the client and delivery teams are clearly set out in published documents, which form part of the capital governance guidance and are accessible by all Directorates in a shared file area.
- 14.1.2 Capital projects which form part of the capital programme are identified through the council's strategic planning process, referred to earlier in this report. The Strategic Plan sets out the priorities for allocating available resources to deliver the council's vision.
- 14.1.3 For a scheme to be included in the council's capital programme, it will 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. The current capital governance structure is shown below in Figure 1:

#### **Figure 1: Capital Governance Structure**



- 14.1.4 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.
- 14.1.5 Bids which are fully funded by external grant, scheme-specific s106 contributions or ring-fenced CIL can be submitted to the Capital Strategy Board, subject to technical scrutiny and value-for-money appraisal by the Asset Management and Capital Delivery Board.
- 14.1.6 Bids for which non-specific s106 or CIL, capital receipts and/or prudential borrowing, are identified, are reviewed by the Asset Management and Capital Delivery Board based on their priority status within the overarching capital programme, affordability and deliverability.
- 14.1.7 Once bids have been accepted in principle, directorate client teams are required to complete a Project Initiation Document (PID), including a business case, which is signed off by the Project Sponsor, generally the Divisional Director, and submitted to the Capital Delivery PMO. To ensure that the governance process does not delay the pace of delivery, bids and PIDs may be brought forward in tandem. 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.



- 14.1.8 The responsibility for delivering major capital projects and monitoring the delivery of the capital programme sits in the Capital Delivery Team. The responsibility for managing capital budgets is retained by the client functions.
- 14.1.9 Project Managers in the Capital Delivery Team complete monthly highlight reports for projects they are delivering. Where schemes are being delivered by other teams, monthly highlight reports are completed and submitted to the Capital PMO. The purpose of highlight reports is to demonstrate progress, manage risk and identify slippage to inform the capital programme.
- 14.1.10 The Capital Delivery PMO reviews and collates the monthly highlight reports for schemes within the capital programme, which have been approved through the new governance arrangements introduced in September 2018. As longer-standing schemes that are still in the programme, require variations or submit change requests, they are brought under the new governance and monitoring arrangements.
- 14.1.11 In liaison with Finance, the Capital PMO creates dashboard reporting to enable the directorate Programme Boards, Asset Management & Capital Delivery Board and the Capital Strategy Board to monitor and scrutinise the delivery of the programme, in terms of quality, cost and time.
- 14.1.12 The capital governance structure is designed to ensure that delivery can take place at pace, with boards at officer and Member level, for recommending approvals, decision-making and monitoring. The monitoring process needs to be strengthened to enable stronger budget monitoring and a reduction in slippage.

## **14.2 PROCUREMENT**

- 14.2.1 The council's capital programme is substantial and requires a range of professional and technical consultants to provide the specialist services necessary to progress individual projects, including architects; employers agents; engineers and cost consultants. In most cases the council's preferred option for the construction phase of capital projects is design and build, with projects designed up to RIBA Stage 3 and planning consent. Further RIBA Stage 4 detailed design is undertaken by the contractor as part of their design and build obligations, and in accordance with the Council's project specific employers' requirements.
- 14.2.2 Procurement of consultants and contractors is undertaken using a number of alternative approaches, including frameworks, DPS's and open advertisements. The approach adopted will vary between projects and will depend upon a number of factors including size and complexity of the project, timescales and likely market interest. All project procurement is undertaken and managed by the Capital Delivery team, working closely with Corporate Procurement and Legal Services, and involving client teams and other stakeholders as appropriate.

14.2.3 The council has recently started the process of setting up dynamic purchasing systems (DPS) for the appointment of consultants and build contractors, for commissions up to and over OJEU thresholds. Bidders have been invited to join the DPS through an open advertising process, and submissions will be assessed by lot, on quality and price.

14.2.4 Once the DPS is in place, it will provide the opportunity for quality-assessed consultants and build contractors to be appointed more quickly and reduce the time and resources currently required to procure. It will also enable an increase in the use of consultants and contractors that can help support the council's priorities, such as delivering apprenticeships and improving local skills, using local labour and supply chains, adding social value within local communities, and ensuring equality and diversity across their activity. It also provides an opportunity for the council to generate income from the DPS, when it is used by other local authorities.

### **14.3 PLAN FOR FUTURE DELIVERY**

14.3.1 There was significant slippage in the capital programme in 2018/19 and 2019/20. Continual management action is taken to reduce slippage, including clearly setting out the roles and responsibilities of Budget Holders in the Budget Holder Handbook, which has been widely publicised in the council. Further action is required to ensure that when budgets are agreed, they can be delivered in the timescale agreed with Members and that barriers to effective delivery are removed, including:-

- The implementation of the Agresso update will enable accurate monthly dashboard reporting to be achieved, which will significantly improve management information, as currently, the financial elements of the programme are monitored on a quarterly basis and the process is time consuming. The upgrade will allow for managers to self-serve, which will free up Finance resource to focus on analysis and closer working with the CDG.
- A further review of procurement's role in relation to the Capital Governance Process and its links to Capital PMO and Finance reporting to improve pace of approvals through a joint reporting protocol
- A monthly dashboard has been developed for the Boards and will be implemented this financial year. This draws information from monthly highlight reports submitted by Project Managers for each programme. The dashboard will ensure that Boards are fully aware of key areas of slippage/potential slippage and are able to review them. Recommendations will be made to Members where there is slippage to bring forward other schemes so that the programme does not slip.
- Underspends will not simply be carried forward without agreement from the Boards; there will be an annual report on underspend to the Board with dealt as to the reasons why the budget has slipped.

- A review of the way in which the outcome of the management and monitoring of the capital programme across Directorates is cascaded to ensure that DDs, DLTs and CDs are fully sighted on the progress in delivering the capital programme.
- The recent audit report on Capital Governance recommends improvements to the process, and an action plan has been drawn up. The audit report provides a platform for implementing improvements to the capital governance process across the authority, both in terms of the approval structure and the roles and responsibilities of the client, the delivery function and finance. Recommendations will be implemented jointly between the Corporate Capital Finance Team and the Capital Delivery PMO. These actions include:
  - Capital Programme training
  - Updated protocols with client and delivery teams
  - Centralised financial data for dashboard monitoring
  - Review of Terms of Reference to facilitate a change in culture to embed the Board's modus operandi of peer challenge

## **15 METHODOLOGY FOR ESTABLISHING THE GF CAPITAL PROGRAMME**

- 15.1 The provisional capital programme presented in January 2020 has been completely reviewed.
- 15.2 The draft 2020-23 capital programme, as set out in Appendices 1a to 1e, subject to Member approval, is split into the following programme areas:
- Committed schemes (approved and being actively delivered)
  - Completed schemes (for which retention still need to be paid)
  - Annual rolling programme (this includes existing annual programme and uncommitted future rolling programmes for consideration)
  - Invest to Save/Income Generation schemes (this includes existing projects and uncommitted future invest to save projects for consideration)
  - Uncommitted schemes (not being actively delivered)
  - New proposed schemes (identified to meet new and emerging need)
- 15.3 Approval is sought for the committed schemes, annual rolling programme and invest to save programme, subject to internal governance and funding.
- 15.4 There are two main approaches that could be followed to set the 2020-23 capital programme, currently presented in draft:
1. The council could seek to conserve the capital resources it has in hand and not plan to use those that may be received until it has received them. This approach takes into account the level of risk that the council faces in a post-Covid period, which impacts on the council's revenue finances and allows for the unknown needs that may arise for capital and revenue yet to be determined. In addition, it would allow for a more strategic long-term

planning for the use of CIL. As set out in section 11.6, CIL is particularly hard to estimate in the current environment and in addition, it is proposed that the council develops a strategic Prioritisation and Financing Delivery Plan for Infrastructure, which will need to be funded by CIL.

2. The council could continue with the delivery of the proposed capital programme, funding some or all of the uncommitted and new schemes
3. One further option is worth consideration in the context of the council's financial position; the council has significant levels of capital receipts, CIL, S106 in hand and that may be received over the next 2½ years. The council could use part or all of these receipts in place of borrowing. As an example, if other resources were to be able to be used in place of £50m of borrowing, the council would have a saving in the GF of in excess of £1.500m.

15.5 The review identified schemes which were already approved and in delivery, and therefore fully committed and cannot form part of the review. Please note that there are completed schemes that require £2.226m for retentions. A summary of the committed schemes in the 2020-23 proposed capital programme to be funded by the General Fund are set out below in Table 15a:

**Table 15a: Schemes that are fully committed - GF**

<b>Schemes</b>	<b>Total Budget 20/23 £m</b>	<b>External funding 20/23 £m</b>	<b>Borrowing 20/23 £m</b>	<b>S106, CIL, Capital Receipts 20/23 £m</b>
New Town Hall (section 11.1)	90.120	-	90.120	-
London Dock Secondary School (section 10.2.2)	50.340	45.300	-	5.040
Public Health (section 12.1)	22.028	-	-	22.028
South Dock Bridge (para 11.5.2)*	14.461	7.000	-	7.461
Schools – Basic Need (section 10)	14.045	10.020	-	4.025
Schools – other (section 10)	10.583	4.556	-	6.027
Parks and Open Spaces (section 10.8.2)	10.811	-	-	10.811
Grant to Registered Providers for new homes (section 11.3)	6.532	-	-	6.532
Economic Regeneration (section 11.4)	5.601	-	-	5.601
Liveable Streets Phase 1 (section 11.2)	4.480	-	-	4.480
New Waste and Cleansing Fleet – slipped from 19/20	3.556	-	-	3.556
Additional contingency for all approved and committed schemes	8.400	-	8.400	
Other schemes	25.054	0.745	-	25.054
<b>Total schemes in the draft proposed capital programme that are</b>	<b>266.011</b>	<b>67.621</b>	<b>98.520</b>	<b>99.870</b>

committed				
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\*This will need a further £5.000m

15.6 A summary of the approved but uncommitted schemes in the 2020-23 proposed capital programme to be funded by the General Fund and proposed finding if those were to be agreed are set out below in Table 15b:

**Table 15b: Schemes that are uncommitted with potential funding sources - GF**

Schemes	Total Budget £m	External funding £m	Previously grant funded – this would need to be funded from s106/CIL £m	S106, CIL, Capital Receipts £m
George Green's/West ferry School (para 10.2.3)	51.400	43.400	-	8.000
Housing companies: Seahorse and Mulberry (section 11.3) NB: + £9m for Mulberry in HRA	8.500	-	-	8.500
TfL (£3.708m) and Early Years Places for 2-year olds (£1.464m) – now unfunded	5.172		5.072	0.100
Other schemes	8.305	4.050	-	4.255
<b>Total schemes in the draft proposed capital programme that are uncommitted</b>	<b>73.377</b>	<b>47.450</b>	<b>5.072</b>	<b>20.855</b>

15.7 Uncommitted schemes total **£73.377m**. Details are set out in full in Appendix 1e

### 15.8 Review of uncommitted schemes

- The largest unfunded scheme is £51.400m for George Green's/Westferry, which if it proceeds, is not expected to exceed the Government Grant which is currently under discussion.
- The future of the council's housing companies (Seahorse and Mulberry) are currently under review and will be dependent on the outcome of the current review
- There are two schemes for which funding is no longer available.
  - (i) The TfL funding for council schemes has been withdrawn, leaving the council with less than £0.100m of its own funding. As set out in paragraph 11.2.6, the council has made a bid for TfL funding; this will

not be enough to cover the schemes, so the council will need to take a view on the priority that it gives to these schemes.

- (ii) There is no nursery place grant funding; if these schemes are to go ahead to meet statutory need, they will need to be funded from the council's own resources.
- This remainder of the uncommitted programme are smaller schemes, which would be expected to be primarily funded by s106 or CIL.

## **15.9 Review of new proposed GF schemes and new Invest to Save (not included in the Provisional Capital Programme as at January 2020)**

15.9.1 New schemes of **£97.272m** have been proposed by Directorates, as set out in Appendix 1e and summarised in Table 15c below; these schemes could be funded from resources, however, this has to be balanced against the significant shift in the economic environment due to COVID 19, which adds a considerable degree to risk to resources being delivered.

15.9.2 In addition, there may be new demands that emerge over the coming period due to CV-19 that it is not possible to consider at this stage, as the long-term CV-19 impact on services is not yet clear. A £10.000m contingency has been included as a new scheme for unavoidable spend. These contingency costs are expected to be funded from the same funding sources as the rest of the project to which they refer.

15.9.3 Lastly, the council may need to use resources to support the significant revenue savings through service transformation; these plans are not yet fully in place and may require significant capital. It is to be noted that there are no new Invest to save/Generate income proposals yet being considered that have a capital impact.

**Table 15c: GF new proposed schemes (no funding sources identified), including new invest to save**

<b>Scheme</b>	<b>Cost £m</b>	<b>Comments</b>
ICT Transformation Service need	35.375	Section 13.2 refers; IT funding will be required to ensure that the council continues to provide a technology platform and applications that lead to best use of resources
Capital Footway & Carriage Programme	11.400	Section 11.2.7 refers; Members to decide if the additional funding to raise the Council to the London average is to be prioritised
Liveable Streets Programme Phase 2, 3 & 4	14.005	Section 11.2.1 refers; service improvement
Place S106 Schemes	1.170	TfL cycle hire, Bow TfL, Crossharbour, Commercial Road, Bus initiative,
Local History Library and Archives	8.000	Section 13.1 refers; this scheme is proposed as a service improvement
Oaklands Expansion & purchase Raines Lower School building	16.000	Section 10.2.9 refers;
Addition to buy-back (acquisitions) programme^	35.403	Section 11.2.21 refers; of which 30% will be funded by RTB receipts (shown in Appendix 1d)
Grants for RPs (funded by RTB receipts)^	13.468	Section 11.3.23 refers; to be funded by RTB receipts
Covid related capital costs	10.000	Section 15.9.2 refers;
Interim Depot (Health and Safety works)	0.500	Section 11.2.19 refers;
Bartlett Park Adventure Playground	0.822	Section 10.8.4 refers;
<b>Total</b>	<b>146.143</b>	

^New invest to save

15.10 Thus, the council has identified that it has funding requests for GF capital programme of **£239.720m**, as set out in Table 15d

**Table 15d: Summary of potential funding options for GF uncommitted or new schemes**

Scheme type	Total £ m	Potential funding – grants* £ m	Potential funding – right to buy receipts £ m	Potential funding – S106, CIL (or borrowing or receipts) £ m	<b>Only</b> potential funding source – borrowing or capital receipts^ £ m
New rolling programme	20.200	0.000	0.000	20.200	0.000
New Invest to Save	48.871	0.000	24.089	24.782	0.000
Uncommitted schemes	73.377	47.450*	2.500	23.427	0.000
New schemes	97.272	0.000	0.000	61.897	35.375^
<b>Total</b>	<b>239.720</b>	<b>47.450</b>	<b>26.589</b>	<b>130.306</b>	<b>35.375</b>

\*Estimated grant for Westferry School

^ IT schemes

15.11 The council has estimated resources of **£245.078m** (please note these resources are estimates), as set out in Table 7a, however, these resources have not been received, could be used to replace borrowing and with the impact of CV-19 being unknown, could result in significant delay or non-delivery of these resources. Additionally, the changed environment that the council has been operating in since February, may lead to new service demands, e.g. invest to save, which have currently not been identified or developed; potentially any receipts may well be able to be used under “the statutory guidance on the flexible use of capital receipts”; the guidance says that receipts can be used for a number of purposes, including the costs of service reconfiguration.

## **16 METHODOLOGY FOR ESTABLISHING THE HRA CAPITAL PROGRAMME**

16.1 The provisional HRA capital programme has been reviewed by Savills as part of the HRA Capital Review. The council appointed Savills to review the borrowing and investment capacity within the HRA, in the light of the abolition of the HRA debt cap and potential introductions of new flexibilities for the reinvestment of Right-to-buy receipts, to establish the extent to which works



to the existing stock and new build delivery could be afforded. The outcome of the HRA Capital Review will inform future decision making on investment and capacity within the HRA.

- 16.2 The draft proposed 2020-23 HRA capital programme, as presented, subject to Member approval, includes the following programme areas which can be afforded, and shown in Table 16a:
- Housing Capital Programme (works to existing stock)
  - Fire safety and building safety works (works to existing stock)
  - Delivery of the first 1,000 new council homes (new build)

**Table 16a: HRA Schemes**

<b>Schemes</b>	<b>Total Budget 20/23 £m</b>	<b>External funding (grant) 20/23 £m</b>	<b>Borrowing 20/23 £m</b>	<b>S106, CIL, Capital Receipts 20/23 £m</b>
THH Capital Programme	71.552	15.00	0	56.552
THH other capital	3.043	0	0	3.043
First 1,000 homes (including retentions)	233.768	8.269	151.654	73.978
<b>Total</b>	<b>308.496</b>	<b>23.269</b>	<b>151.654</b>	<b>133.573</b>

- 16.3 The council is preparing financial options, including cross-subsidy generated through mixed tenure development, potential partnership approaches, additional grant funding and the possible use of the housing companies, to identify future funding that could enable the delivery of the remainder of the second 1,000 new council homes programme (new build) and the energy efficiency works to reach carbon target (works to existing stock). As funding solutions are found, schemes will be brought into the programme alongside its funding approach and as such schemes that are currently in this position will also be prioritised.
- 16.4 Development appraisals have been completed for the new build schemes to establish the mix of tenure that would be required to reduce the financial burden on the HRA, and enable the delivery of new council homes, through a mixed delivery model that includes homes for private rent or sale to generate cross subsidy.

## **17.0 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 17.1 As this report is primarily financial in nature the comments of the Chief Finance Officer (CFO) have been incorporated throughout the report. However, some very important principles are being established and these would benefit from emphasising again within this section of the report.

- 17.2 Given the challenging financial situation the Council is facing, enhanced controls have been put in place to restrict revenue expenditure and further savings are being identified through the MTFS process. It is vital that additional General Fund borrowing is not entered into i.e. we must not exceed the available borrowing budget provision already in place. Capital schemes that require *additional* General Fund borrowing are not, therefore, recommended for approval in this report. It is also specifically recommended that Education schemes will not, in any event, be funded by council borrowing or by using non-Education capital receipts.
- 17.3 The second important principle to be established is that schemes should not progress unless identified future funding has actually been received, as opposed to anticipated, in our capital programme. The CFO and his staff will continue to monitor receipts to ensure that schemes that are funded by future capital receipts, s106, CIL and grant will not go ahead until such funds have been securely received.
- 17.4 It should also be noted that the Housing capital programme will be subject to different parameters to the General Fund and in the case of the HRA significant additional borrowing will need to be entered into to support the current aspirations within the housing programme. The CFO will set local prudential indicators to ensure the projects planned are affordable within the HRA in both the medium and long terms.
- 17.5 The capital programme will continue to develop as we refine our spending forecasts and funding estimates, but this report marks a significant step forward from the provisional capital programme approved in February 2020.
- 17.6 During the year, the CFO will continue to update members on the changing financial circumstances, including the effect of Covid-19, and how they impact on both the capital programme contained within this report and the revenue budget set out in the MTFS.
- 17.7 On approval of the Capital Programme by the Cabinet, it will be actively monitored with monthly reports to members so that potential overspends, and slippage are kept to a minimum.

## **18.0 COMMENTS OF LEGAL SERVICES**

- 18.1 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.
- 18.2 The report refers to ensuring that the allocation of S.106 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. The Council will also need to ensure that the relevant scheme aligns with the conditions referred to in the relevant S.106 agreement as is current practice to ensure that the S.106 money may be used for the purposes which the Council intends. In any event S.106

money may only be used to mitigate the impact of developments in the borough.

- 18.3 Recommendation 5 refers to a delegation to the Corporate Director 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.
- 18.4 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.
- 18.5 The Angela Court Scheme (referred to in Recommendation 6.(i) ) has been subject to its own approval process. The transfer of funds referred to in this report is necessary to carry out those previous decisions should the Council wish to.
- 18.6 The Council has the legal duty to ensure that there are sufficient school places within the borough for the pupils who need them. Therefore, in the event that the Council determines not to allocate funds to the uncommitted expansion projects referred to in this report and the pupil numbers grow as predicted then the Council will need to consider alternative options to meet the demand.
- 18.7 The Council has a legal duty to ensure that any disposal of property assets occurs at the best consideration available at the point of disposal. However, this will depend upon the market conditions at the point of disposal and should therefore be subject to some form of competitive exercise. It also follows that for the purpose of this report the figures attributable to each disposal will accordingly fluctuate in accordance with those market conditions.

## **19.0 CRIME AND DISORDER (SECTION 17) IMPLICATIONS**

- 19.1 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.

## **20.0 EQUALITIES IMPACT ASSESSMENT**

- 20.1 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.
- 20.2 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.
- 20.3 It is intended all projects included in the proposed capital programme will reduce inequality and foster cohesion in the borough.
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### **Linked Reports, Appendices and Background Documents**

#### **Appendices**

- 1a Draft 2020-23 Capital Programme Summary - GF**
- 1b Approved committed schemes**
- 1c Annual rolling programme**
- 1d Invest to Save (Income Generation)**
- 1e New and uncommitted schemes**
- 1f Draft 2020-23 Capital Programme Summary - HRA**
  
- 2a Liveable Street programme – revised timetable**
- 2b Liveable Street programme – funding requirement**
- 2c Comparison of carriageway condition**
- 2d Carriageway Asset Report and Claims addendum**
- 2e LIF Programme 2 allocation**
- 2f Glossary (listed first)**

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

- NONE

#### **Officer contact details for documents:**

N/A

## Glossary

Committed	Approved projects in contract and being progressed. These projects cannot be withdrawn from the programme at this stage
Uncommitted	Projects which are not in contract. Many of these have been approved by Cabinet, subject to funding being confirmed, or were included in the Provisional Capital Programme. It would still be possible to withdraw these projects from the capital programme if funding is not available
New	Projects that have been put forward by directorates for delivery in the 3-year period that meet a strategic priority and an identified service need
Annual rolling programme	Ongoing programmes of work that require annual funding to ensure delivery
Invest to save	Projects require capital investment to deliver revenue savings
Provisional capital programme	The version of the capital programme presented to Cabinet in January 2020, and the basis for the fundamental review
Draft (proposed) capital programme	The version of the capital programme being presented to Cabinet for approval in this report