

BABERGH DISTRICT COUNCIL

FROM: Deputy Chief Executive

REPORT NUMBER: **H43**

TO: Strategy Committee

DATE OF MEETING: 19 June 2008

STRATEGIC REVIEW OF KEY PROJECTS AND ASSET MANAGEMENT DECISIONS

1. PURPOSE OF REPORT

- 1.1 Following the recent adoption of a 10-year Strategic Plan for the District and in the light of Local Government Review (LGR) in Suffolk, the time is ripe for Babergh to:-
- review the timing and scope of its more significant uncommitted capital projects;
 - review the timing of decisions on the future use, ownership and/or and management of its major property assets, ie housing stock and car parks.
- 1.2 Hence the purpose of this report is to:
- Provide a broad overview of the key projects and major asset management decisions required, including details on the availability of funding and capacity to deliver.
 - Seek decisions from Strategy Committee on the priority and timing of these key projects and major decisions.

2. RECOMMENDATIONS

- 2.1 That Strategy Committee decides which specific project(s) it wishes to treat as immediate priorities and commit funding accordingly.
- 2.2 That an assessment of the future use, ownership and/or management of the Council's car parks, including charging and measures to control and manage traffic, be deferred until the completion of LGR in Suffolk.
- 2.3 That a detailed assessment, including consultation with tenants, on the transfer of the Council housing stock be deferred until the completion of LGR in Suffolk.
- 2.4 The Committee is able to resolve the recommendations contained in paragraphs 2.1 and 2.2. The Committee is asked to make a recommendation to Full Council in respect of paragraph 2.3.

3. FINANCIAL IMPLICATIONS/RESOURCES

- 3.1 The Council has a challenging 3-year capital programme. This programme can only be delivered with a fairly significant level of prudential borrowing, an anticipated flow of capital receipts towards key projects and availability of officer resources over the next three years.

- 3.2 A key decision for the Council is how to use unallocated capital resources, which are immediately available, to secure projects that deliver priorities set out in the Strategic Plan.
- 3.3 The total estimated cost of the Council's 3-year capital programme when approved in February 2008 was £11m. This report reviews the significant uncommitted projects in that programme which could total approximately £6m.
- 3.4 The remaining capital programme relates to schemes to which the Council is either already committed or ongoing programmes which have been approved in principle and will be the subject of scrutiny and review through the Council's service and financial planning process.
- 3.5 Appendix 1 sets out broad assumptions on the likely capital costs of Babergh's significant uncommitted key projects, which could involve a total capital cost (requiring Babergh funding) of around £6m whereas current capital funding immediately available for these only stands at around £2m.
- 3.6 Although the potential capital funding gap of up to £4m could be bridged to some degree by potential estimated future capital receipts and prudential borrowing, there would still be a shortfall of funding. Even with those potential capital receipts, there is the prospect of a mismatch in terms of the timing of those capital receipts and planned capital expenditure.
- 3.7 In addition to the capital funding requirements, there is also the revenue impact and affordability to consider. It is anticipated that some of the projects will be either cost neutral or produce much needed efficiency savings, whereas others would involve additional annual revenue costs. These need to be considered in the light of a potential annual revenue budget gap of up to £700k a year.
- 3.8 The dilemma is that at the current time in the lead up to LGR, Babergh has insufficient capital funding immediately available towards the key uncommitted projects identified in this report, and limited officer resources to commit to new projects. Hence within the funding immediately available, there is a need to be clear on which of the projects Babergh wishes to deliver as a priority prior to LGR.

4. **RISK MANAGEMENT**

- 4.1 This report is most closely linked with the Council's Significant Business Risk No. 9 – Management of Major Programmes and Projects. Key risks are set out below:

| Risk Description | Likelihood | Seriousness or Impact | Mitigation Measures |
|--|-------------------|--|---|
| Failure to prioritise key projects and key decisions on asset management will result in inefficient use of resources, abortive work and failure to achieve the Council's priorities in accordance with its Strategic Plan. | Significant | Critical in terms of achieving key outcomes over the next 2 years. | Develop prioritised, resourced timetable for key projects and for making key decisions on asset management. |

5. KEY INFORMATION ON THE IMPACT OF LOCAL GOVERNMENT REVIEW

- 5.1 Following extensive consultation and research, Babergh has recently adopted its Strategic Plan. This plan identifies five themes that need to be addressed if the needs of our communities are to be met:
- Vibrant places, strong communities
 - Quality homes local people can afford
 - A cleaner, greener Babergh
 - A strong and sustainable Babergh economy
 - A safer and healthier Babergh
- 5.2 Tackling the issues identified in the Strategic Plan will involve the work of a number of agencies, eg Babergh, Suffolk County Council, Suffolk Constabulary, Primary Care Trust. The adoption of the Strategic Plan has coincided with the prospect of LGR in Suffolk.
- 5.3 If LGR is implemented in Suffolk there will be a lead-in period during which the responsibility for deciding whether to enter into contracts for major new projects, or the sale of land, would pass from Babergh to the “Relevant Authority” as designated by the Secretary of State. The period from which any “Relevant Authority” assumed its powers from Babergh could be as early as February 2009.
- 5.4 Babergh sees LGR as an opportunity and it has expressed strong support for the principle of unitary arrangements for Suffolk, believing that it has the potential to provide enhanced service quality, efficiency and value for money, as well as stronger and clearer community leadership in comparison with Suffolk’s current arrangements.
- 5.5 This review of the timing of Babergh’s uncommitted key projects and key asset management decisions will enable Members to assess:
- their contribution to achieving the priorities in the Strategic Plan;
 - whether the projects/decisions should be committed/taken by Babergh as an immediate priority prior to LGR, taking into account the funding and staff resources available; or
 - whether, given the benefits of unitary arrangements set out in paragraph 5.4 relating to enhanced service quality, efficiency and value for money, the projects/decisions are better delivered/taken once unitary arrangements are in place.

6. OVERVIEW OF BABERGH’S KEY PROJECTS

- 6.1 Appendix 1 provides the following details for each project:
- Brief description of project
 - Cost to BDC in terms of capital cost and ongoing revenue cost
 - The contribution the project makes to BDC’s Strategic Plan priorities
 - The anticipated timetable for a decision from Members on the project
 - The anticipated timetable for obtaining any approvals, e.g. planning, for the project and the letting of any contract (subject to availability of funding)

- 6.2 If Members wish to commit to any project as an immediate priority, then it will need to be funded from:
- existing capital resources that are immediately available, which are £2m (assumes Business Rates Growth income is fully allocated to the projects)
 - revenue reserves although care would be needed if the current reserves strategy was amended
 - existing revenue resources taking into account the potential need to save £700k pa from our existing budgets (this assessment makes a £200k allowance for new projects)
 - existing staff resources

7. **KEY DECISIONS ON ASSET MANAGEMENT**

Management of Babergh's Public Car Parks

7.1 Babergh manages a number of off-street car spaces:

- | | | |
|-------------|------------|------------|
| ▪ Sudbury: | Short stay | 546 spaces |
| | Long stay | 411 spaces |
| ▪ Hadleigh: | Short stay | 158 spaces |
| | Long stay | 138 spaces |

Plus other car parks in Lavenham, East Bergholt, Holbrook and Pin Mill.

- 7.2 Strategy Committee on 10 January 2008 noted the view of the Overview & Scrutiny Committees following their consideration of the Council's budget and financial strategy, that a strategic review of all income generating opportunities, including car parking, should be undertaken as a priority.
- 7.3 This matter was last considered by Members in January 2005 (see Report D210 "Future Management of the Council's Off Street Car Parks" considered by Strategy Committee on 13 January 2005).
- 7.4 The report set out a range of options for managing and charging for car parks in Sudbury and Hadleigh which, at that time, would have generated an ongoing surplus of up to £56,000 for the service.
- 7.5 The net revenue cost of the service in 2007/08 was £145,000. This excludes ongoing capital expenditure set out in the Asset Management Plan.
- 7.6 Future management arrangements and any charges for car parking in our market towns of Sudbury and Hadleigh need to take into account:
- on-street car parking arrangements
 - traffic management measures to reduce congestion
 - environmental improvements for residents and visitors
 - provision and support for public transport
 - economic wellbeing of the town, including the vitality and viability of the town centre as a retail and service centre

- 7.7 Currently responsibility for the management of Sudbury and Hadleigh's car parks and the issues listed in 7.6 above is split between Babergh District Council and Suffolk County Council. Any unitary council will assume responsibility for all of these functions, thereby potentially strengthening, streamlining and clarifying these roles and responsibilities. This should improve strategic decision-making. In addition, Babergh believes neighbourhood empowerment will be of critical importance to the success of new unitary arrangements. Hence, in respect of car parks, LGR offers the opportunity for improved decision-making with the unitary council able to directly influence the issues in paragraph 7.6 above and the opportunity to establish a framework which could in principle devolve budgets or operational functions to town/parish councils, if appropriate.

Transfer of Housing Stock

- 7.8 The proposed timing of considering transfer of the housing stock (known as a Stock Options Appraisal) has been considered by the Council's Housing Panel. The report of the Housing Panel is attached at Appendix 2.
- 7.9 The Housing Panel have the following significant concerns about immediately triggering an investigation into transferring the housing stock:
- Cost – estimated at £180,000. If transfer proceeds, the cost is met from capital receipt generated by the transfer. If the transfer does not proceed, eg a negative ballot from tenants, the cost is met from the General Fund.
 - Resource Implications/Abortive Work – considerable officer time would be required to undertake the exercise which, subject to the ballot of tenants, may not proceed.
 - Uncertainty – first in terms of information we could provide to tenants on the implications of staying with one or more councils that have yet to be formed. Secondly, in terms of the outcome. The transfer could only proceed with the support of tenants.
- 7.10 The Tenants' Forum's view, as set out in Appendix 2, differs from the Housing Panel. The Tenants' Forum would wish to trigger an investigation into stock transfer now. The Forum believes Babergh provides a good service and is concerned that any new unitary council may not have the same standards. Officers will continue to discuss with the Tenants' Forum representatives their concerns and ensure the results of these discussions are reported to Strategy Committee. Specifically, it is understood that the Tenants' Forum wishes to explore the option of creating a new "Babergh Housing Association". However that outcome is unlikely to arise, with transfer to an existing Registered Social Landlord the more likely outcome were stock transfer to take place.

8. CONCLUSIONS

Key Projects

- 8.1 Babergh has a challenging, capital programme to be delivered over the next few years, which includes a number of key uncommitted projects.

- 8.2 The dilemma is that currently Babergh has limited capital funding of approximately £2m towards immediately progressing the key uncommitted projects identified in this report.
- 8.3 Taking into account the funding available and the potential opportunities offered by LGR, Members are asked to decide whether there are any specific project(s) they wish to treat as an immediate priority, and which other projects/asset management decisions are better dealt with after LGR.
- 8.4 Whilst all the projects listed in this report are uncommitted (ie funding has not been formally committed to a specific contract/project), Strategy Committee has committed the proceeds from the sale of East House to funding new facilities in Hadleigh. Whilst the sale of East House has yet to be completed, Members may wish to treat this as an immediate priority, in view of this past commitment and the recent progress in agreeing a way forward for this project (see Report H49 later in this agenda) and the fact that it arguably addresses two of the priorities in the Strategic Plan (A Safer and Healthier Babergh and Vibrant Places and Strong Communities).
- 8.5 Once Members have decided upon any priority project(s), other projects could only proceed if:
- funding/officer resource was available
 - the project generated efficiency savings or was cost neutral in capital and revenue terms

Asset Management – Management of Off-Street Car Parks

- 8.6 In view of the opportunities offered by unitary arrangements, as set out in paragraph 7.7, it is suggested that any changes to charging for car parking, managing/operating the car parks or ownership of the car parks are better dealt with once LGR in Suffolk is completed.

Asset Management – Transfer of Housing Stock

- 8.7 There is a need to balance the views of the Housing Panel and the Tenants' Forum. In view of the concerns raised by the Housing Panel relating to cost, uncertainty and resource implications, consideration of the transfer of the Council's housing stock would appear to be best deferred until after completion of LGR in Suffolk. There will be, however, an ongoing need to continually engage and work with the Tenants' Forum in the lead up to LGR and any stock transfer investigation.
- 8.8 The Council at its meeting in September 2006 resolved that a full Housing Stock Option Appraisal be commissioned in 2009/10 or earlier if the Annual Review of the HRA Business Plan indicates this is necessary. For this reason the recommendation in paragraph 2.3 above needs to be referred to Council.

9. APPENDICES

- (1) Overview of Babergh's Key Projects
- (2) Report of the Housing Panel

10. **BACKGROUND PAPERS REFERRED TO:**

None.

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OVERVIEW OF BABERGH'S KEY PROJECTS

| Brief Description of Project | Cost to BDC ▪ Capital ▪ Revenue (ongoing operational costs) | Contribution to BDC Priorities | Anticipated Timetable for Decision from Members on the Project | Anticipated Date for Obtaining Approvals and Letting of Contract |
|--|--|---|---|--|
| <p>Hadleigh Facilities</p> <p>Proposed gym, dance studio, community rooms.</p> | <p>Accommodation recently considered by Steering Group (BDC/Hadleigh TC/ SSL) and to be reported separately to Strategy Committee. Indicative capital cost £1.7m.</p> | <ul style="list-style-type: none"> ▪ A safer and healthier Babergh ▪ Vibrant places, strong communities | <p>Steering Group to report to Strategy Committee 19/06/08 seeking to agree accommodation and facilities to be provided. If this is the priority project then further detailed work and Business Case assessment to be reported to Strategy Committee September 2008.</p> | <p>January/February 2009, if a priority project.</p> |
| <p>Kingfisher Leisure Centre</p> <p>Improvements and expansion of “dry” facilities, eg gym.</p> | <p><u>Capital</u> (Indicative cost based on requirements of SSL is £1.8m)</p> <p><u>Revenue</u> SSL aim to ensure proposal generates revenue savings. This will be tested by the Business Case assessment.</p> | <ul style="list-style-type: none"> ▪ A safer and healthier Babergh | <p>Originally proposed that Business Case to be scrutinised by O&S Committee on 1 July 2008. Due to work required it is likely the Business Case will be reported direct to Strategy Committee on 31 July 2008, or later.</p> | <p>Early 2009. Business Case will need to demonstrate efficiency saving and service improvements.</p> <p>In addition, the initial capital cost will be subject to availability of capital and the needs of any competing scheme.</p> |
| <p>Weekly Food Waste Collection Service</p> <p>For all, or some, of</p> | <p><u>Capital</u> (Indicative) £750k. [SCC declined to fund total capital cost of scheme. Currently</p> | <p>A cleaner, greener Babergh.</p> <p>Babergh is in the top</p> | <p>A Joint BDC/MSDC Member/Officer Working Group will report to Strategy Committee on</p> | <p>Prior to February 2009, subject to being cost neutral.</p> |

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|---|--|---|--|--|
| <p>Babergh households, in addition to current black, blue and optional brown bin collections.</p> <p>The 25 litre food waste bin would be approximately one-tenth of the size of the 240 litre black and blue bins.</p> <p>The investigation and examination of the Business Case for this project is being undertaken in partnership with Mid Suffolk DC under our Joint Waste Collection Contract arrangements.</p> | <p>awaiting SCC decision whether they will fund £300k of this £750k cost.]</p> <p><u>Revenue</u> (Indicative) up to £310k by Year 3. [Assumes BDC borrows £450k towards capital cost.]</p> <p>These costs could be reduced if:</p> <ul style="list-style-type: none"> ▪ introduction of service phased over a number of years, and in only part of the districts, e.g. urban areas. ▪ approximately £100k pa income from existing recycling schemes funds part of cost (rather than contributing to General Fund budget/income.) | <p>quartile, nationally, for recycling rates. This scheme will increase recycling from 38% up to 45%. Reduces district's carbon footprint caused by food waste in landfill sites.</p> | <p>31/07/08 on the Business Case assessment they have undertaken.</p> <p>The aim is the Business Case should be as close to cost neutral as possible.</p> <p>Based on the indicative figures in column 2, cost neutrality has yet to be achieved.</p> <p>In addition, consideration needs to be given as to whether the project should be deferred until the implementation of any unitary authority which will be responsible for waste collection and disposal.</p> <p>A decision is required by August/ September 2008.</p> | <p>A decision is required by August/ September in order it can be implemented as part of the planned vehicle fleet replacement, ie if the scheme is implemented specialist "duo" collection vehicles will be ordered; if the scheme is not implemented standard collection vehicles will be ordered.</p> |
| <p>University Campus Suffolk (UCS)</p> <p>UCS has received funding from SCC and IBC. They are currently</p> | <p><u>Capital</u> (Indicative) £560k</p> <p><u>Revenue</u> £0</p> | <p>A strong and sustainable Babergh economy.</p> <p>Babergh's Strategic Plan pledges support for:</p> | <p>Subject to further discussion with UCS, to be considered through this year's Service and Financial Planning process.</p> | <p>Member/Authority only required.</p> |

| Brief Description of Project | Cost to BDC ▪ Capital ▪ Revenue (ongoing operational costs) | Contribution to BDC Priorities | Anticipated Timetable for Decision from Members on the Project | Anticipated Date for Obtaining Approvals and Letting of Contract |
|---|---|--|---|---|
| seeking funding from the remaining district councils in Suffolk. | | <ul style="list-style-type: none"> ▪ The creation of UCS in Suffolk ▪ The development of learning, educational and training opportunities for Babergh residents ▪ The growth of new businesses, expanding local firms and inward investment (all of which are likely to be stimulated by the presence of UCS) | | |
| Joint Refuse Collection Depot Under the terms of the Joint Waste Collection Contract between BDC/MSDC and Serco, additional significant savings will be generated if a joint waste depot can be provided. | <u>Capital</u> Land Acquisition (Indicative) £350k Build Cost – to be determined. Offset by possible sale of existing depot. <u>Revenue</u> £140k pa saving | Efficiency agenda | Strategy Committee 31/07/08 to consider terms of proposed land acquisition. | Land acquisition by January 2009. Construction of new depot by early 2010. |
| Haven Gateway Partnership – New Projects External funding and new | To be determined as projects are developed. Successful “Dry Port bid levers in €700k from | <ul style="list-style-type: none"> ▪ A strong and sustainable Babergh economy ▪ Vibrant places, strong communities | To be determined. | To be determined. |

| Brief Description of Project | Cost to BDC ▪ Capital ▪ Revenue (ongoing operational costs) | Contribution to BDC Priorities | Anticipated Timetable for Decision from Members on the Project | Anticipated Date for Obtaining Approvals and Letting of Contract |
|--|---|---|---|---|
| <p>projects may come on stream over the next few years which deliver new jobs and housing (including affordable housing in Babergh).</p> <p>Strategy Committee on 01/05/08 approved a bid for a specific project under the EU “Dry Port” programme. The bid has been successful and will examine the feasibility of developing two of our key employment sites at Sproughton (former British Sugar) and Brantham (Wardle Storey/ICI) as “dry ports”.</p> | <p>external sources and commits BDC to providing €75k as officer time from existing resources over 3 years.</p> | | | |
| <p>Belle Vue Redevelopment, Sudbury</p> <p>Proposals for sale/land swap tied to the redevelopment of the site, which takes into account existing occupiers and possible new “community” uses, e.g. doctors’ surgery, are</p> | <p><u>Capital</u> Capital receipts likely to be generated.</p> <p><u>Revenue</u> likely to be no revenue costs.</p> | <ul style="list-style-type: none"> ▪ A strong and sustainable Babergh economy ▪ A safer and healthier Babergh ▪ Vibrant places, strong communities | <p>Report to Strategy Committee 19/06/08 or 31/07/08 outlining proposals and seeking authority to enter into detailed discussions with existing and prospective occupiers and agreements with prospective developers.</p> | <p>Timetable to be determined and reported to Strategy Committee.</p> |

| Brief Description of Project | Cost to BDC ▪ Capital ▪ Revenue (ongoing operational costs) | Contribution to BDC Priorities | Anticipated Timetable for Decision from Members on the Project | Anticipated Date for Obtaining Approvals and Letting of Contract |
|-------------------------------------|--|---------------------------------------|---|---|
| currently being investigated. | | | | |

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Report from the Housing Panel on the Timing of Babergh's Housing Stock Option Appraisal and Local Government Review

1. Purpose of Report

This report explains why the Housing Panel believes that the Council's Stock Options Appraisal, currently scheduled to be undertaken in 2009-2010, should not now take place in the light of the timetable for the Local Government Review.

2. Key Information

Members will be aware that Babergh undertook its last Housing Stock Option Appraisal in 2004. The outcome was a clear decision to retain the ownership and management of the Council housing stock of 3600 dwellings.

The Office of the Deputy Prime Minister oversaw the last stock option appraisal process, which took us 12 months to complete. The ODPM provided strict guidance on the process for undertaking that appraisal. While this process is no longer mandatory, it is regarded as the most effective method of assessing a Council's stock options. So any meaningful Stock Option Appraisal needs to follow this process.

It was recognised that circumstances could change which would alter the projections and assumptions made the last time we appraised the options for the future of the stock. The Housing Panel has been keeping the situation under review through the annual Housing Revenue Account business review process. The original plan was to undertake the next full-scale Stock Options Appraisal between 2009 and 2010. The timing of LGR means it would be entirely impractical to undertake a Stock Options Appraisal at that time. An earlier Appraisal would be possible, but it would need to be started early in the summer of 2008.

The Housing Panel has considered whether to undertake an early Options Appraisal. While this could be done, the Panel considers that there are three practical issues that strongly indicate that the Appraisal should be put on hold until after the new Unitary Council(s) are in place. These issues are as follows:

- It would be very difficult to fully apprise tenants of the option of the stock staying with one or more new councils that are not yet formed. This would profoundly compromise one of the fundamental parts of the appraisal exercise; which is to fully explain to tenants what they can expect from their landlord; whether it be a Housing Association or a local authority
- There are potentially serious implications of committing Babergh's successor authority and its tenants to a course of action which may or may not make sense in a unitary context
- The possibility that Babergh could cease to exist just before the tenants' ballot took place would be a critical risk

In view of these points, the Housing Panel proposes that Babergh should not undertake a Stock Option Appraisal until after the new Unitary Council(s) are in place.

3. Financial Implications

If a Stock Option Appraisal is to be undertaken before the new Unitary Council(s) are in place, funding of around £180,000 will need to be secured up to the pre-ballot stage. Although no budgetary provision has been made in the HRA budget for the current year, a readjustment of our plans for expenditure on council housing means the funds could be found within existing budgets.

There are financial risks associated with the appraisal process. All setting up costs associated with the transfer must be paid by the Council from the capital receipt from the transfer and can be separately categorised as pre and post ballot. These costs are very large. A significant proportion of the setting up costs (especially post ballot) would be incurred by the new RSL landlord. However, these costs will be chargeable to the Council's General Fund if there is a negative ballot or if for any other reason the transfer does not take place.

The capital receipt from stock transfer would not be received within Babergh's lifetime so there will not be an opportunity to use this funding to invest in Babergh's priorities. The receipts would become part of Babergh's financial legacy, to be divided up between one or more of the new Unitary Councils.

4. Babergh Tenants' Forum View

Babergh's Tenants' Forum has been consulted on this matter and the majority of their members do not wish to wait until after the unitary council(s) are in place before an Appraisal is undertaken. They feel that the Forum has worked hard to create effective tenant representation across Babergh and did not relish the idea that Babergh's council housing stock could be divided up between two or more new unitary councils or subsumed into one county structure.

The Forum believes the council housing service that Babergh provides is a good one and they were concerned that any new Unitary Council may not have the same standards. They were so concerned about this that the majority of Forum members said they would like to transfer the council stock within Babergh's existing borders to a new Housing Association as soon as possible. The point was made that even if an appraisal led to a ballot (which it would not necessarily do) that resulted in a majority vote for transfer, given the size of Babergh's stock, it was more likely that the stock would be to an existing association rather than a newly created one. This point and the views of the Housing Panel were made clear to the Forum but they were resolute in their wish for an early appraisal. It was agreed that the Forum's views on this issue would be communicated to Members.

5. Conclusion

The Housing Panel concluded that, if the Secretary of State opts for unitary governance in Suffolk, Babergh in its present form should not undertake a Stock Options Appraisal and urges the Council to approve this course of action.

Housing Panel
30 May 2008

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