

# **Report to the Cabinet**

**Report reference: C-057-2013/14**  
**Date of meeting: 2 December 2013**



**Portfolio: Finance & Technology**

**Subject: Update of the Capital Programme 2013/14 – 2017/18**

**Responsible Officer: Teresa Brown (01992–564604).**

**Democratic Services Officer: Gary Woodhall (01992–564470).**

---

## **Recommendations/Decisions Required:**

- (1) That the latest five-year forecast of capital receipts be noted;**
- (2) That the level of usable capital receipts currently predicted to be £6,611,000 at 31 March 2018 be noted;**
- (3) That the following amendments to the Capital Programme be approved or, where relevant, recommended to Council to approve:**
  - (a) carry forwards totaling of £888,000 from 2013/14 to 2014/15 in respect of General Fund capital schemes as outlined in the report;**
  - (b) a carry forward of £150,000 from 2013/14 to 2014/15 in respect of the Open Market Shared Ownership initiative;**
  - (c) re-phasing of the Disabled Facility Grant budget by bringing forward an allocation of £94,000 to 2013/14 from future years;**
  - (d) virements within the Housing Revenue Account in respect of the categories of work identified in the report;**
  - (e) re-phasing of the housebuilding programme, planned maintenance programme and off street parking initiative financed within the Housing Revenue Account as identified in the report.**

## **Executive Summary:**

This report sets out the Council's Capital Programme for the five year period 2013/14 to 2017/18. This includes the forecast capital investment in Council owned assets; estimates of capital loans to be made for private housing initiatives; and projected levels of revenue expenditure funded from capital under statute. The capital programme has been prepared by updating the programme approved in February 2013 with new schemes and allocations approved by Cabinet since then.

Each scheme within the capital programme has been reviewed and spending control officers have reassessed estimated final costs and the phasing of expenditure profiles for each scheme as part of the capital review. Recommendations have been made to make amendments as appropriate.

The Council's overall programme of capital expenditure is summarised for each Directorate in Appendix 1 and shows a commitment to invest £83,564,000 on Council-owned assets over the five year period under consideration. Details of individual schemes or groups of projects are shown at Appendix 2 for the General Fund capital programme and an analysis of works

into specific categories is shown at Appendix 3 for the Housing Revenue Account (HRA) Capital Programme. Appendix 1 also shows a commitment to finance capital loans to the tune of £2,436,000 and planned expenditure of £1,971,000 which is now classified as revenue expenditure but which can be financed from capital resources, over the five year period. Analyses of these figures are given in Appendices 4 and 5 respectively.

The report also reassesses the funding available to finance these schemes and the suggested application of the different sources of funding is given in the lower section of Appendix 1 over the five-year period. It identifies estimated external funding from grants and private sources of £5,104,000, and it proposes that capital receipts of an estimated £13,486,000 and revenue contributions of an estimated £69,381,000 be applied to finance the capital programme over the next five years. The estimated level of capital resources available now and in the future are given in Appendix 6. In summary, the balance of capital receipts is expected to fall from £13,900,000 as at 1 April 2013 to £6,611,000 by 31 March 2018 and the Major Repairs Fund balance is expected to decrease from £9,755,000 to £3,652,000 by the end of the period.

### **Reasons for Proposed Decision:**

The capital programme presented in the appendices is based on decisions already approved by the Cabinet or decisions that the Cabinet is soon to consider. The expenditure profiles suggested are based on Member agreed timescales and practical considerations. The decisions proposed are intended to make the best use of the capital resources currently available and forecast to become available for capital schemes to 2017/18.

### **Other Options for Action:**

The level of capital receipt resources is predicted to fall to £6,611,000 by 31 March 2018, based on the assumption that the generation of usable capital receipts will be limited to the sale of council houses, which is predicted to generate an average of approximately £2,000,000 per year. The revenue consequence of reducing the level of capital receipts over the next five years is to reduce investment income. Members may choose to reconsider the inclusion of some new schemes or re-assess the inclusion of some existing schemes.

With regard to financing the HRA capital programme, RCCO (Revenue Contribution to Capital Outlay) contributions could be reduced by increasing the use of usable capital receipts, beyond that which is required. This option has been rejected in the past because the RCCO levels suggested in this report are affordable within the HRA, according to current predictions, and any use of usable capital receipts for HRA purposes would have the effect of reducing capital resources available for the General Fund.

### **Report:**

#### Finance and ICT

1. There are several ICT projects underway this year. The main project is the large-scale upgrade of the Council's telephony system, which was placed top priority because the telephone switches were reaching the end of their useful lives. Progress has been swift and early indications are that the upgrade is being well received. Full installation is anticipated by the end of the financial year. Other projects include: the combining and integration of the Environment & Street Scene system; the completion of the document management system roll out; and the development of the Council's wireless network and mobile working facilities. Some slippage is expected on the disaster recovery server project but this will be partially offset by bringing forward expenditure relating to the core switch replacement project whereby early payment will secure a more favourable price. The net effect is to recommend a carry forward sum of £52,000 from 2013/14 to 2014/15.

2. A report was submitted to Cabinet in October which detailed several ICT capital projects scheduled for 2014/15, including the replacement of host servers, core switch replacement and air conditioning for critical network riser cabinets. A sum of £373,000 was approved. and this has been included in the capital programme attached; it is anticipated that revenue savings will be generated by these projects. In addition to this amount, the Finance and Performance Management Scrutiny Panel have requested that ICT staff approach all Members to ascertain whether they feel they would benefit from additional solutions to improve Member connectivity to ICT systems, including email systems. If a positive response is received, an additional sum of £27,000 would be required.

### Corporate Support Services

3. The majority of capital works undertaken by this directorate is covered by the Five Year Planned Maintenance Programme and a comprehensive report was presented to Cabinet in October which gave details of all the projects within this programme. The main projects include a large scale upgrade of electrical and lighting works, energy conservation works, fire safety upgrades, DDA compliant works and environmental improvement works to the civic offices. It also covers large scale improvement works to Council-owned shops, leisure centres and North Weald Airfield buildings. Although a lot of work was undertaken in the first half of the year, the majority of the work is carried out in the second half and most projects are expected to be completed by 31 March 2014. However, slippage on works associated with the Upshire Road shops, gutter replacements at the civic offices and works to the Epping sports centre car park was reported within the Planned Maintenance Review and all appropriate amendments have been reflected in the capital programme attached.

4. The roofing works planned to upgrade of the industrial units will commence next year. Recommendations included in the consultant's report are under consideration and some feasibility costs may be incurred this financial year, however the bulk of this budget has been carried forward to 2014/15. Plans for solar panels were put on hold but the allocation has been left in the Capital Programme, pending a review.

5. The recently-approved budget for the purchase of a long leasehold interest in the second floor of Bridgeman House, Waltham Abbey and to carry out refurbishment works has been included in the attached programme. The budget for the Bakers Lane toilet block refurbishment works has been increased to £89,000 following a report to Cabinet in September; this work has now commenced. Progress has also been made on the property management system; a new system has been selected and is in the process of being installed. Completion is expected by the end of this financial year.

6. Feasibility works for new developments at Langston Road Depot and other Council sites are on-going. A report elsewhere on the agenda gives an update of progress on individual sites and requests additional revenue funding for consultant feasibility costs. If approved, this budget will not be part of the Capital Programme but, in the event of approval being granted to develop any Council assets or acquire new assets, the associated budgets will increase the Capital Programme and the level of usable capital receipts will go down by a corresponding amount. At present, a relatively small capital allocation of £101,000 exists on the attached programme for new developments; this includes a sum of £75,000, approved by Cabinet in September.

### Deputy Chief Executive:

7. Members agreed to commit a sum of £250,000 towards the purchase of a lease for the museum at 37A Sun Street. Lottery Heritage Funding has now been secured which will enable the museum to be substantially extended and refurbished. A project Team has been set up and work is expected to start this financial year. The Capital Programme has been amended to reflect the full cost of the extension and works, and the funding statement has been updated to take account of the income receivable from the Heritage Lottery Fund.

8. The building works at the Limes Farm Hall project is complete and the centre is now

operating a full service, however there were a few snagging issues which are underway and it is anticipated that all costs will be finalised this year.

9. Construction on the new Astroturf pitch at Waltham Abbey is complete but there are some outstanding works on the flood lighting system. These works are expected to be completed by Christmas and be operational in the new year; the project is expected to come in on budget.

#### Environment & Street Scene

10. The budget for waste management vehicles and equipment for 2013/14 includes £327,000 for new vehicles; two sweepers have been purchased at a cost of £223,000; a virement of £12,000 was approved by the Director to purchase two grounds maintenance vehicles; and the surplus budget is currently held as a contingency. The remaining budget of £90,000 relating to the purchase of new waste and recycling containers are expected to be fully spent in the current financial year. It is recommended that the contingency sum of £92,000 be carried forward into 2014/15 for the replacement of a refuse freighter which is coming to the end of its useful life.

11. The Buckhurst Hill parking review scheme is now underway and, once complete, the parking review at Loughton Broadway will commence. The latter is unlikely to start before April 2014 and a carry forward of £185,000 is recommended to 2014/15 in respect of this scheme.

12. A schedule of capital works to be completed at North Weald Airfield is jointly agreed each year with the market operators. However, work has been kept to a minimum this year following the Council's decision to carry out essential works only having negotiated a reduction in the market operator's capital contribution this year.

13. The flood alleviation scheme capital budget currently has an approved budget of £97,000. This has been set aside for new equipment as the Environment Agency is expected to transfer the responsibilities for flood warning telemetry equipment back to the Council this year. It is anticipated that equipment, costing about £23,000, will be purchased for one of the four flood alleviation sites before 31 March 2014. The remaining budget of £74,000 is requested to be carried forward to 2014/15.

14. The CCTV upgrade programme is progressing on target: the Coopersale system is complete; applications and licenses for the Loughton system are progressing; and works are planned this year for Queens Road Buckhurst Hill and Langston Road Depot.

15. The budget for the grounds maintenance vehicles has been increased by £12,000 this year by means of a virement from the waste management vehicle budget in order to finance two mowers for the countrycare service.

#### Planning and Economic Development:

16. There are no projects held within the current five-year Capital Programme at present.

#### Housing General Fund:

17. The housing estate parking schemes are jointly funded between the HRA and the General Fund. Work has commenced on some schemes but the original allocation in this year is too high and needs to be re-phased over the next two years. It is recommended that £485,000 be carried forward to 2014/15.

#### Housing Revenue Account (HRA):

18. In July 2013 the Housebuilding Cabinet Committee met to consider the Council's Housebuilding Strategy and to agree a report on how the housebuilding programme will be

funded as well as the financial appraisals and feasibilities for the schemes to be included in the first phase. The first phase of the programme was agreed, and progress is underway on five sites which centre around the Roundhills and Harveyfields sites in Waltham Abbey. The Council's Development Agent, East Thames has developed the five sites up to the detailed planning stage and the first application was submitted in September 2013. Subject to planning approval, it is anticipated that the first phase will be tendered using the East Thames Framework Agreement and that work will commence on site in March 2014. If these timescales are achieved, the first phase of the housebuilding programme is expected to be completed by June 2015. East Thames has also updated the cashflow on the full housebuilding programme and this has been reflected in the Capital Programme attached. From the previous phasing reported, the changes include downward revisions of £545,000 and £511,000 in 2013/14 and 2014/15 respectively.

19. The other housing developments category includes budgets for the purchase of a previously sold council house and also for the conversion works at Marden Close. A virement of £32,000 is requested from the Contingency budget to cover increased costs.

20. Work on the council's existing housing stock is progressing well and expenditure within the category including heating, rewiring and water tank replacements has increased this year mainly due to greater demand for rewiring works as a consequence of the introduction of new rewiring regulations. It is anticipated additional funds are necessary and a virement of £875,000 is requested primarily from the roofing, kitchen and bathroom replacement budgets.

21. Work on the planned programmes for windows and doors started slowly at the beginning of the year but significant progress has been made and expenditure is expected to exceed the agreed budgets by the end of the financial year. Additional funds of £348,000 are requested in the form of virements from other categories.

22. The three roofing contracts (flat roofs, tiled roofs and balcony resurfacing) will all need to be re-tendered in this financial year and delays in expenditure are expected until the contractors are appointed. Underspends are anticipated and it is therefore recommended that £606,000 be transferred out of the roofing budgets to support additional requirements in other categories.

23. The other planned maintenance category includes communal TV upgrades, energy efficiency measures, door entry systems and Norway House improvements. Energy efficiency works and door entry installation works are expected to be low this year. With regard to energy efficiency works, a contractor has been identified and an appointment expected shortly with works anticipated to commence in 2014. Leaseholders are currently being consulted on door entry installations works and an approximate underspend of £256,000 on this budget is likely; a virement of this sum to other categories is therefore recommended.

24. The Council is monitoring a number of properties that are suffering with significant structural movement to ensure that works are carried out when needed. Although the budget is currently underspent, works are in progress on a number of sites including 661a Copperfield. Additional sites identified for structural works include Hillyfields wall and 116 Grosvenor Drive. This budget is expected to be fully spent by the year end.

25. Expenditure on the void refurbishment programme in the first six months of the year has already exceeded the full year budget and this increased level is expected to continue throughout this financial year. As part of the repairs refresh programme, increased capital improvements are now being undertaken while properties are void. In addition to this, there has been a significant increase in the number of void properties since the introduction of the benefit cap within the Welfare Reform Act; this has resulted in a number of tenants downsizing due to under occupancy. It is recommended that this budget be increased by £791,000 by means of virements from other HRA budget categories.

26. Both contracts for kitchen replacements and bathroom replacements have been

renewed recently and workload has been low in the first half of the year. Kitchen installation works have commenced but it is likely that there will be an underspend on the programme this year as a large number of kitchens are being replaced under the void refurbishment programme instead. With regard to the bathroom replacement programme, work to replace non-standard bathrooms in properties on the Limes Farm estate has commenced. Again, this budget is expected to be underspent by the end of the financial year because more bathrooms are now being replaced as part of the voids refurbishment programme. It is recommended that virements of £312,000 and £672,000 be made from the kitchen and bathroom budgets respectively to finance the increase in work load on the rewiring programme.

27. The programme for environmental improvements includes budgets for off street parking on housing estates, watercourse repairs, CCTV, environmental improvements to shops and fencing. The largest project in this category is off street parking and it is anticipated that the budget for the works will be under spent in the current financial year, it is therefore proposed that £510,000 be carried forward into 2014/15. A temporary hold on works to garage sites is in place until potential development sites, identified as part of the housebuilding programme, are confirmed. Works on drainage projects are expected to be low due to a transfer of responsibility to the Water Authorities. It is recommended that a virement of totalling £168,000 be made to other HRA budgets.

28. The number of disabled adaptation requests received from Essex County Council Occupational Therapists has increased compared to previous years and this trend is likely to continue. It is anticipated that this budget will be fully spent by the end of the current financial year.

29. The other repairs and maintenance category includes budgets for feasibilities, asbestos removal and a contingency sum for unexpected capital works. Feasibility studies are to be carried out on the gas pipework replacement project for five block types at Ninefields. The contingency budget is likely to be underspent. It is recommended that a virement of £32,000 be made to the other housing developments budget.

30. Works including DDA conversion works to communal toilets and a programme of installing smoke detectors & rewiring carried out under the Service Enhancement budget are progressing well. However, implementation of the online rents system has been delayed and it is recommended that this budget of £10,000 be carried forward to 2014/15.

31. The Housing DLO Vehicles budget is anticipated to be fully spent by the end of this current financial year.

#### Revenue Expenditure Finances from Capital under Statute

32. Expenditure on Disabled Facilities Grants was low compared to the budget in 2012/13 due to the low number of referrals received from the occupational therapists at the end of the previous financial year. The referrals have picked up in this financial year and expenditure is expected to increase in the remainder of this year and next year. It is recommended that £94,000 be brought forward from future years to allow for the increasing workload in this year.

33. The situation with regard to other private sector housing assistance is that the new Housing Assistance policy came into effect from 1 July 2012, which involves loans being offered to private householders rather than grants. However, some grants are still being administered where approvals were sanctioned before the change came into effect. These payments continue to be paid as grants. It has been estimated that the commitment will be in the region of £100,000 this year and will not continue thereafter.

34. The schemes relating to the Waltham Abbey Regeneration are being managed and provided by Waltham Abbey Town Council and financed from a premium paid by Lidl. The initiative commenced in 2011/12 and all capital schemes are expected to be completed in the

current financial year.

### Capital Loans

35. Under the Council's Open Market Shared Ownership (OMSO) scheme, EFDC provides interest-free loans to B3Living to provide shared ownership to Epping Forest residents. Phase 1 is now complete and proved to be a success. The implementation of phase 2 was agreed by the housing portfolio holder and has now commenced. Although it is progressing well, it is thought unlikely that the full budget will be spent this year and a carry forward of £150,000 is recommended.

36. With regard to other private sector housing assistance, a major change was introduced on 1 July 2012, when all discretionary financial assistance given by the Council became repayable upon the sale or transfer of property. Although expenditure is low at present, it is expected to pick up during the year as publicity and positive communication on the new arrangements are increased. The budget is expected to be fully spent by the year-end.

### HRA Self-Financing

37. From 1 April 2012 the HRA has operated under the new rules of Self-financing whereby the Council retains its own rents and the old Subsidy system was abandoned. This enables EFDC to fund and manage the housing stock without Government intervention. A 30-year plan was drawn up by our housing consultant, which was presented to Cabinet on 12 March 2012, which indicated that surplus balances would be generated. Members decided to invest these surpluses in a construction programme to provide 120 new Council properties over a six year period.

38. The 30-year plan also forecasts the usable Capital Receipts likely to be available to the Council to finance capital expenditure. The rules regarding the amount of capital receipts which can be retained from right-to-buy sales changed under the self-financing rules. The Council now retains a sum of money based on the outstanding debt attributable to each house sold plus a further amount representing the 'Local Authority Share' of the capital receipt. These two elements can be used to fund any schemes within the capital programme or to offset debt. However, the third element retained by the Council can only be used for the provision of replacement housing. This element, often referred to as 1-4-1 funding, comes from any increase in right-to-buy sales over the numbers used in the self-financing settlement. This last element has to be used within three years of receipt and can only constitute a maximum 30% of the house-building programme. Appendix 6 forecasts the anticipated receipts the Council will retain over the next five years.

39. The Council's housing consultant monitors the position carefully and provides regular updates to the 30-year HRA plan in order to ensure that the Council achieves the best use of the resources available.

### Capital Financing:

40. Appendix 1 shows a summary of the capital programme along with the financing profile. The Council has approved estimates of capital expenditure under Prudential Code Indicator P (2) and also financing proposals for the years 2013/14 to 2015/16. Appendix 1 has applied the same principles with regard to funding although changes in the expenditure profile have been reflected in the financing requirements in each year.

41. The Council has maintained a consistent policy of prudence in forecasting available capital resources to ensure that any capital project included in the capital programme will be fundable. This means that only capital receipts received to date and projected receipts from the sale of council houses and mortgage receipts are taken into account; no recognition of any other potential receipts is made. Therefore when predicting levels of available capital funding, receipts from future land sales are not taken into account.

42. Similarly a prudent view is taken of other sources of capital funding including funds receivable from Government Grants and private contributions. For instance, the availability of Section 106 monies to fund capital projects is based on payments received to date and not payments anticipated in the future. With regard to Section 106 monies, in the past these sums were generally used for the provision of affordable housing via contributions to Housing Associations. However, from 2013/14 onwards it has been agreed that Section 106 monies will be used to support the Council's own house-building programme.

43. As anticipated, the position regarding generation of capital receipts has improved since the rise in the maximum allowable discount from £34,000 to £75,000 introduced on 1 April 2012. The number of Council House sales rose to 13 sales last year from 7 the year before and, to date, 24 sales have completed this year. The number of applications increased significantly when the discount was increased and has stabilised at a higher level. Future projections are notoriously difficult to make as there remain many uncertainties in the housing market, therefore a cautious and prudent approach has been adopted at this stage: 32 sales have been estimated for 2013/14 and 20 sales thereafter. The situation will continue to be monitored.

44. Appendix 6(a) shows the latest forecast of capital receipt generation, their application and hence the likely level of resources available to fund new projects. It takes into account the changes which accrue as a result of the new HRA self-financing and capital pooling rules and shows that, based on current expenditure and projected receipts, usable capital receipts will be reduced to £6,611,000 by 31 March 2018 at the end of the programme period.

45. Appendix 6(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £3,652,000 by 31 March 2018. However, the use of revenue contributions and capital receipts are indicative figures only and will be revised when the HRA forecast is updated within the 30-year plan. Any increases in the use of these sources of funding will result in a decrease in the use of funds held within the Major Repairs Fund and an increase in the balance at the end of the five year programme. Conversely, any reductions in the use of revenue contributions and capital receipts will have the opposite effect.

#### **Resource Implications:**

The budget provision is detailed in the report and appendices.

#### **Legal and Governance Implications:**

The legal and governance implications are taken into account within individual project reports.

#### **Safer, Cleaner and Greener Implications:**

In considering individual capital schemes and the programme overall, the Council gives due consideration to safer, cleaner and greener issues.

#### **Consultation Undertaken:**

All Directors and spending control officers for individual schemes have been consulted.

#### **Background Papers:**

Reference has been made to previous Cabinet reports and minutes. The Local Government Act 2003 (for England and Wales) and the Regulations have also been complied with.



## Impact Assessments:

### Risk Management:

There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This is recorded in the Corporate Risk Register (No.17) and identifies the following potential consequences: loss of interest strategy becoming untenable in the long run; service reductions required; and large Council Tax increases. These implications, these are taken into account within individual project reports.

### Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A

# Due Regard Record

## Name of policy or activity:

What this record is for: By law the Council must, in the course of its service delivery and decision making, think about and see if it can eliminate unlawful discrimination, advance equality of opportunity, and foster good relations. This active consideration is known as, 'paying due regard', and it must be recorded as evidence. We pay due regard by undertaking equality analysis and using what we learn through this analysis in our service delivery and decision making. The purpose of this form is as a log of evidence of due regard.

When do I use this record? Every time you complete equality analysis on a policy or activity this record must be updated. Due regard must be paid, and therefore equality analysis undertaken, at 'formative stages' of policies and activities including proposed changes to or withdrawal of services. This record must be included as an appendix to any report to decision making bodies. Agenda Planning Groups will not accept any report which does not include evidence of due regard being paid via completion of an Equality Analysis Report.

How do I use this record: When you next undertake equality analysis open a Due Regard Record. Use it to record a summary of your analysis, including the reason for the analysis, the evidence considered, what the evidence told you about the protected groups, and the key findings from the analysis. This will be key information from Steps 1-7 of the Equality Analysis process set out in the Toolkit, and your Equality Analysis Report. This Due Regard Record is Step 8 of that process.

Date / Name	Summary of equality analysis
12 Nov 2013	This report represents a financial summary of the sums approved within the Council's Capital Programme from 2013/14 to 2017/18, in addition to the associated funding projections over this period of time.
Teresa Brown Principal Accountant	At this stage the aims of the public sector equality duty will already have been taken into account when the individual schemes were originally approved. As this report does not represent a formative stage in the approval of capital projects, an equality analysis is not considered relevant in respect of this report.