

Report to the Cabinet

Report reference: C-054-2015/16

Date of meeting: 3 December 2015.



**Epping Forest
District Council**

Portfolio: Finance

Subject: Capital Review 2015/16 – 2019/20

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 £5,891,000 at 31 March 2020 be noted;**
- (3) That increased external borrowing of an estimated £25,000,000, necessary to support the General Fund capital programme, be noted;**
- (4) That the following amendments to the Capital Programme be recommended to Council to approve:**
 - (a) supplementary capital estimates of £88,000 for the museum development project and £12,000 for two remaining private sector housing grants; and**
 - (b) supplementary capital estimates of £49,000 and £7,000 for planned maintenance works at the Civic Offices and CCTV equipment at Town Mead depot respectively, previously included the Revenue accounts;**
- (5) That the following amendments to the Capital Programme be approved:**
 - (a) carry forwards totaling £18,024,000 from 2015/16 to 2016/17 and 2017/18 in respect of General Fund capital schemes as outlined in the report and Resource Implications table;**
 - (b) a reduction of £151,000 for replacement refuse bins to be compensated by an equivalent revenue allocation and a reduction of £447,000 as a result of discontinuing the Open Market Home Ownership scheme;**
 - (c) virements within the General Fund and Housing Revenue Account in respect of the categories of work identified in the report; and**
 - (d) re-phasing of the housebuilding programme, planned maintenance programme and off street parking initiative financed within the Housing Revenue Account, with carry forwards of £3,663,000 as identified in the report and Resource Implications table; and**
- (6) That the appropriation of Lindsey House from the Housing Revenue Account to the General Fund be approved.**

Executive Summary:

This report sets out the Council's Capital Programme for the five year period 2015/16 to 2019/20. It 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 2015, amended for any slippage and re-phasing approved in June 2015, as well as new schemes and allocations approved by Cabinet since then.

The allocations included in 2015/16 and 2016/17 represent approved sums for capital schemes which the Council is committed to deliver. Allocations given for the years 2017/18 to 2019/20 represent forecast sums as a guide to future capital investment and the schemes to which they relate will require Cabinet approval before going ahead. The projects already approved within the capital programme have 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 forecast investments of £152,689,000 in 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 the Council's forecast to finance capital loans up to a maximum of £5,298,000 and planned expenditure of £3,713,000 which is 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.

With regard to funding the capital programme, the report sets out proposed sources of finance over the five-year period from 2015/16 to 2019/20 in the lower section of Appendix 1, based on maximising the funding available to finance each scheme. The report identifies estimated external funding from grants and private sources of £6,150,000, and it proposes that capital receipts of an estimated £34,087,000 and direct revenue funding of an estimated £96,463,000 be applied to finance the capital programme over the next five years. It is forecast that external borrowing of an estimated £25,000,000 will be necessary to support the Council's investments in new developments within the General Fund. 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 £19,615,000 as at 1 April 2015 to £5,891,000 by 31 March 2020 and the Major Repairs Fund balance is expected to decrease from £11,154,000 to zero by 31 March 2018, with annual contributions to be used in full each year thereafter.

Reasons for Proposed Decision:

The capital programme presented in the appendices is based on decisions already approved by the Cabinet. 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 2019/20.

Other Options for Action:

The level of capital receipt resources is predicted to fall to £5,891,000 by 31 March 2020, based on the assumption that all capital receipts will be used during 2015/16 except the 1-4-1 balance generated from the Right to Buy sales, which will be applied to the Council's new housebuilding programme in line with the HRA self-financing rules. Revenue balances will be used to support the capital programme initially and in 2016/17 external borrowing will be

required. The revenue consequence of reducing the level of capital and revenue balances over the next five years is to reduce investment income. At the same time, borrowing will result in increased revenue costs in the form of interest charges. Members may choose to reduce the General Fund and/or Housing Revenue Account capital programmes by re-considering the inclusion of some new schemes or re-assess the inclusion of some existing schemes.

With regard to financing the General Fund and HRA capital programmes, there are a number of options available. The proposal put forward sets the level of direct revenue funding at high levels in order to reduce the need for external borrowing. However, these contributions could be reduced by increasing the levels of external borrowing. This option has been rejected because the revenue contributions suggested in this report are affordable within the General Fund and HRA, according to current predictions, and the cost of increased borrowing would ultimately result in higher net interest charges.

Report:

Resources

1. The five year Planned Maintenance Programme is reviewed periodically to ensure that the Council's operational and commercial property assets are properly maintained and improved to meet Health and Safety requirements, statutory regulations, contractual obligations, customer demands and the long term protection and value of the authority's assets. The capital allocations included in Appendix 2 were approved in October 2013 and updated as part of the Capital Review in December 2014. The largest schemes are planned for the civic office buildings: the window replacement programme is complete; electrical upgrades are underway, including the installation of smart metering to reduce energy usage in the civic office complex; the separation of the heating system into four areas has commenced to allow greater control over temperatures in each area; and the installation of solar energy panels will be carried out shortly once essential roofing upgrade works have been completed. Most of the other schemes are expected to be completed by the end of the financial year. However, four schemes have been identified as slipping into 2016/17 including the replacement of electrical distribution equipment at the Civic Offices. The other three schemes to upgrade the car parks at Epping and Waltham Abbey leisure centres and the roof at the Waltham Abbey centre have been put on hold pending finalisation of the Leisure Strategy. These budgets total £70,000 and Members are requested to approve re-phasing this sum into 2016/17 and 2017/18. In addition, a supplementary capital estimate of £49,000 is requested to be recommended for approval by Council; this sum having originally been set aside within the planned maintenance revenue account for the replacement windows at the Civic Offices.

2. The need to upgrade the roofs on some of the industrial units at Oakwood Hill Industrial Estate was identified in 2013 and the Council commissioned an appraisal of the work required and an assessment of the where the responsibility for this work lay. The appraisal was undertaken by Stace, who reviewed a typical lease to assess current repairing obligations and future liabilities within the terms of the lease. It was concluded that it is the landlord's obligation to ensure that all exterior additions are undertaken to a rentable standard and it is the tenant's responsibility to maintain skylights. With roof repairs needed to achieve current building regulation standards, four options were considered and overlay sheeting was decided to be the best method. The main complication with this scheme has been how the Council would recover the costs of the works from its current tenants. Meetings with the council tenants are being conducted to establish when the works will commence. Although it is anticipated that they will start this financial year, it is unlikely that much work will be completed before 31 March 2016 and Members are requested to approve a carry forward of £ 200,000 to 2016/17.

3. The General ICT capital programme for 2015/16 was approved in October 2014, along with an additional sum of £80,000 for a new integrated payroll and human resources

system. Progress has been made on most projects including: the Bankers Automated Clearing Service replacement system; configurations for the remote management and service desk systems; and implementation of the Freedom of Information system. All ICT projects are expected to be completed by the year end except for the uninterruptable power supplies replacement system, some “good for enterprise” licences; and the mobile and flexible working roll out. A carry forward of £89,000 to 2016/17 is requested to allow for this slippage.

4. A report was submitted to Cabinet in October this year which detailed several ICT capital projects scheduled for 2016/17. A sum of £185,000 was approved for the schemes identified from the ICT strategy to improve productivity and efficiency or maintain services. The main projects to be undertaken in 2016/17 are the replacement of security devices used for authentication of electronic payment system transactions; an upgrade to the general ledger system and a storage solution for public facing server.

5. A small sum of £20,000 was recently approved from the “Invest to Save” proposals for the purchase of two self-service kiosks to be located at the Council's cash offices. This sum has been included in the 2016/17 equipment budget within the Resources Directorate.

Neighbourhoods

6. The largest capital project within the General Fund is the investment in a new Shopping Park at Langston Road. A supplementary capital estimate of £30,636,000 was approved by Cabinet in June for the purchase of Polofind's interest in the Epping Forest Shopping Park and the development of the site at Langston Road by the Council as sole owner developers; £14,658,000 has been included in this financial year and £16,200,000 is recommended to be carried forward into 2016/17. A financial analysis is currently being undertaken to identify the costs associated with the Section 278 Highways Works, which constitute revenue expenditure which can be financed from capital under statute. The purchase of Polofind's interest was completed on the 3rd July 2015, and the tender process is underway for the Section 278 highways works and for the main shopping park contract. Once evaluated the award of the contracts will be considered by a special Cabinet meeting on the 11 January 2016. Whilst the current project plan still anticipates a shell completion for October 2016 ready for tenant fit out, the final opening date for the new Retail Park will depend on the programme of works accepted as part of the award of tenders. Marketing activity is ongoing to secure anchor tenants in advance of letting the main construction contract.

7. The construction of a new depot at Oakwood Hill is well underway. Work commenced on site in late September and the project is scheduled to be completed by the end of April 2016. Service managers moving to the new depot are making preparations to transfer from the Langston Road Depot. A budget of £2,625,000 was allocated to the project and costs are expected to be met within this sum. It is anticipated, however, that a relatively small proportion of the costs will fall in 2016/17 and a carry forward of £200,000 is proposed to be carried forward.

8. Another large capital project the Council is investing in is the redevelopment of the depot site at St John's Road, Epping. This Council is currently in negotiation with Essex County Council to finalise the contract to purchase the former St John's school site adjacent to the depot site. A contract is also being drawn up with Frontier Ltd for them to purchase the whole site once they have obtained planning permission for their proposed development. It is anticipated that it will take between 9 and 12 months from the time of the purchase of ECC's land to the sale of the whole site to Frontier in order to secure the necessary planning consent. Approval from the Secretary of State has been received for the land transaction with ECC but agreement has yet to be reached on an overage clause protecting the County's interests, if a scheme of significantly higher value was developed. An estimated sum of £6,000,000 has been included in this year's capital programme for the purchase of the land from ECC and the capital receipts schedule has been amended to account for the anticipated proceeds from the sale of the land. As part of the negotiations with ECC, Lindsey House is

expected to transfer to County's ownership. In anticipation of this, Members are asked to approve the appropriation of Lindsey House from the HRA to the General Fund.

9. Progress continues to be made on the site of the former Sir Winston Churchill public house. The scheme is now being taken forward by Epping Forest based developer Higgins Homes. Work has commenced on site with an anticipated 20 month build programme. Once complete, the Council anticipates receiving rental income from the ground floor retail premises in late 2017.

10. An allocation of £101,000 was set aside in the current financial year and £30,000 annually thereafter for the replacement of refuse bins and recycling containers. However, with the new waste management contract in place, it is thought more appropriate to top up existing stock from revenue resources. The majority of this allocation has therefore been withdrawn from the capital programme and will be provided within the revised revenue budget to be presented to Cabinet in early 2016. A capital sum of £40,000 is recommended to be retained in 2015/16 only for the provision of new bins previously not provided, in particular for blocks of flats.

11. The budget for Council Car Parks includes an allocation of £190,000 for the purchase and installation of new pay and display machines in Council owned car parks. All machines have now been installed and expenditure is expected to be within budget. An additional £100,000 has been included as part of the "Invest to Save" proposals for LED lighting in car parks. A survey undertaken by Philips Lighting Ltd established that the existing lighting is inefficient and that significant savings in energy consumption and maintenance costs can be achieved through a programme of LED lighting upgrades and improved time control.

12. The remaining capital balance of £15,000, contributed towards operating the market at North Weald Airfield, has been used towards upgrading the CCTV system. No further contributions are anticipated at the present time.

13. The flood alleviation scheme currently has an approved budget of £31,000. However, there are no plans to spend this allocation in 2015/16 and therefore Members are asked to approve a carry forward of the full budget.

14. An annual allowance of £30,000 is provided within the capital programme for the replacement of grounds maintenance vehicles. The 2015/16 allocation has been set aside for the purchase of a replacement vehicle to be delivered in early 2016 and no changes to the budget is required. An additional £63,000 has been included in 2016/17 for the purchase of a tractor and accessories for grass cutting as part of the "Invest to Save" programme, which will be financed from revenue contributions.

Communities

15. The capital programme includes provision for a major project to extend and redevelop the Council's museum. Heritage Lottery funding of £1,650,000 was secured, of which £1,500,000 has been assigned to the capital project. The project will transform the museum, providing step free access across the site and bringing a large percentage of the reserve collections into the heart of the museum. Coniston Ltd was selected as the preferred main contractors in December 2014 and Cabinet approved an additional allocation of £345,000 to allow for the agreed tendered sum. Works began on site at the end of April 2015 with a projected completion by end of October 2015. However, there have been a number of events which have caused delays, details of which are given in a report on the museum project elsewhere on the agenda. As stated in the report on the museum these issues have necessitated an extension of time and have resulted in increased costs. It is estimated that a further £88,000 will be required and Members are asked to recommend this sum to be approved by Council. The allocations given in Appendix 2 of this report have been adjusted in line with the recommendations, pending approval.

16. An ongoing programme of providing off street parking facilities on HRA Council

Estates has been underway for several years, jointly funded between the HRA and General Fund. The programme is now in the sixth phase with design works currently being carried out by a consultant to provide parking bays at Paley Gardens and Torrington Drive. Works on both sites are planned to commence in early 2016 subject to successful planning applications. However, it is likely that the off-street parking budget will be underspent in 2015/16 and carry forward of £400,000 is requested in respect of the General Fund allocation to be re-phased into 2016/17 and 2017/18.

17. An allocation of £309,000 was included in the capital programme for the acquisition of the lease for an area of office space on the second floor of Bridgeman House, Waltham Abbey, to enable the transfer of the Community Services team to be located in one building. As this is unlikely to take place this year, it is recommended that the full sum be carried forward to 2016/17.

18. The CCTV capital programme is progressing well, with the new system at North Weald Airfield already installed and the new systems and upgrades at Roundhills, the museum and the portable camera facility expected to be completed by the end of the year. The systems in Epping high street, Oakwood Hill depot and the Council's car parks are expected to slip into 2016/17. Members are asked to approve a carry forward of £124,000 for these three systems. Essential installation of a CCTV system at Town Mead Depot, due to security problems, has led to unexpected expenditure on this budget. An additional capital sum of £7,000 is requested to cover the cost of this new system, which will be financed from a contribution from revenue budgets, where savings have been already been identified. Another report elsewhere on the agenda recommends re-phasing the programme and the proposals have been included in the capital programme pending approval.

Housing Revenue Account (HRA)

19. The proposed HRA Capital Programme is forecast to invest £106,668,000 over the five year period from 2015/16. The Council's housing development programme, including new house building, property acquisitions and some conversion schemes, accounts for £41,575,000 of this total. A provisional sum of £3,200,000 has been included for the construction of a new depot at North Weald and capital improvement works to the existing stock accounts for the remaining £61,893,000.

20. The major conversion works at Marden Close and Faversham Hall started on site in September 2014 and is now nearing completion. With regard to phase one of the new house building programme, work started on 4 sites in Waltham Abbey in October 2014, but the works have not progressed in line with the original contract period, which had a completion date of 13 November 2015. The latest estimate suggests that the contractor is behind programme by between 5 and 8 months and the contractor Broadway Construction Ltd is reporting completion of three sites by March 2016 and the fourth site, at Harveyfields, by July 2016. Planning permission for phase two was obtained in September 2015 to build 51 homes at Burton Road and tenders are being sought for consideration in early January. This will be part funded from the £500,000 Homes & Communities Agency (HCA) Affordable Housing Grant recently awarded to the Council, subject to the Council achieving Development Partner Status with the HCA.

21. The new house building programme is monitored closely by the Council Housebuilding Cabinet Committee where a decision was made to accelerate the house-building programme in order to keep up with the rate at which the one-for-one capital receipts have been accumulating. In order to achieve this, the planned construction periods of phases three to six have been brought forward such that they overlap and the Council's development agent, East Thames Group, have re-profiled costs over the next five years to reflect the accelerated programme. This information has been used to prepare the HRA capital programme in Appendix 3.

22. As the house building programme is ambitious, it could be subject to delays. Potentially, this could result in qualifying expenditure being below targets which, in turn, could result in some of the one-for-one capital receipts being passed to the Government. In order to mitigate this risk, the Cabinet

Committee have looked at a number of options such as including purchasing street properties, negotiating over section 106 developments and purchasing land sites. Negotiations are now in hand with a private developer, Linden Homes, to purchase 8 new affordable homes in Roydon. An estimated spend profile has been included for the current plans in the housing development budget on Appendix 3 and Members are asked to endorse the new expenditure profile.

23. The Council needs to re-locate its Housing Repairs Service from the Epping Depot to enable the proposed re-development for the St Johns Road area of Epping to proceed. There is a report earlier in the agenda to construct a new Repairs and Maintenance Hub on a Council-owned vacant brownfield site in Blenheim Way, North Weald. This will also create the opportunity for the Housing Repairs team to be co-located with the Housing Assets Team, currently based at the Civic Offices. A provisional sum of £3,200,000 has been included in the HRA Capital programme in Appendix 3, pending Members' decision on this matter.

24. Capital investment in improvement works to the existing housing stock has increased since 2012/13 when the Council agreed to upgrade maintenance levels from the Decent Homes Standard to a Modern Homes standard. This has enabled bathrooms, kitchens, roofs etc. to be replaced within shorter time scales. Between 2015/16 and 2019/20 an estimated £61,893,000 will be invested in the housing stock and HRA estates. The categories of work undertaken are listed in Appendix 3. In previous years, there has been a separate category for work carried out on void properties but this did not identify the type of work being undertaken. This year the forecast spend on void properties over the next five years has been identified to the following categories: heating, rewiring, roofing, balcony resurfacing, double glazing, structural work and asbestos removal. Although expenditure on voids is not shown separately, this information is available for management purposes as required.

25. An additional sum of £800,000 has been included for voids in the heating, rewiring and water tank replacement category, Expenditure on these works remains high and the budgets for heating and water tanks are expected to be fully spent by the year end. The rewiring budget has been enhanced in previous years to allow for the high level of demand as a consequence of the introduction of new rewiring regulations and a further virement of £310,000 is requested to cover increased electrical testing to be carried out in council flats. On the other hand, reductions in the work required to bring many domestic properties up to current electrical installation standards has resulted in reduced levels of expenditure and it is suggested that £200,000 be carried forward from 2015/16 to 2016/17.

26. The programme of works on windows and doors is expected to accelerate during the year after a slow start and all planned works are expected to be completed by the year end; no changes to the allocations are reported.

27. An additional £60,000 has been allocated to the roofing budget for void upgrades to flat roofs, tiled roofs and balcony resurfacing. The programme of planned works on flat roofs programme is ahead of schedule as these works are profiled for completion in the summer months, whilst the works on the tiled roofing have increased following a slow start. Overall no budgetary changes are anticipated for this category of works.

28. The other planned maintenance category includes Norway House improvements, door entry system installations and energy efficiency works. The Norway House improvement scheme including bathroom replacements and other upgrades is underway and the budget is expected to be fully spent by the end of the year. Upgrades of door entry systems and energy efficiency works are expected to be lower than originally anticipated this year. The only energy efficiency work that currently attracts substantial government grant funding is the Domestic Renewable Heat Incentive repaid over a 7-year term following the installation of air source heating. An accelerated programme of air source heating installation is currently underway for which income of just under £300,000 is projected for all current registered installations over the 7-year term, assuming there are no changes to the existing rules. It is recommended that the budget for door entry systems be reduced by £110,000 to be reallocated to other categories of work and that £150,000 of the energy efficiency budget be carried forward to 2016/17 to allow for reduced workloads this year.

29. The Council's structural repairs budget is used to fund a planned programme of major remedial structural works; ad-hoc urgent major structural repairs; and structural repairs to void properties for which an additional sum of £153,000 has been incorporated. Most of the structural projects are planned to take place in the second half of the budget year and the budget is expected to be fully spent for 2015/16. It is anticipated that the conversion of Leonard Davis House will be undertaken next financial year and Members are requested to approve a carry forward of £100,000 to allow for this.

30. The kitchen and bathroom replacement budgets both allow for planned replacement programmes as well as ad hoc installations, which need to be carried out urgently. Although the kitchen programme has been hindered by problems of gaining access to some properties, it is expected to complete on time with a saving of £200,000, which is recommended to be vired to other categories of work. The bathroom programme has been accelerated and a four-year upgrade programme of the flats located in the blocks at Copperfield is on target for completion by the end of 2015. No changes to the allocations are proposed.

31. The programme for environmental improvements includes budgets for off street parking on housing estates, gas pipe-work replacements, watercourse repairs, CCTV systems, garages and fencing. An additional £100,000 has been allocated for work associated with void properties. 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 £600,000 be carried forward from 2015/16 to be re-phased into 2016/17 and 2017/18. The second largest project is the gas pipe-work replacement programme. Work on the Ninefield Estate started in 2014/15 and is expected to be completed in 2015. Work on Oakwood Hill and other estates in Loughton started this financial year and is expected to be completed in 2016/17. A carry forward of £100,000 is recommended to allow for the proposed timetable. The budget for external lighting schemes was increased in 2015/16 to finance additional works at Jessopp Court and other locations; expenditure is expected to be on budget for this financial year. CCTV installation on HRA properties in Springfield and Shelly Close are expected to be completed in 2015/16, and a sum of £15,000 is requested to be brought forward from 2016/17 to accommodate a new system to cover Limes Farm yellow block.

32. Demand for disabled adaptations continues to increase and several large projects are being undertaken this year making it necessary to put some disabled adaptation requests on hold until next financial year in order to keep within the budget allocated. No changes are requested to the approved capital programme at this point.

33. The other repairs and maintenance category includes feasibilities, asbestos removal and the contingency budget for emergency or urgent work. An additional sum of £100,000 has been included for asbestos work on void properties. All budgets are expected to be utilised by the year end and no changes to the allocations are reported.

34. The capital service enhancements budget includes allocations for the front entrance fire door replacement programme on leasehold properties, the refurbishment of communal kitchens in sheltered schemes, the Oakwood Hill estate enhancement scheme, the provision of electric scooter stores at sheltered schemes, and a new online rents system. The front entrance fire door replacement project on leasehold properties is expected to be fully spent by the end of the year and phase 2 of the refurbishment of communal kitchens in sheltered housing schemes has been completed with costs are expected to be on budget. After completing the provision of electric scooter stores at two schemes in 2014/15, a review of demand for scooter stores is being undertaken and a small budget is available for 2015/16 for design works on two schemes. The scope of the work on the Oakwood Hill Estate enhancement scheme has yet to be agreed and, with expenditure currently on hold, the budget of £160,000 is requested to be carried forward to 2016/17. The online rents system budget of £15,000 is also requested to be carried forward due to the scheme being dependent on the installation of a separate system as well as the recruitment of a new IT

team leader.

35. The Housing DLO Vehicles budget is requested to be carried forward to finance replacement tipper vehicles in 2016/17.

Capital Loans

36. The planned programme for the provision of capital loans for private housing assistance from 2015/16 to 2019/20 and the loan to the Council's waste management operator in 2015/16 is shown on Appendix 4.

37. The Open Market Shared Ownership Scheme has provided interest-free loans to B3Living to enable first time buyers to purchase properties on the open market. Two phases have been completed and the scheme has been very successful in helping several people in the District to enter home ownership. However, it is proposed to discontinue the scheme and re-allocate the existing funding to finance higher priority schemes in the capital programme, pending Member approval.

38. 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. An annual allocation of £350,000 had been included in the capital programme previously but uptake for these loans was low initially although it is now increasing. It is suggested that the budget be reduced to £160,000 this financial year and set at £230,000 thereafter.

Revenue Expenditure Financed from Capital under Statute

39. The capital programme for revenue expenditure to be financed from capital resources is detailed on Appendix 5 for the period 2015/16 to 2019/20.

40. Over the past few years the Council has invested in three major parking reviews. The Epping parking review was completed in 2013/14 and the Buckhurst Hill review is nearing completion. Discussions are now commencing on the Loughton Broadway review which will commence once the Buckhurst Hill project has been completed. As works at Loughton Broadway are unlikely to start before the end of this financial year, it is recommended that £190,000 is carried forward to 2016/17 for this review.

41. The number of referrals from occupational therapists, which initiate Disabled Facilities Grants (DFGs), have been growing significantly since March 2013 and the level of demand has levelled off at an all-time high such that expenditure is forecast to be around £500,000 per year from 2015/16 onwards. A recent report to Cabinet secured a supplementary estimate of £120,000 for 2015/16 to cover the demand and a capital growth bid was also made for an additional £120,000 for the following 3 years until 2018/19. The allocations have been revised in the five year capital programme.

42. The budget for other private sector housing assistance covers private sector housing grants approved under the previous system of non-repayable grants for decent homes, small works and thermal comfort assistance. A new Housing Assistance policy came into effect from 1 July 2012, which involves loans being offered to private householders rather than grants. However two remaining grants, sanctioned before the change came into effect, have become payable this financial year; an additional allocation of £12,000 is sought to cover this commitment.

43. The contribution towards the Rural Challenge Superfast Broadband Project has been made following the award of the contract by Essex County Council to Gigaclear. Preparatory work has been taking place, a detailed delivery plan is being prepared and the roll out of the network has now begun. This will provide a significant improvement to broadband speeds for rural businesses and residents alike.

44. Approximate figures have been included in the programme for works to be

undertaken on HRA leasehold properties, resulting from sales of flats under the Right To Buy legislation.

HRA Self-Financing

45. 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 enabled the Council to fund and manage the housing stock without Government intervention. However, in the 2015 Summer Budget it was announced that social rents will reduce by 1% per year over a four year period. The new Welfare Reform and Work Bill was published on 9 July 2015 which sets about enacting these changes. The Bill covers all types of rent within the social sector with the exclusion of shared ownership. This means that all new build properties let at affordable levels will also have the reduction applied over the next four years. A report prepared by the Council's HRA Business Planning Consultants CIH Consultancy estimated a loss £14,000,000 in rental income to the HRA over the next four years and around £228,000,000 over the next 30 years compared to the Council's previous expectations. A report to Finance and Performance Management Committee advised that no immediate corrective action is required at present, apart from curtailing uncommitted expenditure from the Service Enhancement Fund, and that the position is reviewed in 2016/17.

45. 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.

46. When the self-financing rules were introduced the rules changed regarding the amount of capital receipts which can be retained from right-to-buy sales. 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.

47. 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. Any decisions to re-cast the HRA Financial Plan emanating from the new Welfare Reform and Work Bill are to be delayed until further information becomes available on the effect of the Government's separate proposal to require local authorities to sell "high value" void properties.

Capital Financing

48. 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 2015/16 to 2019/20. 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.

49. 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 loan repayments from the Council's waste management

operator 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.

50. 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 was agreed that Section 106 monies will be used to support the Council's own house-building programme.

51. The position regarding the generation of capital receipts improved after the maximum allowable discount was increased significantly on 1 April 2013. The number of Council House sales rose to 53 sales in 2013/14 from 13 the year before and remained high at 46 in 2014/15. Sales have slowed down this year with 12 sold to 31 October 2015 and it is estimated that a total of 27 dwellings will be sold by the year end. 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: 16 sales have been estimated for 2016/17 onwards. The situation will continue to be monitored.

52. 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 have resulted from the HRA self-financing and capital pooling rules. Due to the increase in the Council's capital investment programme, the majority of the capital receipt reserve will be fully utilised this financial year. Based on current expenditure and projected receipts, usable capital receipts will be reduced to £5,891,000 by 31 March 2020 at the end of the programme period and the majority of the balance will represent the 1-4-1 reserves which can only be applied to the Council house building programme.

53. For the first time in many years, therefore, it will be necessary to borrow funds to finance the General Fund capital programme. It is forecast that external borrowing totalling £25,000,000 will be required by 2016/17 at the latest, which falls within the authorised limit approved by Members. This sum has been kept to a minimum by making use of increased revenue funding from General Fund. The need to increase borrowing for the HRA capital programme to 2019/20 has been mitigated by using all available balances on the Major Repairs Reserve and significantly reducing the balance on the HRA self-financing reserve. Planned contributions to the HRA self-financing reserve have also been diverted to contribute directly to the capital programme.

54. Appendix 6(b) shows that the balance on the Major Repairs Reserve will be fully utilised by March 2017 and that annual contributions to the fund will be used in full each year to finance capital works to existing dwellings. Members are asked to note that the use of direct revenue funding and capital receipts are indicative figures only and will be revised when the HRA forecast is updated within the 30-year plan.

Resource Implications:

The following table lists all sums recommended to be carried forward to future years:

Capital Project	Sum C/F from 2015/16	Appendix
Planned Maintenance Programme	70	2
Upgrade of Industrial Units	200	2
General IT	89	2
Langston Road Shopping Park	16,200	2
Oakwood Hill Depot	200	2
Flood Alleviation Schemes	31	2

Housing Estate Parking	400	2
Purchase Bridgeman House, W Abbey	309	2
CCTV Systems	124	2
Open Market Shared Ownership Scheme	211	4
Parking Review Schemes	190	5
Total General Fund Schemes	18,024	
New House Building & Conversions	2,395	3
Heating/Rewiring/Water Tanks	100	3
Other Planned Maintenance	150	3
Structural Schemes	100	3
Garages & Environmental Improvements	685	3
Capital Service Enhancements	175	3
Housing DLO Vehicles	58	3
Total HRA Schemes	3,663	

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.

Risk Management:

There is a financial risk involved in reducing the balance of usable capital receipts over the next five years.

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
30 October 2014	This report represents a financial summary of the sums approved within the Council's Capital Programme from 2015/16 to 2019/20, 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.