

Report to the Cabinet

Report reference: C-044-2008/09.

Date of meeting: 6 October 2008.



**Epping Forest
District Council**

Portfolio: Finance & Performance Management.

Subject: Review of the Capital Programme 2008/09 – 2012/13.

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 £13,305,000 at 31 March 2013 be noted;**
- (3) That the revised Capital Programme for the period 2008/09 to 2012/13 be approved;**
- (4) That the following additions to the Capital Programme be approved or, where relevant, recommended to Council to approve:**
 - (a) an additional capital estimate of £1,434,000 for the works planned at Ongar Sports Centre, for which external funding of £927,000 has been offered and funding of £507,000 is requested from Council funds;**
 - (b) an additional £50,000 for upgrading the Careline equipment within the HRA in 2009/10; and**
 - (c) an increase of £5,000 in the annual allocation for grounds maintenance plant and equipment from 2009/10 onwards;**
- (5) That the following amendments to the Capital Programme be approved or, where relevant, recommended to Council to approve:**
 - (a) a carry forward in the sum of £265,000 from 2008/09 to 2009/10 with regard to several of the capital schemes planned at the civic offices;**
 - (b) a rescheduling of the Customer Services Transformation Programme into 2009/10 and 2010/11, and a carry forward of £150,000 on General IT from 2008/09 to 2009/10;**
 - (c) virements of £140,000 and £14,000 from the General IT and IEG budgets to finance the additional work required to complete the new Revenues and Benefits and Land Charges IT systems respectively;**
 - (d) a carry forward of £1,580,000 from 2008/09 to 2009/10 in respect of the Town Centre Enhancement Scheme at Loughton Broadway;**
 - (e) a carry forward of £112,000 regarding the General Fund contribution to housing estate parking schemes;**
 - (f) carry forwards totaling £951,000 from 2009/10 to 2010/11 in respect of Housing**

General Fund schemes;

(g) a virement within the HRA capital programme of £552,000 to the kitchen and bathroom programme from other categories within the HRA as detailed in the report; and

(h) carry forwards totaling £1,155,000 from 2009/10 to 2010/11 in respect of various categories of work within the Housing Revenue Account

Executive Summary:

This report sets out the capital programme that will form the basis of the Capital Strategy to be presented in November 2008 and the Asset Management Plan. The capital programme has been prepared by updating the programme approved in February 2008 and adding new schemes and allocations approved by Cabinet since then. Recommendations have been proposed to include additions to the capital programme in three areas. Firstly, a new project to carry out works at Ongar Leisure Centre is proposed at a net cost of £507,000 to the Council for a £1,454,000 scheme. Secondly, it is proposed to upgrade the call answering equipment used by Careline at a cost of £50,000. Thirdly, an increase of £5,000 in the annual allocation of grounds maintenance equipment is recommended.

With regard to schemes previously approved, spending control officers have been consulted and they have reassessed the estimated final costs of each scheme and the phasing of expenditure profiles as part of the capital review. Recommendations have been made to make amendments as appropriate.

The programme covers five financial years to 2012/13. The detailed capital programme for non-housing schemes is shown by portfolio at Appendix 2 and the detailed capital programme for housing schemes is shown at Appendix 3. A summary of estimated costs is given in Appendix 1. This shows an estimated capital spend of £50,380,000 over the five-year period.

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 external funding from grants and private sources in the order of £4,490,000, and it proposes that capital receipts of an estimated £14,838,000 and revenue contributions of an estimated £31,052,000 be applied to finance the capital programme over the next five years. The estimated level of capital resources available now and in the future is given in Appendix 4. In summary, the balance of capital receipts is expected to fall from £26,824,000 as at 1 April 2008 to £13,305,000 by 31 March 2013 and the Major repairs Fund balance moves down from £7,290,000 initially and then moves back up to £7,802,000 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 2012/13.

Other Options for Action:

The level of capital receipt resources is predicted to fall to £13,305,000 by 31 March 2013. This is partially due to a significant reduction in anticipated funds generated from capital receipts, which are predicted to fall to an average of approximately £260,000 per year. In addition to this, several new capital schemes have now been included in the capital programme and some existing schemes have been extended. 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 restrict existing schemes.

An alternative to using increased RCCO contributions to enhance the HRA capital programme would be to increase the use of usable capital receipts. This option was rejected 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 Performance Management

1. The schemes financed through the Youth Sports Facilities initiative have been progressing well. To date grants totaling £236,000 have been paid to town and parish councils from an original three-year capital allocation of £300,000. Of the remaining allocation, £61,000 has been set aside for Waltham Abbey Town and Roydon and Buckhurst Hill Parish Councils and a sum of £3,000 has recently become available for reallocation. It is hoped that the programme will be completed this year.

2. Since the capital programme was last approved, one claim has been made on the General Capital Contingency. This was to support some remedial works required at the Loughton Leisure Centre at an estimated cost of £46,000 in order to complete the scheme. The unspent budget remaining on the Loughton High Street Town Centre Enhancement Scheme has been returned to the Contingency. These adjustments serve to marginally reduce the contingency from £181,000 to £177,000 in 2008/09.

Corporate Support and ICT Services

3. There has been a rescheduling of some works to be carried out at the civic offices from 2008/09 to 2009/10, totaling £265,000, which Members are requested to approve. A report will be presented to Cabinet at its next meeting detailing the position of the capital schemes planned at the civic offices and those recommended to be undertaken.

4. With regard to the accommodation works within the Planning section, there was slippage of £15,000 from 2006/07 into 2008/09. It is intended that this work will be completed by the end of the year.

5. The main ICT project currently included in the capital programme is the Customer Services Transformation Programme (CSTP); which has a total scheme allocation of £2,239,000. The scheme has been rescheduled into 2009/10 and 2010/11, pending Members' approval. Progress has continued on the other ICT projects. Extra consultancy work has been identified on the replacement Local Taxation and Benefits ICT system and Members are requested to approve virements of £102,000 from the General IT infrastructure budget and £38,000 from the IEG grant funded budget to finance the additional costs in 2008/09. This has been necessary to supplement internal ICT resources. There was a salary underspend in ICT in 2007/08 of £135,000 and, whilst this will be reduced in 2008/09, the ICT service is still not fully staffed. Additional work is also required to complete the implementation of the Land Charges IT system; a further virement of £14,000 is requested from the General IT budget to cover these costs. A programme of works to be carried out within the General IT budget has been prepared and it is proposed that £150,000 of this year's allocation be carried forward to 2009/10.

Leisure & Young People:

6. Loughton Leisure Centre was completed and opened four years ago and the final account was paid on 10 October 2005. However, there are still some outstanding remedial works and a report to Cabinet on 1 September 2008 identified additional works to the hot water system required to complete the outstanding works. A sum of £46,000 was approved as a virement

from the General Contingency to resolve the problem.

7. A report elsewhere on the agenda details the major works planned at the Ongar Leisure Centre. The scheme will provide new changing room facilities for users of the playing pitches; and the cost of the scheme is estimated to be £1,454,000. External funding of £927,000 has been offered and a budget of £20,000 already exists in the programme. Members are therefore requested to approve an additional capital estimate of £1,434,000 of which £507,000 is requested from Council funds in 2009/10.

8. As part of the retail market agreement with the Council's North Weald Airfield market operator Rondeau General Merchants Limited, a contribution is made annually for infrastructure improvements. This contribution is ring-fenced to the market operation and the annual programme of works is jointly agreed with the operator. The schedule of works planned for this financial year includes a one-off sum of £150,000, for the resurfacing of the Meadow Area at the commencement of the new agreement. This, too, will be funded from a contribution from Rondeau General Merchants Limited.

9. The final scheme within this portfolio is the Children's Play Schemes for which a full grant of £220,000 has been secured from the Big Lottery Fund. There are five schemes planned, of which four totaling £160,000 are expected to be completed this year. The final one for £60,000 at Lambourne, is planned for early in 2009/10.

Environmental Protection:

10. Construction work on the Bobbingworth Tip scheme commenced on 19 March 2007. A report to Cabinet last cycle detailed the situation to date and outlined the issues regarding the transportation of topsoil to the site. Members approved an additional supplementary estimate of £112,000 to enable the scheme to be completed by the end of 2008. The budget has been further enhanced by £20,000 in relation to a grant received from ECC to plant 5,000 trees on the site; this will have a neutral effect on the Council's funds. These adjustments take the estimated final cost of the scheme to £2,512,000.

11. The remaining budget of £20,000 for environmental protection equipment carried forward from 2006/07 to cover the costs relating to the purchase of wheeled bins for flats is expected to be fully expended by the end of this financial year. Similarly the budget of £23,000 for the Safer, Cleaner, Greener initiative is expected to be fully utilised by the end of the year.

Planning and Economic Development:

12. The Town Centre Enhancement (TCE) works undertaken at Loughton High Road, which represent phase 2 of the project, were essentially completed by October 2006. The £42,000 unspent budget has been returned to the Capital Contingency Fund.

13. A report on the town centre enhancement works at Loughton Broadway presented to Cabinet on 14 July 2008 detailed the current position on this project. Members approved a supplementary estimate of £455,000, including a contingency of £200,000, to complete the scheme. Members are now requested to approve a carry forward of £1,580,000 as some works cannot be completed until next financial year.

14. The Planning Development Grant (PDG) allocation for 2007/08 was not fully expended and a carry forward of £41,000 was approved; it is anticipated that this sum will be spent in full by the end of the financial year. PDG is being replaced by Housing and Planning Delivery Grant (HPDG) from 2008/09 onwards. Official notification of this Council's 2008/09 allocation is expected in the autumn but the indications are that a total grant of £93,284 will be allocated of which 33% is likely to be capital; a sum of £31,000 has therefore been included in the capital programme in respect of 2009/10.

Civil Engineering & Maintenance:

15. The parking and associated traffic management schemes currently underway at Epping, and Buckhurst Hill are expected to be completed by the end of 2009/10 and the review at Loughton Broadway is due to be completed by the end 2010/11. At the last Capital Review, Members resolved to do no more large scale parking reviews but to look at smaller more targeted areas where a deliverable outcome can be achieved. An allocation for parking and associated traffic management schemes have been included in the budget to 2011/12 but no provision is made thereafter.

16. A report on Housing Estate Parking schemes was presented to Cabinet last cycle and approval was finalised for additional funds of £300,000 and £288,000 from the HRA and General Fund respectively to be made available for four years from 2009/10 to expand this programme. Work in this year is likely to be low and Members are requested to approve a carry forward of £112,000 on the General Fund and £120,000 within the HRA to reflect anticipated work profiles.

17. Capital works on Principal Ordinary Watercourses and flood alleviation schemes are progressing well and expected to be completed by the end of the year.

18. The budget for plant and equipment for the Grounds Maintenance Service has been cash limited for many years. It is proposed that this limit be increased to £30,000 per year from 2009/10 onwards to reflect the increased cost of grounds maintenance machinery. Members are therefore asked to approve an increase of £5,000 per year from 2009/10 onwards to this budget.

Housing General Fund:

19. The Council's budget for contributions to Housing Associations for the provision of affordable housing currently stands at £1,000,000, allocated to Estuary Housing Association, as shown in Appendix 3. With regard to the financing: £500,000 is to be funded from transitional relief on pooled capital receipts; and the remainder from other usable capital receipts. All payments are expected to be paid by the end of this financial year, except one for £155,000 in respect of Pyrles Lane Loughton, which is expected to be made in May 2009. Members are therefore asked to approve a carry forward of £155,000. In addition to this, Members have previously agreed to make contributions to London & Quadrant Housing Trust up to a maximum of £1,000,000 to convert market housing at The Quarter, Ongar into affordable assured tenancies. To date £745,000 has been paid over and the balance will come from contributions received from developers through Section 106 Agreements. The capital programme will be amended to reflect contributions as they become available in the future.

20. A report to Cabinet on 14 July 2008 detailed the position with regard to Disabled Facilities Grants and other private sector housing grants. The amendments have been included in the attached appendices.

21. The Home Ownership Grants are progressing well; currently two are being processed by legal, two more are with the applicants and the final one is unallocated. It is difficult to assess when these grants will be made as they are dependant on the timing of the recipients completing their house purchases but it has been estimated that three grants will be processed this year and the other two in 2009/10. Members are therefore requested to approve a carry forward of £68,000. The situation in respect of the Open Market Home Ownership scheme is that the Portfolio Holder has formally decided not to pursue the scheme in its current form because a similar scheme is now being provided nationally. An alternative scheme is to be explored and Members are asked to approve a carry forward of the full sum of £350,000, pending the outcome of the investigations.

22. The estimate of £378,000 for the compulsory purchase of 8/8a Sun Street, Waltham Abbey for redevelopment purposes, as approved by Cabinet on 10 July 2006, has been carried forward from 2006/07. This CPO cannot go ahead until a court hearing in November 2008. Should the court decide in the Council's favour, it will be necessary to revise the

valuation of the property, but this is not likely to exceed the current valuation of £350,000. As the purchase will not take place until 2009/10, Members are asked to approve the carry forward of the full estimate of £378,000.

23. Of the original estimate of £10,000 for the cost of drainage works at Alfred Road, £9,000 has been carried forward to 2008/09 as progress has been delayed due to difficulties agreeing site access with the owners.

Housing Revenue Account (HRA):

24. Members are requested to approve the revised HRA Capital Programme as presented in Appendix 3.

25. The Capital Outturn Report presented to Cabinet in June 2008, identified slippage of £633,000 on HRA schemes from 2007/08 to 2008/09. Work was also identified on schemes that had commenced more rapidly than had been expected and a total of £140,000 was brought forward from 2008/09 to 2007/08. The impact of all these movements is shown in Appendix 3.

26. At the Cabinet meeting on 1 September 2008, Members discussed upgrading the call answering equipment to improve the service provided by Careline and to make the equipment compatible with new digital technology. Members are asked to approve a supplementary capital estimate of £50,000 in 2009/10.

27. The allocation of funds between the different categories of work have been reviewed some virements between categories are proposed in 2008/09. It is suggested that the kitchen and bathroom replacement programme (within the cost reflective repairs category) is increased by £552,000 in order to achieve Decent Homes standards by 2010, It is proposed that this is financed from within existing resources by means of virements from structural schemes (£166,000); non cost reflective repairs (£33,000); other planned maintenance (£166,000); and other repairs and maintenance (£160,000). These virements are accounted for in Appendix 3.

28. The progress made on all HRA schemes to date has also been reassessed and a report on the Springfields Improvement Scheme was presented to Cabinet on 1 September 2008 outlining the latest position. This scheme is currently on target to complete on time within the existing budget. Most other schemes are also progressing well but slippage has been identified in some areas. Within the non-cost reflective repairs category, off street parking and environmental improvements to shops are expected to slip by £119,000 and £192,000 respectively; within cost reflective repairs, the kitchen and bathroom replacement programme is likely to slip by approximately £623,000; cyclical maintenance is expected to slip by £18,000 and other planned maintenance by approximately £203,000. Members are therefore asked to approve a total carry forward of £1,155,000 on all HRA capital schemes.

29. Revenue contributions to capital outlay (RCCO) are given in Appendix 1 over the next five years. At its meeting on 1 September 2008, the Cabinet agreed that the additional RCCO be allocated to fund off street parking schemes over the next four years. The financial status of the HRA will be strictly monitored to ensure that these levels of RCCO are sustainable in the future. If the situation changes it may be necessary to revisit these increases in future years.

Capital Financing:

30. Appendix 1 shows a summary of the capital programme with the financing profile underneath. On 19 February 2008 the Council approved the estimates of capital expenditure under Prudential Code Indicator P(2) and estimates of how this would be financed were also given for the years 2008/09 to 2012/13. 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.

31. All sources of funds available to the Council to finance the General Fund and HRA Capital Programmes are listed in Appendix 5.

32. 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. Similarly a prudent view is taken of other sources of capital funding.

33. With regard to capital receipts, the position regarding generation of capital receipts has significantly worsened since it was last reported to Cabinet. The number of Council House sales in 2007/08 was lower than expected with 28 sales completing during the year. So far this year only 4 sales have been completed to mid September 2008 and the full year projected sales figure has therefore been revised to 8 for this year. This compares to 28 sales last year and 46 the year before. Future projections are difficult to make as there are many uncertainties in the housing market, therefore a cautious and prudent approach has been adopted at this stage and the situation will continue to be monitored.

34. Previous reports have identified a number of potential non-housing capital receipts. Members will be aware that the sale of the T11 site at Langston was completed in 2007/08. The sale of the land at Merlin Way, North Weald and Church Hill car park, Loughton, have been put on hold pending an improvement in market conditions. However, the sale of the medical centre at North Weald has been agreed and it is anticipated that this should be finalised in the next financial year.

35. Appendix 4(a) shows the latest forecast of capital receipt generation, their application and hence the likely level of resources available to fund new projects. The figures take into account the pooling arrangements, which were introduced on 1 April 2004, and recognise the end of the transitional relief arrangements that Epping Forest has been entitled to as a debt free authority for the past three years. The appendix shows that, based on current expenditure and projected receipts, usable capital receipts will be reduced to £13,305,000 by 31 March 2013 at the end of the programme period.

36. Appendix 4(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £7,802,000 by 31 March 2013.

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 and there is also an allocation of £23,000 specifically dedicated to safer, cleaner, greener initiatives in the programme.

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:

There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. The equalities implications are taken into account within individual project reports.