

Report to the Cabinet

Report reference: C-039-2008/09.
Date of meeting: 12 October 2009.



Portfolio: Finance & Economic Development

Subject: Review of the Capital Programme 2009/10 – 2013/14

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 £11,030,000 at 31 March 2014 be noted;**
- (3) That the revised the Capital Programme 2009/10 to 2013/14 be approved; and**
- (4) That the following amendments to the Capital Programme be approved or, where relevant, recommended to Council to approve:**
 - (a) carry forwards of £314,000 and £104,000 from 2010/11 to 2011/12 with regard to capital schemes planned at the civic offices and for IT projects respectively;**
 - (b) a rescheduling of the Customer Services Transformation Programme and Ongar Playing Field Development into 2010/11 and 2011/12;**
 - (c) a carry forward of £545,000 from 2009/10 to 2010/11 in respect of the General Fund contribution towards housing estate parking schemes and other parking reviews;**
 - (d) carry forwards of £47,000, £7,000 and £9,000 for capital works to flood alleviation schemes, grounds maintenance vehicles and youth sports facilities respectively;**
 - (e) a rescheduling of the private sector housing grants in line with expected demand;**
 - (f) carry forwards totaling £680,000 from 2009/10 to 2010/11 in respect of Housing General Fund schemes; and**
 - (g) carry forwards totaling £831,000 from 2009/10 to 2010/11 and virements within the Housing Revenue Account in respect of the categories of work identified in the report .**

Executive Summary:

This report sets out the capital programme that will form the basis of the Capital Strategy to be presented in November 2009 and the Asset Management Plan. The capital programme has been prepared by updating the programme approved in February 2009 and adding 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 programme covers five financial years to 2013/14. The detailed capital programme for non-housing schemes is shown by directorate 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 £52,906,000 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 estimated external funding from grants and private sources of £4,133,000, and it proposes that capital receipts of an estimated £14,727,000 and revenue contributions of an estimated £34,046,000 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 4. In summary, the balance of capital receipts is expected to fall from £24,319,000 as at 1 April 2009 to £11,030,000 by 31 March 2014 and the Major Repairs Fund balance is expected to decrease from £6,919,000 to £4,436,000 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 2013/14.

Other Options for Action:

The level of capital receipt resources is predicted to fall to £11,030,000 by 31 March 2014. This is largely due to a continuing low level of anticipated funds generated from capital receipts, which are predicted to average approximately £250,000 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 ICT

1. Good progress is being made on ICT projects, including the completion of the implementation of the Academy system. A comprehensive programme of ICT capital projects for 2009/10 has been drawn up; the largest schemes being the server virtualization project, the gazetteer and the enterprise agreement. Profiling of expenditure in the current year has been re-assessed and a total carry forward of £104,000 is recommended pending Member approval.

2. Since the capital programme was last approved, no claims have been made on the General Capital Contingency. The contingency therefore remains at £177,000, which was

carried forward from 2008/09.

Corporate Support Services

3. The current budget of £552,000 for planned improvement works at the civic office includes £108,000 brought forward from 2008/09. The programme has been re-assessed and 11 of the projects are currently underway and expected to be completed this financial year. However, it is anticipated that 6 projects will slip into 2010/11. A carry forward of £314,000 from 2009/10 to 2010/11 is recommended, which Members are requested to approve. A report will be presented to the next Cabinet meeting detailing the position of the capital schemes planned at the civic offices.

4. The other works included in the Planned Maintenance Programme include two leisure schemes: £15,000 for the flat roof at Waltham Abbey Swimming Pool and £8,000 for the Museum Roof; and £50,000 for the Upgrade of the Industrial Units. These three projects are planned for completion later this financial year.

Environment & Street Scene

5. A feasibility study is currently being carried out in respect of the sports facilities in Waltham Abbey. Although an allocation for the feasibility study was approved, no budget has been established for the cost of the new sports hall adjoining the Waltham Abbey Swimming Pool; this will be the subject of a future report. The fitness equipment at Loughton Leisure Centre has been purchased and the outstanding remedial works, including the hot water system at the new centre are due to be finalised this year.

6. As part of a review of contractual arrangements appertaining to the waste management service, Members agreed to include a sum of £1,875,000 in the capital programme for the procurement of vehicles, plant and equipment; £500,000 of which is to be financed from a contribution from Essex County Council. All vehicles, bins and kitchen caddies have been ordered and the new collection service commenced on 7 September 2009.

7. The Bobbingworth Tip scheme, which commenced in March 2007, is essentially complete with grass seeding and planting on the surface having been achieved. However, there are some fencing and security works still to be finished and Veolia has been tasked to complete all works by December 2009. The final account and report will be presented to Cabinet by the end of the financial year. At present, the total scheme budget stands at £2,512,000, including the £20,000 contribution from Essex County Council for tree planting.

8. Work on the parking and traffic reviews is progressing in the form of feasibility studies and reviews. The Housing estates off-street parking schemes are currently being designed and evaluated and it is recommended that the budget is re-phased over the next three years. A total carry forward of £545,000 from 2009/10 to 2010/11 is suggested to allow for this and also slippage on the other parking reviews. Tenders have been received for the improvement works at Bakers Lane car park and costs are expected to be within the existing budget.

9. As part of the retail market agreement with the Council's market operator at North Weald Airfield, an annual contribution is made for infrastructure improvements. This contribution is ring-fenced to the market operation and the annual programme of works is jointly agreed with the operator. A new agreement has recently commenced which provides an annual sum in the region of £60,000 for capital improvement works to the site.

10. All other environmental schemes are on target, except for capital works relating to flood alleviation schemes; these are being re-assessed and it is proposed that the £47,000 budget be approved for carried forward to 2010/11. Members are also asked to note that the grounds maintenance capital budget will benefit by £7,000 this year due to the part exchange of a vehicle; it is proposed that this sum be carried forward to enhance the budget in 2010/11.

Deputy Chief Executive:

11. The main leisure project approved in the capital programme is the development of the playing fields at Ongar Leisure Centre, where a feasibility study is being undertaken. However, due to difficulties in securing external funding, Members are asked to approve the rescheduling of the scheme into 2010/11. For the purposes of this report it has been assumed that there is no change to the total external financing anticipated.

12. The Customer Services Transformation Programme (CSTP) has an allocation of £2,239,000; including £90,000 allocated to finance the new Cash-Receipting & Income System. At its meeting on 30 April, the Customer Transformation Task and Finish Panel, agreed to undertake a detailed feasibility study to establish the costs of a new customer services/reception area to include innovative use of new technology. This will be financed from the capital allocation this year on the basis that the works will proceed in the future. The allocation in respect of the works has been rescheduled into 2010/11 and 2011/12, pending Members' approval.

13. Of the original £300,000 sum allocated to the Youth Sports Facilities initiative, grants totaling £291,000 have now been paid to town and parish councils. This leaves £9,000 unallocated and it is suggested that this sum is carried forward to 2010/11 pending approval of the final grant.

14. The Children's Play Programme is progressing well. The play park at Limes Farm was completed last year and the youth facilities at Limes Farm and the playground equipment at Hoe Lane, Nazeing have been installed this year. The final two projects at Elizabeth Close, Nazeing and Pancroft Ring, Lambourne are planned for September/October 2009 and March 2010 respectively. The programme is being funded externally by means of grants of £220,000 from the Big Lottery Fund, £15,000 from Nazeing Parish Council, and £14,000 from Lambourne Parish Council. A contribution of £13,000 has also been made from the Council's HRA. Members are asked to note that the budget has been increased by £42,000 to allow for the parish grants and HRA contribution.

15. An options appraisal and feasibility study for the development of Limes Farm Hall, is currently being undertaken by external consultants, The options appraisal includes investigation of four potential building developments and cost implications for: 1) Refurbishment of the existing building; 2) Refurbishment and extension to the current building; 3) New build on the same footprint; and, 4) Larger new building providing multi-agency facilities and improved access to Council services. No provision currently exists in the capital programme to match fund any works to be undertaken, although a total capital sum of £260,000 Extended Schools Funding has been secured from Essex. This has been excluded from the attached appendices pending the outcome of the options appraisal and feasibility study.

Planning and Economic Development:

16. Both phases of the Town Centre Enhancement (TCE) scheme at Loughton Broadway are now complete. Subject to finalising the accounts, it is anticipated that actual costs will be well below budget and the Director of Environment and Street Scene will be submitting a report to Cabinet in the near future. The capital programme has not been amended for the anticipated saving at this stage.

17. The Planning Services capital works relates primarily to works funded by Housing and Planning Delivery Grant brought forward from 2008/09.

Housing General Fund:

18. The Council initiative to make contributions to Affordable Housing is progressing well and all the developments by Estuary Housing Association on former Council land have now been completed (with the exception of Acres Avenue, Ongar, which is being undertaken as a

separate phase without Council funding). All payments have now been made.

19. A report elsewhere on the agenda details the position with regard to Disabled Facilities Grants and other private sector housing grants. The report recommends re-phasing anticipated income and expenditure over the next five years. The amendments have been included in the attached appendices, pending Member approval.

20. The Home Ownership Grant scheme is progressing well; all the original five grants have been paid and approval was given in March 2009 for five more grants to be provided in 2009/10 with a corresponding additional budget of £170,000. The Open Market Shared Ownership Grants scheme, which has a budget of £350,000, has not been developed to date due to a similar scheme being offered by Central Government. The latter has now been shelved, however, and enquiries are now being made to provide some MyChoiceHomebuy equity loans in partnership with Moat. The Director of Housing will be reporting on this proposal to the Cabinet in the near future. Due to the time scales involved, it is suggested that £102,000 and £200,000 be approved for carry forward to 2010/11 for Home Ownership and Open Market Shared Ownership Grants respectively.

21. With regard to the compulsory purchase of 8/8a Sun Street, Waltham Abbey planning permission has now been granted to the owner of the property to re-develop the site. If the owner goes ahead with the works, the CPO will not be necessary. As this is not certain at present, it is recommended that the capital allocation of £378,000 be carried forward to 2010/11 and that the situation continues to be monitored.

22. The scheme to carry out drainage works at Alfred Road has now been closed and Members are asked to note its removal from the capital programme.

Housing Revenue Account (HRA):

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

24. The Capital Outturn Report presented to Cabinet in June 2009, identified slippage of £1,699,000 on HRA schemes from 2008/09 to 2009/10. Work was also identified on schemes which had commenced more rapidly than had been expected and a total of £165,000 was brought forward from 2009/10 to 2008/09. The impact of all these movements is shown in Appendix 3. As part of the Capital Review, the allocation of funds between the different categories of work has been reviewed and some virements between categories are proposed. Expenditure profiles over the financial years have also been reassessed and carry forwards recommended where appropriate.

25. A large proportion of the slippage referred to above (£1,148,000) related to the improvement works at Springfields. Work commenced on the contract in November 2007 and the contractors are expecting to complete shortly resulting in a delay of about 7 months, primarily due to additional drainage works and the unexpected need to replace french doors and windows to top floor balconies. In June Council approved a supplementary estimate for Springfields which increased the total project cost to £4,524,000, including the cost of internal and external fees but excluding the cost of the repurchases.

26. With regard to heating and rewiring contracts, new heating upgrades and boiler replacements are progressing on target. However, rewiring work has increased as a result of a comprehensive programme of testing, which identified a large volume of work. The rewiring budget therefore requires additional funds and a virement of £225,000 from other categories is proposed.

27. Both roofing contracts are underway and the programme is on target. The domestic water tank replacement contract has commenced and the communal water tank replacement tender is due out in November; work is expected to start on the latter early in 2010. The 2009/10 PVCu budget is being spent on front door replacements as tenders for the PVCu

windows contracts are currently being evaluated and it is anticipated that the work will start on the windows next financial year. The asbestos removal programme, on the other hand, is currently on hold pending the appointment of a contractor; it is therefore suggested that £70,000 is carried forward to 2010/11.

28. Overall the other planned maintenance budgets are underspent so far this year due to delays in letting the door entry contract and installation delays in the communal TV upgrade programme. Drainage schemes are currently being designed and evaluated with a view to undertaking the works in 2010/11. With regard to energy efficiency works, most properties in the district now benefit from loft and cavity wall insulation and identifying additional properties for inclusion in this programme is difficult; other energy efficiency measures are now being progressed. Carry forwards of £250,000 from 2009/10 to 2010/11 are recommended in respect of communal TV upgrades, door entry and drainage schemes. In addition, a virement of £223,000 is proposed from other planned maintenance budgets into categories which require additional funds.

29. With regard to the remaining HRA capital works, the most significant change proposed is a rescheduling of the off-street parking programme. Following on from the report presented to Cabinet last cycle, it is recommended that £466,000 is carried forward into 2010/11. Smaller amendments are proposed for a £45,000 carry forward in respect of works to shops, and a virement of £50,000 from the CCTV budget into the environmental and structural works allocations. All other works are on target including the three year bathroom and kitchen replacement programme, which commenced in August 2008 and the disabled adaptations programme which has benefitted from a one-off additional sum of £200,000, approved in April to help clear the backlog.

30. Following detailed stock condition surveys of the individual components of the Council's Housing Stock, a comprehensive review of expenditure needed to maintain all properties as Decent in future years has been undertaken. The review took into account the current condition of each component, the remaining life expectancy of each component and the cost of replacement. A 30 year profile has been prepared, which is now reflected in the 5-year Capital Programme shown in Appendix 3, along with the carry forwards and virements detailed above; Members are requested to approve these amendments.

31. Revenue contributions to capital outlay (RCCO) are given in Appendix 1 over the next five 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:

32. Appendix 1 shows a summary of the capital programme along with the financing profile. On 17 February 2009 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 2009/10 to 2013/14. 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.

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

34. 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.

35. The position regarding generation of capital receipts continues to be poor. The number of Council House sales in 2008/09 was very much inline with expectations with 7 sales completing during the year. So far this year only 3 sales have been completed to mid September 2009 and the full year projected sales figure has therefore been estimated at 8 for this year. This compares to 7 sales last year and 28 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.

36. Previous reports have identified a number of potential non-housing capital receipts. To date, only one capital receipt has been deposited with the Council relating to a deed of variation for 1 Cartersfield Road, Waltham Abbey. However, due to market conditions there are few land sales expected, although the sale of the medical centre at North Weald has been agreed and it is anticipated that this should be finalised in this financial year.

37. 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, whereby the Council has to pass over 75% of the sale of council houses to Central Government. The appendix shows that, based on current expenditure and projected receipts, usable capital receipts will be reduced to £11,030,000 by 31 March 2014 at the end of the programme period.

38. Appendix 4(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £4,436,000 by 31 March 2014. However, additional RCCO may become available when the final position regarding the Housing Subsidy settlement becomes clear. This, in turn, would result in reduced use of the Major Repairs Reserve and a consequent increase in the balance at the end of the programme period.

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:

There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This risk is included in the Council's Corporate Risk Register (No.17) and identifies the following potential consequences: loss of interest; loss of cover for contingencies; financial strategy becoming untenable in the long run; service reductions

required; and large Council Tax increases required. With regard to equalities implications, these are taken into account within individual project reports.