

Report to the Cabinet

Report reference: C-033-2010/11.
Date of meeting: 25 October 2010.



Portfolio: Finance & Economic Development

Subject: Review of the Capital Programme 2010/11 – 2014/15

Responsible Officer: Teresa Brown (01992 564604).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the latest five-year forecast of capital receipts be noted;**
- (2) That the level of usable capital receipts currently predicted to be £6,900,000 at 31 March 2015 be noted;**
- (3) That the revised the Capital Programme 2010/11 to 2014/15 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 totaling £5,019,000 from 2010/11 to 2011/12 and 20012/13 in respect of capital schemes as outlined in the report;**
 - (b) inclusion in the programme of £1,000,000 to cover the potential purchase of seven new refuse vehicles in 2011/12;**
 - (c) rescheduling of the General Capital Contingency and the Private Sector Housing Capital Contingency into future years as indicated in the report;**
 - (d) removal of underspends of £96,000 within the Housing General Fund 2010/11;**
 - (e) a supplementary estimate of £620,000 in the 2010/11 Housing Revenue Account capital programme as a consequence of the additional Revenue Contributions which became available at the end of 2009/10;**
 - (f) an additional allocation of £165,000 in 2011/12 for Waltham Abbey regeneration schemes to be financed from a ring fenced capital receipt;**
 - (g) virements within the Housing Revenue Account in respect of the categories of work identified in the report; and**
 - (h) a transfer of £200,000 to the Pension Fund Capital Reserve in 2010/11.**

Executive Summary:

This report sets out the capital programme that will form the basis of the Capital Strategy to be presented in November 2010 and the Asset Management Plan. The capital programme has been prepared by updating the programme approved in February 2010 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 2014/15. 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 £50,740,000 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 £3,158,000, and it proposes that capital receipts of an estimated £15,310,000 and revenue contributions of an estimated £32,272,000 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 £21,091,000 as at 1 April 2010 to £6,900,000 by 31 March 2015 and the Major Repairs Fund balance is expected to increase from £5,730,000 to £9,932,000 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 2014/15.

Other Options for Action:

The level of capital receipt resources is predicted to fall to £6,900,000 by 31 March 2015. This is largely due to a continuing low level of anticipated usable funds generated from capital receipts, which are predicted to average 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.

Members may wish to reassess the budget for Off Street Parking. Currently the capital programme includes £1,192,000 within the General Fund and £1,244,000 within the Housing Revenue Account (HRA). This makes a total of £2,436,000 over the period 2010/11 to 2013/14, of which £1,192,000 is forecast to be financed from capital receipts.

Members may also wish to consider the need to retain the Private Sector Housing Capital Contingency within the capital programme, which currently stands at £530,000 over the period 2011/12 to 2013/14, and is forecast to be financed from capital receipts.

With regard to financing the HRA capital programme, RCCO contributions could be reduced by increasing the use of usable capital receipts, beyond that which is required. This option has been rejected in the past because the RCCO levels suggested in this report are affordable within the HRA, according to current predictions, and any use of usable capital receipts for HRA purposes would have the effect of reducing capital resources available for the General Fund. Given that the Major Repairs Reserve is forecast to increase from £5,730,000 to £9,932,000 over the next five years, Members could also use this to reduce RCCO contributions.

Report:

Finance and ICT

1. Good progress is being made on ICT projects, including the Enterprise Agreement, the second phase of the Information at Work project, the Housing Gazetteer, the Server Virtualization project and the Security Hardening project. Profiling of expenditure in the current year has been re-assessed and a total carry forward of £69,000 is recommended pending Member approval.

2. Since the capital programme was last approved, two small virements of £2,000 each have been made from the General Capital Contingency under delegated powers. The total contingency now stands at £173,000, and it is recommended that it is re-phased over the next four years as shown in appendix 2.

Corporate Support Services

3. The current 2010/11 budget for planned improvement works at the civic office includes £127,000 brought forward from 2009/10. 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 13 projects will slip into 2011/12. A carry forward of £377,000 from 2010/11 to 2011/12 is recommended, which Members are requested to approve. A report will be presented to a future Cabinet meeting updating members on the position of the capital schemes planned at the civic offices.

4. The other works included in the Planned Maintenance Programme recommended for carry forward are: the £37,000 for the flat roof at Waltham Abbey Swimming Pool and £12,000 for the resurfacing of the car park at Epping Sports Centre. In addition, it is proposed that the £43,000 for the Upgrade of the Industrial Units be carried forward to 2012/13 in order that a full upgrade can be taken as one project.

5. Two virements of £2,000 each have been made from the General Capital Contingency under delegated powers to cover Stamp Duty costs on the purchases of the Black Lion Car Park and the Brooker Road site.

Deputy Chief Executive:

6. A detailed feasibility study is now under way 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 majority of the allocation, however, is unlikely to be required this year and £857,000 has been rescheduled into 2011/12, pending Members' approval.

7. 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 hoped this will be allocated this financial year

8. The Children's Play Programme has now been successfully completed with the completion of Pancroft Ring, Lambourne early this financial year. 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 £23,000 has also been made from the Council's HRA. Members are asked to note that the budget has been increased by £10,000 to retrospectively allow for part of the HRA contribution.

9. The new Astroturf at Waltham Abbey is now expected to be completed by May/June 2011 and work by the management consultants on Limes Farm Hall has commenced. Regarding the latter, the tendering process and appointment of contractors will take place shortly and it is anticipated that the scheme will be completed in the summer of 2011. The

slippage on both schemes has been assessed and it is recommended that £385,000 and £865,000 for the AstroTurf project at Waltham Abbey and the Limes Farm Hall project respectively be carried forward to 2011/12. In terms of financing, a capital sum of £260,000 has been secured from Essex County Council from the Extended Schools Fund as a contribution to this scheme.

Environment & Street Scene

10. 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 building and modification works at Loughton Leisure Centre are due to be completed by the end of this calendar year for opening in January 2011. The outstanding remedial works remaining from the original build scheme at Loughton Leisure Centre are due to be finalised this year, and a small saving is anticipated. A sum of £1,000 has been wired from here to the Safer Cleaner Greener budget under delegated powers to enable a swipecard security access device to be purchased.

11. The fitness equipment to be installed at Epping and Ongar Sports Centres have been scheduled for 2011/12 and a carry forward of £192,000 is requested.

12. A report on the Bobbingworth Tip scheme was considered by Cabinet last cycle and it was agreed that £38,000 would be carried forward pending a further report on the possible purchase of maintenance equipment which would secure potential future revenue savings.

13. Work on the parking and traffic schemes 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 two years. A General Fund carry forward of £572,000 from 2010/11 to 2012/13 is suggested to allow for this. A further £200,000 from 2010/11 to 2011/12 is also suggested in respect of the parking reviews which are to be reassessed in the near future.

14. 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 last year and the budget has been amended to take into account unspent balances from previous years.

15. The capital works relating to flood alleviation schemes are being re-assessed and it is proposed that the £47,000 budget be approved for carried forward to 2011/12. Members are also asked to note that the grounds maintenance capital budget will benefit by £15,000 this year due to the part exchange of old vehicles and it is proposed bring forward £1,000 from 2011/12 to fund the purchases in this financial year.

16. With respect to the waste management service, there is a need to replace seven freighters at an approximate cost of £1 million. Freighters have an anticipated life of around seven years and once this period is exceeded, maintenance costs and reliability issues start to arise, affecting service delivery and adding costs through hiring in vehicles to replace those off the road. The procurement exercise is underway through the Procurement Hub with Sita also being requested to put forward their costs for the replacements. A decision on the preferred procurement approach will be made once all the cost data has been received and analysed. The vehicles will enter service during 2011/12.

Planning and Economic Development:

17. The Town Centre Enhancement (TCE) scheme at Loughton Broadway is now complete and a sum of £25,000 remains in this year for final works which may be necessary at the end of the 12 month defects period. The installation of new CCTV systems and enhancement of existing systems are due to be undertaken this year.

18. During 2009/10 Lidl paid the Council a premium for a change in the terms of the lease of the supermarket at 1 Cartersfield, Waltham Abbey. The premium, net of legal fees, was £164,812 and it was intended that this amount would be ring fenced to fund schemes to support economic development and regeneration in Waltham Abbey. A more detailed report will be produced for a subsequent Cabinet meeting to detail specific schemes. However, at this time it is necessary to highlight this commitment and make provision in the Capital Programme for this expenditure in 2011/12.

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

Housing General Fund:

20. The Council's initiative to make contributions to Affordable Housing is due to be completed this year.

21. Expenditure on Disabled Facilities Grants and other private sector housing grants have been reassessed and the underspend of £88,000 brought forward from 2009/10 is unlikely to be required and consequently recommended for withdrawal from the capital programme. The Private Sector Housing Capital Contingency currently stands at £530,000 and it is suggested that this sum is re-phased over the period 2011/12 to 2013/14 as shown in Appendix 3.

22. The Home Ownership Grant scheme is progressing well; two grants have been paid out so far this year and one is pending. As the final grant available under the original scheme is not currently allocated, it is suggested that all new grants should be advertised on the basis of the new scheme; this would result in an £8,000 underspend.

23. 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 2011/12 and that the situation continues to be monitored.

24. The amendments to the Open Market Shared Ownership Scheme approved at the last Cabinet meeting have been made whereby the additional sum of £435,000 contribution from McCarthy and Stone has been included in 2010/11 programme and the original sum of £350,000 has been carried forward to 2011/12.

Housing Revenue Account (HRA):

25. Members are requested to approve the revised HRA Capital Programme as presented in Appendix 3. The programme includes a supplementary capital estimate of £620,000 split over the categories of work as shown in Appendix 3; the sum proposed represents the additional RCCO contribution made at the end of 2009/10. As a consequence of the additional RCCO contribution, the balance on the Major Repairs Reserve is higher than originally forecast and, even with this supplementary estimate, the balance is forecast to increase to £9,932,000 by 31 March 2015.

26. Slippage has been identified on HRA schemes from 2010/11 to 2011/12 in the areas of Off Street Parking and the HRA shops. The work for the Off Street Parking is currently out to tender and the construction phase is due to start at the end of this financial year however it is anticipated that the works will not be completed until 2011/12 so any remaining budget will be carried forward into the following year to reflect this. 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.

27. The improvement works at Springfields, Waltham Abbey were completed on 14 August 2009 so the 12 month defects period has now ended. Snagging work is being completed at present so the final payments for retention and fees will be made in November or December 2010. A saving of approximately £50,000 is expected on the project at this point.

28. With regard to heating and rewiring contracts, new heating upgrades and boiler replacements are progressing on target. However, the two main sites for the new heating installations are at Ninefields and Marlescroft and the progress here is being held back by the gas companies and in some cases the tenants because we cannot install the new heating systems until the properties have had individual gas meters fitted. It is however essential that these works are completed so any outstanding budget will need to be carried forward into next year to accommodate finishing the programme

29. Both roofing contracts are underway and the programme is on target. The communal water tank replacement work has started and is expected to be completed with a saving of £67,000 from the original allocated budget. The 2010/11 double glazing budget is currently being spent on replacement windows however it is expected to require an additional £80,000 to cover front entrance door replacements which would usually be paid for under responsive repairs but which are now proving to be cheaper to replace if we do it at the same time as the double glazed window units. Once it got underway the asbestos removal programme progressed more rapidly than expected and a £20,000 saving is now expected in this area.

30. 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. It is anticipated however that work will accelerate and that at least the communal TV upgrades will be completed in this financial year. No major drainage schemes have been scheduled for this year but there will be some expenditure with the majority carrying forward into 2011/12. 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 however there should be a saving of approximately £50,000 for this year.

31. With regard to the remaining HRA capital works, 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. With the addition of new properties into the district, provided by various developers and housing associations, many tenants are being moved from current council dwellings into more suitable accommodation. Whilst this is reducing the current waiting list for those requiring properties it is increasing the demand for works to be done in the void properties. In particular new kitchens and bathrooms are often required including rewiring installations as the vacated properties are prepared for new tenants and an additional allocation may therefore be needed.

32. The five year Capital Programme shown in Appendix 3 reflects the requirements of the stock condition surveys carried out on the Council's Housing Stock and the 30 year profile prepared to maintain all properties as Decent in future years. The revised capital programme allows for the virements referred to above and carry forwards which total £836,000, pending Member approval.

33. 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.

Transfer to Pension Fund Capital Reserve

34. In accordance with the established policy of seeking capitalisation directions for pension deficit payments, a transfer of £200,000 to the Pension Fund Capital Reserve is

recommended to fund the 2010/11 direction.

Capital Financing:

35. 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 2010/11 to 2014/15. 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.

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

37. 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.

38. The position regarding generation of capital receipts continues to be poor. The number of Council House sales in 2009/10 was very much inline with expectations with 9 sales completing during the year. So far this year only 3 sales have been completed to mid September 2010 and the full year projected sales figure has therefore been estimated at 6 for this year. This compares to 9 sales last year and 7 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.

39. In terms of other capital receipts generated, the only sums received by the Council to date are £15,000 for the part exchange of vehicles (General Fund) and £10,000 for the sale of a council owned garage (HRA).

40. 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 £6,900,000 by 31 March 2015 at the end of the programme period.

41. Appendix 4(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £9,932,000 by 31 March 2015. 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:

Risk Management:

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.

Equality and Diversity:

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

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

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

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