

Report to the Cabinet

**Report reference: C/097/2005-06.
Date of meeting: 19 December 2005.**



Portfolio: Finance and Performance Management.

Subject: Review of the Capital Programme 2005/06 – 2009/10.

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Recommendations:

- (1) To note that the level of capital resources is currently predicted to be £8,836,000 at 31 March 2010;**
- (2) That Cabinet approve or, where relevant, recommend to Council to approve:**
 - (a) a supplementary capital estimate of £75,000 for Car Park Upgrades within the District;**
 - (b) an increase of £105,000 on the Loughton High Road Town Centre Enhancement Scheme to be financed from Section 106 monies; and**
 - (c) a virement of £100,000 from Wickfields to kitchen and bathroom replacements (£20,000); communal water tank renewals (£20,000); and other repairs and maintenance (£60,000);**
- (3) That, spread over the next three years and representing a increased allocation of £155,000, a contingency sum of £500,000 be set aside;**
- (4) That, pending a detailed report with full costings, an additional estimate of £2,240,000 for the Customer Services Transformation Programme in 2006/07 and 2007/08 be agreed;**
- (5) That the five year Capital Programme 2005/06 to 2009/10 be approved; and**
- (6) That, estimated to be the expenditure on the Council's own affordable housing and regeneration projects in 2005/06, HRA expenditure of £6,093,000 be approved.**

Introduction:

1. This report initially sets out the capital programme as presented in the Capital Strategy with amendments as outlined below and an additional column showing the capital forecast for 2009/10. The report also considers available funding, both now and future possibilities, and forecasts the likely financing of the capital programme over the next five years. The estimated level of capital resources is also given to the end of 2009/10.

Capital Programme:

2. The detailed capital programme is shown at Appendices 2 & 3 and is based on the

Capital Strategy approved by Cabinet on 14 November 2005. All committed and proposed schemes identified in paragraphs 6.2 and 6.3 of the Strategy have been placed in the programme.

3. Spending control officers have been monitoring the progress of each scheme within the Capital Programme and have reassessed the phasing of the expenditure profiles as part of the capital review.
4. Since the Capital Strategy was approved on 14 November 2005, the General Fund capital programme has been adjusted as follows:
 - Work on the Customer Services Transformation Programme (CSTP) is unlikely to get under way until next financial year; therefore £260,000 of the IEG budget has been slipped forward from 2005/06 to 2006/07. The Portfolio Holder for ICT and Support Services recently decided to appoint Foresight Consultancy to produce a costed implementation plan for the CSTP. Until Foresight Consultancy have reported their findings there will remain a degree of uncertainty over the amount of capital required for this project. However, it would be inappropriate at this stage to put forward a Capital Programme that failed to include the CSTP, particularly as it has been prioritised by Members in the Capital Strategy. In order to implement the CSTP, it is estimated that upto a further £2,240,000 will be required and it is therefore recommended that an additional estimate be included in the Capital Programme for 2006/07 and 2007/08;
 - Work on the computer suite number 2 is now expected to be completed in August 2006 and slippage of £200,000 is anticipated;
 - A virement of £3,000 is deemed necessary from the Legal Case Management System to the Committee Management System to complete both schemes satisfactorily;
 - Slippage of £13,000 has also been identified on the new Revenues and Benefits computer system;
 - The additional sums of £4,000 and £17,000 approved by Cabinet for works at the Civic Offices, in 2006/07 and 2007/08 respectively, have been included;
 - The extension to Ongar Leisure Centre has been delayed as the appointment of Sports and Leisure Management as the new sports centre managers will occur later than had been anticipated. Construction works will therefore commence in 2006/07 and £430,000 of the budget has been moved back from 2005/06 to accommodate this change in timing;
 - Slippage of £19,000 of the improvement works funded by the Market at North Weald Airfield has been identified;
 - An additional sum of £53,000 has been included in 2006/07 for the Museum Display Programme approved by Cabinet;
 - A sum of £10,000 has been brought forward on the Youth Sports Facilities budget in order to finance an early payment on a scheme scheduled for 2006/07;
 - The work currently under way at Bobbingworth Tip has been delayed and slippage of £708,000 has been identified;
 - Work on the Town Centre Enhancement Schemes (TCEs) at Loughton High Road and Loughton Broadway have been delayed and slippage of £600,000 and £80,000 respectively have been identified;

- An increase of £105,000 for additional work, which is to be carried out under Section 106 agreements, relating to the Loughton High Road TCE scheme has been included in 2006/07 pending approval;
 - The estimate for Environmental Protection Works has been reduced by £188,000 to take account of the withdrawal of the recycling boxes and slippage of £450,000 will take place regarding the purchase of the wheelie bins to match the programme;
 - Traffic calming slippage of £92,000 from 2005/06 to 2006/07 and the brought forward sum of £200,000 from 2007/08 to 2006/07, reported to Cabinet, have been taken into account;
 - Slippage on flood alleviation schemes of £ 54,000 from 2005/06 and £246,000 from 2006/07 to be moved to 2007/08 and 2008/09 at £150,000 each year;
 - An additional sum of £75,000 has been included in 2006/07 to continue the programme of upgrading car parks throughout the district, pending approval;
 - An additional sum of £20,000 for Security Doors at Debden Cash Office, to be financed from the general capital contingency, as approved by Cabinet;
 - An increase of £158,000, and slippage of £52,000 to 2006/07, on the budget for contributions to Housing Associations for the provision of affordable housing to be funded from an equivalent sum given to the Council by a housing developer for this purpose;
 - Slippage of the affordable housing project with Estuary Housing Association of £500,000 from 2005/06 to 2007/08, and
 - It is considered prudent to increase the capital contingency by £155,000 to £500,000 over the next three years.
5. As a consequence of these changes, the General Fund capital programme has been increased during the four-year period 2005/06 to 2008/09 by £2,461,000 in total. This rise relates mostly to the increase of £2,240,000 for the CSTP and an increase in the capital contingency of £155,000. Further rises of £105,000, £21,000 and £53,000 relate to the supplementary estimates for the Loughton High Road Town Centre Enhancement Scheme in 2005/06, works at the Civic Offices and the Museum Display Programme in 2006/07 respectively. A sum £75,000 has also been included, pending approval, to cover potential work on Car Park Upgrades within the district. Finally, the £188,000 reduction for the recycling boxes has been taken out of the original estimate of £1,240,000 to give a new estimate of £1,052,000.
 6. The slippage identified above has the overall effect of reducing the 2005/06 budget by £3,124,000 whilst increasing 2006/07 by £2,729,000, 2007/08 by £245,000 and 2008/09 by £150,000. Progress on the main schemes is outlined below.
 7. The Loughton Leisure Centre, completed and opened nearly three years ago, had the final account settled and paid on 10 October 2005. Although there are still some outstanding consultancy costs, for which an estimate of £101,000 has been included in this financial year, this scheme should finally be concluded this year.
 8. The purchase of the Ongar Leisure Centre from Essex County Council was completed in January 2004 and the works to rebuild the Gymnasium are expected to go ahead in 2006/07 in partnership with Sports and Leisure Management PLC.

9. With regard to the Town Centre Enhancement at Loughton High Road, Phase 1 which has been financed by Sainsburys, is underway and making good progress to date. Although there were some delays due to the interaction with private construction works, these have now been resolved and Phase 1 is expected to be virtually completed by December 2005. Some additional work, which was not covered by the contract with Sainsburys and is to be carried out under Section 106 agreements, can now progress and should be completed in the next financial year pending approval of recommendation 2(ii); sums of £100,000 and £5,000 have already been received from Marks and Spencers and Triangle Garage respectively. Work on Phase 2, which is to be financed by the Council, is anticipated to start on site in April 2006 and £600,000 has been slipped into 2006/07.
10. The Town Centre Enhancement at Loughton Broadway is still at the design stage. The Steering Group has met, a total budget of £2,500,000 is included in the capital programme and it is anticipated that work will start on site in mid-summer 2006. The initial £100,000 in this year is unlikely to be spent and £80,000 has been sipped forward to 2006/07.
11. The Bobbingworth Tip scheme is progressing well, although more slowly than expected due to unforeseen circumstances, for example delays were experienced when protected species were discovered and when underground pipes were encountered. Slippage from 2005/06 to 2006/07 of £708,000 has therefore been identified and, although the total estimate has been maintained at the same level, the eventual nature of the remedial works remains uncertain whilst investigative work continues. Any changes to the estimate will be reported to Cabinet once known.
12. The estimate for Flood Alleviation Schemes includes £83,000 to finance health and safety improvement works at flood alleviation schemes and storm points throughout the District. It is proposed that the project be phased over two financial years: £45,000 to be spent in 2005/06 and £38,000 to be spent in 2006/07. The remaining budget was originally intended to be spent on four flood alleviation schemes; namely Cobbins Brook, Nazeing, Boxted and Hillmans. None of these schemes are likely to go ahead now and a report is being prepared to consider reallocating this estimate to alternative flooding schemes. In the meantime £79,000 has been slipped forward from 2005/06 to future years.
13. The capital spend on communications and e-government schemes financed through IEG grant is coming to an end. This is the final year in which the grant will be paid, concluding a four-year period over which a total of £900,000 grant monies have been received. It is anticipated that all capital works that have been identified within this category, will be completed by 31 March 2006 except for work on the Customer Services Transformation Programme, estimated at £260,000. This has been slipped forward to 2006/07 as stated in paragraphv4 above. This sum represents initial costs only and consultants have now been appointed to prepare a thorough programme plan detailing the costs in terms of capital and ongoing revenue costs. It is anticipated that the report will be presented to Cabinet by March 2006. In the meantime, it is recommended that the Council make a provision of £2,240,000 within the Capital Programme to bring the total budget to £2,500,000 for the Customer Services Transformation Programme. This figure is merely indicative at this stage and will be revisited on receipt of the consultants report.
14. Progress on other IT projects is mixed. It is anticipated that the new planning system will be completed by 31 March 2006 and general IT works are progressing according to plan. However, work on computer suite number 2 has been hampered by a number of unforeseen technical difficulties. These have now been resolved and the current estimated completion date for this work is August 2006, hence the slippage of £200,000.
15. A report detailing the position on current Traffic Calming Schemes was presented to

Cabinet on 14 November 2005. The progress and future work outstanding has been assessed for each scheme and it was concluded that £92,000 was to be carried forward from 2005/06 to 2006/07. Approval was also given to bring forward the 2007/08 allocation of £200,000 into 2006/07 to enable parking reviews to be expedited. The following table shows the estimated expenditure profiles of each scheme:

Scheme	2005/06 Est	2006/07 Est	2007/08 Est	Est outturn
Buckhurst Hill parking review	75,000	85,000	000	160,000
Epping parking review	25,000	35,000	000	60,000
Clifton Road residents' parking	15,000	25,000	000	40,000
Interim reviews ("Quick fixes")	15,000	15,000	000	30,000
Parking bays for the disabled	10,000	10,000	000	20,000
Loughton parking review	000	150,000	000	150,000
Waltham Abbey parking review	000	150,000	000	150,000
North Loughton Lorry ban	10,000	10,000	000	20,000
Contingency	30,000	000	000	30,000
Total committed	180,000	480,000	000	660,000
Unallocated	000	12,000	000	12,000
Total	180,000	492,000	000	672,000

16. The Youth Sports Facilities budget has been slightly re-phased bringing forward £10,000 from 2006/07 to 2005/06. Following discussions with the Town and Parish Councils a number of specific schemes were identified for completion and financial support from the Council during the current financial year. The following schemes (with the amount of District Council funding indicated) have now been completed or are close to finalisation: provision of youth shelters at Chigwell Row (£6,850); the refurbishment of recreational area at Parklands, Coopersale (£11,965); and the installation of an arena sports system in a sports field at the rear of a school in Fyfield (£17,074). The following projects are also scheduled for completion prior to 31 March 2006: provision of a multi-surface sports area adjacent to Abridge village hall car park (£5,750); the erection of two teen shelters on Roding Valley recreation ground and/or Willingale Road playing field (£13,510); and the refurbishment of a multi-use games area at Town Mead and provision of youth shelter at Ninefields Recreation Area (£39,169). A number of schemes have been included in the programme for 2006/07 subject to all the necessary consents being received. One of these schemes, at Epping Upland, is already progressing ahead of schedule and it is anticipated that £10,000 will be paid in 2005/06 and this amount has therefore been brought forward in the programme. Local Councils have also been asked to identify other potential schemes for the final year of the programme. There is flexibility within the programme to bring forward other schemes should the need arise.
17. Further works are also required to continue the programme of updating the Council's off-street car parks, to include re-surfacing, improved lighting and the implementation of CCTV. These works are essential if drivers are to feel safe and confident in using the Council's car parking facilities.
18. The Council's budget for contributions to Housing Associations for the provision of affordable housing has been increased by £158,000 to £1,210,000 and spread over the two year period 2006/07 to 2007/08. This is to be funded from transitional relief on pooled capital receipts and S106 Agreement monies of £210,000, which have been paid to the Council by developers to provide grants to housing associations as a contribution towards the funding of affordable housing on other sites.
19. Following delays due to concerns about value for money, good progress is now being made with the development of the 8 small Council-owned sites by Estuary Housing Association, which will provide (subject to planning) 57 properties, of which 18 will be

sold on the open market, to cross subsidise 39 affordable homes. The Council's quantity surveyor concluded that Estuary's build price was between 1.3% and 12.3% lower than expected, and that it therefore represented good value for money. Estuary is now working up the detailed planning applications, which should be submitted shortly. Estuary have submitted a bid to the Housing Corporation for funding which, if successful, would enable an additional 18 market properties to be provided as affordable housing. The outcome of the bid will not be known until the new year. The Council's solicitor is currently in the process of drafting the leases for each of the sites and the over-arching legal agreement. However, it is now unlikely that the anticipated £500,000 social housing grant to Estuary will be made in the current financial year; slippage of this sum into 2006/07 is therefore expected and the £500,000 scheduled for 2006/07 will also be slipped backwards a year to 2007/08.

20. Discussions are currently being held with the Council's Preferred RSL Partners on the most cost effective use of the Section 106 monies, although it is suggested that a decision should wait until the outcome of the current bids to the Housing Corporation is known. The original sum of £52,000 has therefore been slipped forward from 2005/06 to 2006/07.
21. The Housing Revenue Account (HRA) capital programme for the four-year period 2005/06 to 2008/09 remains unchanged in total from that represented in the Capital Strategy. A saving of £100,000 has, however been identified on the sum to be paid in respect of the transfer of Wickfields Sheltered Accommodation to Warden Housing Association. It is suggested that this saving be vired as follows: £20,000 to kitchen and bathroom replacements; £20,000 to communal water tank renewals; and £60,000 to other repairs and maintenance.
22. The progress made on each HRA scheme has been reassessed and the phasing of the estimates has been amended accordingly. The main change relates to the work to be undertaken at Springfields, which has slipped significantly resulting in an anticipated reduction in the 2005/6 and 2006/07 estimates of £293,000 and £1,238,000 respectively and equivalent increase in 2007/08. The overall anticipated cost of the scheme remains the same. The kitchen and bathroom replacement programme has also slipped and, as a consequence, £430,000 has been moved from 2005/06 to 2006/07. Finally the communal water tanks renewal programme is behind schedule and £56,000 has therefore been moved backwards from 2005/06. In contrast, there is pressure to progress work on disabled adaptation as quickly as possible; £20,000 has therefore been brought forward from 2006/07 and 2005/06.
23. The overall impact of the rephasing above is to reduce the estimated capital spend in 2005/06 and 2006/07 by £759,000 and £772,000 respectively, whilst increasing the estimated outturn in 2007/08 by an equivalent sum of £1,531,000. Thus no change is made to the programme overall.
24. As previously reported, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require that an element of HRA capital receipts be paid to the ODPM national pool. In the case of right to buy receipts the pooling rate is 75% and other receipts 50%. The council, being debt free, qualifies for a transitional reduction on its capital receipts to be pooled at a reducing rate finishing in 2006/07. If non right to buy HRA capital receipts are used to finance expenditure on EFDC affordable housing and regeneration and this intention is formally minuted along with the amount of such expenditure then pooling of these receipts can be avoided altogether. This is why recommendation 6 is necessary. An analysis of the HRA programme for 2005/06 of £7,486,000, and the items making up the £6,093,000 stated in the recommendation, is given at Appendix 3.

Capital Financing:

25. Appendix 1 shows a summary of the Capital Programme with the financing profile

underneath. On 2 February 2004 Cabinet 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 2004/05 to 2006/07. 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.

26. All sources of funds available to the Council to finance the General Fund and HRA Capital Programmes are listed in Appendix 5.
27. The Council has maintained a consistent policy of prudence with regard to forecasting available capital resources in an effort 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.
28. Since the last report to the Cabinet, the position regarding generation of capital receipts has changed. The number of Council House sales have declined this year, with only 15 sales completed by the end of September. Although a reduction was expected this year, the decline is greater than anticipated. The full year projected sales figure has therefore been reduced to 30 for this year. This compares to 61 sales last year and 139 the year before. The average sale price over the last six months is £100,000, compared with an average of £89,000 last year. As house price forecasts suggest prices may fall in the short term and the latest average is based on a small sample including some unusually high values, the average house price has been estimated at £84,000 for houses to be sold in the second half of the year. These forecasts, plus relatively small sums from mortgage repayments, generate an estimated £2,530,000 cash receivable in this financial year.
29. 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.
30. Previous reports have identified a number of potential non-housing capital receipts. Members will be aware that the sales of Langston Road Lorry Park and the Lambs Garage site have now taken place, generating net capital receipts of £2.3m and £3.2m respectively. The Parade Ground at North Weald is currently being marketed so no account has been taken of this potential receipt, in line with normal practice.
31. 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 new pooling arrangements, which were introduced on 1 April 2004, as well as the estimated transitional relief which Epping Forest is entitled to as a debt free authority. The appendix shows that, based on current expenditure and projected receipts, usable capital receipts will total £8,836,000 as at the end of the programme period i.e. 31 March 2010.
32. The S106 agreement with the developer of Old Station Road has almost completed Loughton Town Centre enhancements to the value of £1.036m (index linked) upon notice being served by this Council. The agreement provided that if notice is not served within two years of signing, an equivalent cash contribution would be made to Essex County Council for enhancement works in Loughton Town Centre. The value of these works is not shown within the Council's capital programme as the Council has not received any cash sums and does not have any direct responsibility for works to an asset which is not within the Council's ownership.

Statement in Support of Recommended Action:

33. The capital programme adheres to decisions already approved by Cabinet or decisions that Cabinet is soon to consider.
34. The Council is committed to providing a customer contact centre within the Capital Strategy.
35. Any deviation from the assumptions, all of which are stated in this report, will be amended accordingly.

Other Options for Action:

36. The level of capital resources is predicted to fall to £8,836,000 by 31 March 2010 as Members have included new capital schemes in the Capital Programme and extended existing schemes. The revenue consequences of reducing the level of capital receipts over the next five years are to reduce investment income. Members may choose to restrict the contingency sum included.
37. Members may wish to exercise strict controls on bids for capital schemes in the future.

Consultation Undertaken:

38. Consultation on the HRA programme has been undertaken with the Tenants and Leaseholders Federation and the Head of Housing. All Heads of Service were consulted on the General Fund programme as appropriate.

Resource Implications:

Budget Provision: Capital Programme of £48.728 million over the five years to 31 March 2010, leaving a balance of £8.836 million of capital receipts available at that date.

Personnel: Nil

Land: Nil

Community Plan/BVPP Reference: N/A.

Relevant Statutory Powers: N/A.

Background Papers: Reference has been made to the Local Government Act 2003 (for England and Wales) and the Regulations.

Environmental/Human Rights/Crime and Disorder Act: Nil.

Key Decision Reference: Nil.