

# **Report to the Cabinet**

**Report reference: C-035-2011/12.**  
**Date of meeting: 24 October 2011.**



**Epping Forest  
District Council**

**Portfolio: Finance & Economic Development**

**Subject: Review of the Capital Programme 2011/12 – 2015/16**

**Responsible Officer: Teresa Brown (01992 564604).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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## **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 £8,300,000 at 31 March 2016 be noted;**
- (3) That the revised Capital Programme 2011/12 to 2015/16 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 £2,591,000 from 2011/12 to 2012/13 in respect of capital schemes as outlined in the report;**
  - (b) removal of the remaining sum of £173,000 in the General Capital Contingency;**
  - (c) removal of the allocation of £378,000 set aside for the potential purchase of 8/8a Sun Street which is no longer necessary;**
  - (d) removal of an anticipated underspend of £71,000 in respect of disabled facility grants to private households within the Housing General Fund in 2011/12;**
  - (e) an additional allocation of £410,000 in the Housing Revenue Account capital programme in 2012/13 and 2013/14 to be financed from the increase in the Major Repairs Allowance; and**
  - (f) 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 2011 and the Asset Management Plan. The capital programme has been prepared by updating the programme approved in February 2011 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 2015/16. 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 £46,380,000 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 estimated external funding from grants and private sources of £2,868,000, and it proposes that capital receipts of an estimated £11,545,000 and revenue contributions of an estimated £31,967,000 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 £18,694,000 as at 1 April 2011 to £8,300,000 by 31 March 2016 and the Major Repairs Reserve balance is expected to increase from £6,540,000 to £14,719,000 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 2015/16.

### **Other Options for Action:**

The level of capital receipt resources is predicted to fall to £8,300,000 by 31 March 2016, based on the assumption that the generation of usable capital receipts will be limited to the sale of council houses. These sales are predicted to generate an average of approximately £225,000 per year. In addition to this, several new capital schemes have now been included in the capital programme. 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 re-assess the inclusion of some existing schemes. An opportunity to review the Five Year Planned Maintenance Programme will be presented to Members during the next cycle.

With regard to financing the HRA capital programme, revenue contributions (RCCO) 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 £6,540,000 to £14,719,000 over the next five years, Members could also use this to reduce RCCO contributions.

### **Report:**

#### Finance and ICT

1. Several ICT projects have already been completed this year, including the WAN project, the second phase of the information at work project, security hardening, green ICT and the purchase of software licenses. The cash receipting & income system was completed in March 2011 and is now in use; the allocation in 2011/12 is being utilised to pay for the implementation of a credit card surcharge module across all card payment channels. Profiling of ICT expenditure in the current year has been re-assessed, following a carry forward from 2010/11 of £87,000, and a total carry forward of £192,000 to 2012/13 is now recommended for approval.

2. The General Capital Contingency remains unchanged from last year at £173,000; it is recommended that the whole sum is withdrawn from the capital programme due to its limited

application, pending Member approval.

### Corporate Support Services

3. The 2011/12 budget for planned improvement works at the civic office includes £152,000 brought forward from 2010/11. Of the 16 schemes in this year's programme, 3 are complete, 11 are progressing well and are on target to complete by 31 March 2012, and 2 are recommended for carry forward. The two allocations recommended for carry forward relate to the Disability Discrimination Act compliant automatic opening doors and the new fire alarm system; a total of £69,000 is recommended for carry forward from 2011/12 to 2012/13. In addition, officers identified that some schemes had been split funded between capital and revenue (DDF). It is proposed to consolidate the funding within the capital programme as all schemes are of a capital nature; a sum of £56,000 is therefore proposed to be moved from the revenue budgets to the capital budgets.

4. The other works included in the Planned Maintenance Programme are shown separately on appendix 2, these being: the building improvement programme (leisure); environmental improvements to shops; the upgrade of industrial units; solar energy panels; and energy efficiency measures. All schemes are expected to be completed this year except for the energy efficiency work on the museum store; it is proposed that the £13,000 for these works be carried forward to 2012/13.

5. A complete re-appraisal of all schemes in the Planned Maintenance Programme for which allocations have previously been made within the capital programme, but which have not commenced to date, is being undertaken. A report will be presented to a future Cabinet meeting advising Members of the results of this re-assessment and updating on the latest financial position.

6. Allocations have been approved for two capital schemes associated with redevelopment sites; one for highways consultants and planning fees at Langston Road; and one for Pyrles Lane. There is also an allocation of £24,000 for the purchase of a new vehicle lift and ancillary equipment to increase capacity for undertaking MoT Tests. All these works are expected to be completed this year. No allocations have been included for the Oakwood Hill Depot (estimated at £1.45m), North Weald Airfield Depot (estimated at £1.5m) or construction costs at Langston Road Retail Park (estimate to follow feasibility study).

### Deputy Chief Executive

7. It is intended to use the remaining £14,000 budget in respect of the Customer Services Transformation Programme to enhance the customer reception area at the Limes Farm Hall Development. This development will bring together various areas of service into a one stop shop for customer convenience.

8. The tender for the building works at Limes Farm Hall project was awarded to Beardwell Construction in March 2011 and initial works commenced immediately. The completion date has been revised to December 2011 due to delays associated with the steelwork fabrication. External funding of £260,000 has been secured from Essex County Council towards this project. It is anticipated that the project will be completed within the approved budget.

9. Construction of the new Astroturf pitch at Waltham Abbey is due to commence soon, once a planning issue raised by the Environment Agency has been resolved. It is anticipated that the work will be completed by November 2011.

10. The £165,000 budget for regeneration schemes in Waltham Abbey is to be spent on a number of projects which will be managed and procured by the Town Council. This will be financed from the premium paid by Lidl in respect of a change in the terms of the lease of the supermarket at 1 Cartersfield, Waltham Abbey. Feasibility work on several of the projects has commenced and refurbishment works to the public conveniences at the Town Hall and

Quaker Lane are expected to be completed by 31 March 2012. The remaining projects will be undertaken in 2012/13 and it is recommended that £120,000 be carried forward to 2012/13 to cover this.

#### Environment & Street Scene

11. The budget for waste management vehicles includes £2m for 7 vehicles in 2011/12 and a further 7 vehicles in 2012/13. The remaining £141,000 budget is the sum remaining for the purchase of new waste and recycling containers. No changes are recommended.

12. The fitness equipment to be installed at Epping and Ongar Sports Centres are scheduled for the end of 2011 and the outstanding remedial works remaining from the original build scheme at Loughton Leisure Centre are due to be finalised this year.

13. The Bobbingworth Tip scheme is complete and the final account and report were presented to Cabinet in September 2010. It is anticipated that £30,000 of the remaining £69,000 budget be carried forward to 2012/13 pending a further report on the best use of this allocation.

14. Work on the various parking and traffic schemes are progressing at different rates. Three of the off street parking schemes on Housing Estates are progressing well and are due to be completed this year but the remaining schemes are subject to the Cabinet's review of the Off Street Parking Programme, reported elsewhere on this Cabinet agenda. At present the total 2011/12 budget, including the HRA contribution, is set at £1,082,000 and, subject to the Cabinet's decision; it is recommended that £368,000 of the General Fund contribution be carried forward from 2011/12 to 2012/13. With regard to the parking reviews, the Epping parking review will slip into next year and once completed, the Buckhurst Hill and Loughton reviews will follow. A £265,000 carry forward from 2011/12 to 2012/13 is therefore suggested in respect of the parking reviews.

15. 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. No changes are anticipated to current allocations.

16. The capital works relating to flood alleviation schemes are being re-assessed and it is proposed that the £47,000 budget be approved for carry forward to 2012/13. No change is recommended in respect of the grounds maintenance capital budget but some vehicles, which are currently leased, are due for renewal shortly. A report will be presented to Cabinet in the near future which will consider the benefits of purchasing the new vehicles as an option to leasing.

#### Planning and Economic Development:

17. The Town Centre Enhancement (TCE) scheme at Loughton Broadway is now complete and the remaining sum of £22,000 is available this financial year for any final works necessary at the end of the 12 month defects period. The installation of new CCTV systems and enhancement of existing systems are expected to commence this year and about half the works should be completed; it is recommended that £50,000 is carried forward to 2012/13 to cover the second half of the works.

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

#### Housing General Fund:

19. With regard to the Council's initiative to provide grant to housing associations to purchase properties on the open market for letting at affordable rents, a recent competitive tendering exercise concluded that the tenders received did not represent good value for

money. It is therefore proposed to carry the full £372,000 budget forward to 2012/13 pending a review of Phase 1 of the Open Market Shared Ownership Scheme, to determine whether the funding would be better utilised for this scheme. The budget for the Open Market Shared Ownership Scheme currently totals £785,000, including the sum of £435,000 received from McCarthy and Stone in lieu of the provision of affordable housing at its scheme in Epping. The Housing Portfolio Holder will be reviewing the success of the Scheme in early 2012/13, and whether the Scheme should proceed to Phase 2. In the meantime it is proposed that £550,000 be carried forward to 2012/13.

20. A new allocation of £160,000 has been included in the Capital Programme to assist housing associations with the cost of two affordable rented housing developments on Council-owned sites, agreed in principle by Cabinet. The construction of 4 affordable homes at Millfield, High Ongar is expected to proceed this year and the provision of flood mitigation measures for the 7 proposed homes at Roundhills, Waltham Abbey, is expected to proceed next year. The cost of this funding will be fully recovered from the £160,000 grant secured from the London-Stansted-Harlow Programme of Development (POD) Partnership Board, which oversees the use of Growth Area Fund funding from the Government.

21. The budget for Disabled Facilities Grants includes £121,000 brought forward from 2010/11. Management Board have suggested that £70,000 of this be used to fund the overspend on other private sector grants pending Member approval. Having reassessed the projected expenditure for 2011/12 to be in the order of £330,000, it is proposed that a saving of £71,000 and a carry forward of £50,000 be approved. A similar reassessment of other private sector housing grants predicts expenditure to be about £290,000 this year. If Members approve the £70,000 virement referred to above, this would allow a carry forward of £59,000 into next year.

22. All grants made available under the Home Ownership Grant Scheme have now been paid. At its meeting in September 2011, the Cabinet agreed to suspend the scheme for a further year and to review the future of the Scheme in September 2012.

23. The compulsory purchase of 8/8a Sun Street, Waltham Abbey is no longer necessary, since the property has successfully been extended and converted, and the allocation of £378,000 has therefore been deleted from the Capital Programme.

#### Housing Revenue Account (HRA):

24. Members are requested to approve the revised HRA Capital Programme as presented in Appendix 3. The programme includes an additional capital estimate of £410,000 in respect of conversions and other structural works to a number of sheltered housing units. The additional estimates are included in Appendix 3 spread over two years: £210,000 in 2012/13; and £200,000 in 2013/14. This was identified within the current HRA Business Plan in March 2011. The additional expenditure can easily be covered by the increase in the Major Repairs Allowance. Taking the estimated increases into account, the balance on the Major Repairs Reserve will still rise to an estimated £14,719,000 by 31 March 2016. Assuming HRA self-financing comes into effect on 1 April 2012 (please refer to paragraph 32), officers will be considering the best use of this balance in future years.

25. Slippage has been identified on HRA schemes from 2011/12 to 2012/13 in the areas of Off Street Parking and balcony resurfacing. Three Off Street Parking schemes are due for completion this financial year but the remaining schemes are subject to the Cabinet's review of the Off Street Parking Programme reported elsewhere on this Cabinet agenda. Subject to the Cabinet's decision; it is recommended that £374,000 be carried forward to 2011/12. A smaller sum of £25,000 is recommended for carry forward in respect of balcony resurfacing works. 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. The impact of all these movements is shown in Appendix 3.

26. With regard to heating and rewiring contracts, both have been reassessed as part of

the Capital Review. Although new heating upgrades and boiler replacements are progressing on target, officers have identified an excess of about £46,000, which it is proposed to vire to a different category, pending Member approval. Rewiring work, however, is behind schedule by about 30% due to current re-tendering of the electrical testing contract. Despite this, it is anticipated that the budget will be spent in full by the end of the year.

27. Last year a lot of work in the windows, roofing, asbestos and water tanks category were progressed ahead of schedule in order to compensate for slippage in other categories. As a consequence, the budgets this year have been scaled back to take this into account. The 2011/12 tender to replace PVCu windows has been accepted and is progressing well. Roofing contracts, both flat and pitched, are also progressing well and are generally on target. Work on asbestos, which is demand led has been minimal so far this year but is expected to pick up later in the year. There is, however, slippage on balcony resurfacing works to the value of about £25,000 and an underspend on communal water tanks to the value of about £44,000. It is recommended that the former is carried forward to 2012/13 and the latter vired to another category.

28. The other planned maintenance category includes communal TV upgrades, energy efficiency measures, drainage schemes, door entry systems and Norway House improvements. Some of these budgets are underspent: primarily the energy efficiency programmes which is underspent due to re-tendering of the contract; and work on major drainage schemes has reduced due to the transfer in responsibility for private sewers to the water utility companies from 1 October 2011. On the other hand, phase 3 of the communal TV upgrade programme has now commenced and requires additional funds. It is therefore recommended that a virement is made to communal TV upgrades from energy efficiency measures and drainage schemes.

29. With regard to the remaining HRA capital works, progress is good in most areas. The five year kitchen and bathroom replacement programme is progressing well and it is anticipated that the full budget will be spent by the year end. With regard to disabled adaptations, there is a backlog of recommendations from Essex County Council occupational therapists, and there are also commitments to two major adaptations involving extensions which have not started yet. These factors have resulted in a slow start to the year but work is picking up and the budget is expected to be spent in full by the year end. A similar expenditure profile is anticipated for small capital works due to a delay in the recharges system, which is being addressed by officers. One area where a large increase in costs is planned is the area of structural works. A virement of £140,000 is recommended from categories where underspends have been identified and additional funds totaling £410,000 is also proposed, as referenced in paragraph 24. Off-street parking schemes have experienced slippage and consequently a large carry forward of £374,000 is requested.

30. 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 at the Decent Homes Standard in future years. The revised Capital Programme allows for the virements referred to above and carry forwards which total £406,000, pending Member approval.

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 monitored to ensure that these levels of RCCO are sustainable in the future. If the situation changes it may be necessary to revisit these amounts in future years.

#### HRA Self-Financing

32. HRA Self-financing is included within the Localism Bill which is going through Parliament for approval and is likely to be passed in November 2011. Self-financing will enable councils to retain their own rents and then fund and manage their housing stock without Government intervention. However, the Council will need to make a one-off capital payment to the Government to move away from the current Subsidy system. The Council's

indicative debt is in the region of £190 million. The final figure will not be known until January 2012 when the final determination is issued by the Department for Communities and Local Government (CLG). The debt will be paid to CLG on 28 March 2012 and self-financing will commence from 1 April 2012. The debt is likely to be financed by loan(s) from the Public Works Loans Board (PWLB). The composition of the debt portfolio is still being reviewed and further reports will come to Members nearer the time.

33. On 18 July Cabinet reaffirmed its decision, in principle, to commence a modest affordable house-building programme once the HRA has moved to a self-financing basis. The potential sum to be allocated to the programme will be the subject of a future report to Cabinet and consideration will be given to the benefits of using finance from borrowing or through surpluses generated on the HRA. The Housing Scrutiny Panel will consider the feasibility and details of implementing the house-building programme and make recommendations to Cabinet.

#### Capital Financing:

34. Appendix 1 shows a summary of the capital programme along with the financing profile, excluding the impact of HRA Self-Financing. The Council has approved estimates of capital expenditure under Prudential Code Indicator P(2) and also financing proposals for the years 2011/12 to 2015/16. 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.

35. 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.

36. The position regarding generation of capital receipts continues to be poor. The number of Council House sales in 2010/11 was very much inline with expectations with 9 sales completing during the year. So far this year only 2 sales have been completed to mid September 2011 and the full year projected sales figure has therefore been estimated at 5 for this year. This compares to 9 sales last year and 9 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.

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 £8,300,000 by 31 March 2016 at the end of the programme period.

38. Appendix 4(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £14,719,000 by 31 March 2016. However, RCCO figures are indicative only and will be revised when the HRA forecast is updated in the light of self-financing. In the event of RCCO contributions being reduced, the use of the Major Repairs Reserve would increase resulting in a consequent reduction in the balance on the Major Repairs Reserve 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.

Equalities implications 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