Report to the Cabinet

Report reference: C-024-2012/13
Date of meeting: 22 October 2012

Epping Forest District Council

Portfolio: **Finance & Technology**

Subject: **Review of the Capital Programme 2012/13 – 2016/17**

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 £8,082,000 at 31 March 2017 be noted;

(3) That Section 106 monies for affordable housing be used to finance the Council's house building programme from 2013/14 onwards;

(4) That the revised Capital Programme 2012/13 to 2016/17 be approved;

(5) That the following amendments to the Capital Programme be approved or, where relevant, recommended to Council to approve:

(a) carry forwards totaling of £6,865,000 from 2012/13 to 2013/14 and 2014/15 in respect of capital schemes as outlined in the report;

(b) a supplementary capital estimate of £15,000 for the purchase of a second hand land rover for use at North Weald Airfield;

(c) a supplementary capital estimate of £40,000 for Limes Farm Hall;

(d) an additional allocation of £17,000 for grounds maintenance vehicles resulting from the trade-in of an old tractor and revenue contributions;

(e) savings of £154,000 as identified in the report;

(f) a virement from savings on a the Bobbingworth Tip scheme to flood alleviation capital projects;

(g) 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 2012 and the Asset Management Plan. The capital programme has been prepared by updating the programme approved in February 2012 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 2016/17. 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 £86,811,000 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 £3,011,000, and it proposes that capital receipts of an estimated £11,860,000 and revenue contributions of an estimated £71,940,000 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 £15,842,000 as at 1 April 2012 to £8,082,000 by 31 March 2017 and the Major Repairs Fund balance is expected to decrease from £8,241,000 to £3,157,000 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 2016/17.

Other Options for Action:

The level of capital receipt resources is predicted to fall to £8,082,000 by 31 March 2017, based on the assumption that the generation of usable capital receipts will be limited to the sale of council houses, which is predicted to generate an average of approximately £820,000 per year. 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 is presented to Members elsewhere on the agenda.

With regard to financing the HRA capital programme, RCCO (Revenue Contribution to Capital Outlay) 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.

Report:

Finance and ICT

1. There are several ICT projects underway this year, including improving the archiving facility as part of the GroupWise to Outlook project, completing phase 4 of Information at work and upgrading the E-Financials system. Some delays have been experienced for example the combining and integration of the ESS system is awaiting the external supplier to complete the final data merge. However this is expected to be completed in the current financial year. Although a main focus at the start of the year was the Disaster Recovery project, attention has switched to the Telephony upgrade after indications that the telephone switches were reaching the conclusion of their useful lives. A report was submitted to the September cabinet which outlined the position and members agreed additional funding of

£230,000. The remaining budget for the disaster recovery project, amounting to £119,000 is recommended to be carried forward into 2013/14.

Corporate Support Services

2. The majority of capital works undertaken by this directorate is covered by the Planned Maintenance Programme and there is a comprehensive report elsewhere on the agenda which gives details of all the projects within this Programme. The new bids requested in the Planned Maintenance report have not been included in the appendices of this report. The majority of the schemes in the Planned maintenance programme are being undertaken at the Civic offices, all of which are on course to be completed within the current financial year. These include refurbishment of the toilets, replacing the main boilers, DDA automatic doors and new lighting and ceiling. Some schemes have already finished this financial year including the Car park Barriers and the works on the CCTV system. Construction works on other council buildings include work on the roof at Epping Sports Centre, which has now been completed. Work on the shops at Upshire Road and Borders Lane is expected to be completed in the current financial year once the consultations have been completed.

3. Other capital works outside of the planned maintenance programme include the upgrade of the industrial units and the Waltham Abbey swimming pool roof. Although a structural survey is soon to be undertaken on the swimming Pool, work on the industrial units will not commence until next year. Equally, plans for solar panels are currently on hold but the allocation has been left in the Capital Programme, pending a review. It is therefore recommended that a sum of £349,000 be moved to 2013/14 in respect of these schemes.

4. The new vehicle lift to assist in MOT's has been installed and has assisted in improving the service provided. The budget for new developments has been increased by £44,000 to allow for the additional fees in respect of the planning application for Langston Road as agreed at Cabinet in September and a sum of £32,000 is requested to be carried forward in respect of other new developments.

Deputy Chief Executive:

5. The building works at the Limes Farm Hall project have now been completed and the centre is now operating a full service, although there were some delays which pushed back the opening date. Although the majority of the cost of the works have been accounted for in previous financial years, the final account has recently been received which is higher than expected. This final account is being reviewed by officers for accuracy and members are asked to agree a capital supplementary of £40,000; this should be the maximum additional funding required as the Council is hoping that the final account sum settled will be lower than the final account submitted. A final account and report is expected to be presented to Cabinet on 4 February 2013 when any underspends from the £40,000 requested will be identified.

6. Construction on the new Astroturf pitch at Waltham Abbey is due to commence in the near future, taking around 16 weeks to complete, thus an expected completion date is around mid February 2013. There were several delays relating to the planning permission which had initially pushed back the start date of the project however this has now been signed off by the environmental agency. The project is expected to come in within budget and a management consultant, Surfacing Standards Ltd, is in place to oversee the completion of the project.

7. Members agreed to an amount of £250,000 being included in the capital programme for the purchase of a lease for the museum at 37A Sun Street. This is to be match funded against a grant received from the Lottery Heritage Fund, thus the purchase of the lease will amount to £500,000. The grant has gone through the first stage process and is now in the final stage process and notification of the amount will be received by March 2013, with the aim of work commencing the following financial year to refurbish the property for use by the museum.

8. The schemes relating to the Waltham Abbey Regeneration are being managed and

provided by Waltham Abbey Town Council. They are expected to be completed in the current financial year.

Environment & Street Scene

9. The budget for waste management vehicles for 2012/13 includes £1,000,000 and £70,000 brought forward from the previous financial year for seven new vehicles. Five of the vehicles are expected to be delivered by November 2012 and the two sweepers are expected to be tendered for and delivered by the end of March 2013. The budget will be fully utilised for the current financial year. The remaining £122,000, relating to the purchase of new waste and recycling containers was brought forward from 2011/12. However this is unlikely to be fully spent in the current financial year and thus it is recommended that £62,000 of this budget be carried forward into 2013/14.

10. A sum of £240,000 has been included in the Capital Programme for works to be carried out at Loughton Leisure Centre, pending Member approval. This matter is the subject of a report elsewhere on the agenda.

11. The Bobbingworth Tip scheme is complete and an amount of £27,000 was brought forward from the previous financial year, this has been proposed by officers to be vired to the Flood Alleviation Scheme capital budget.

12. The Epping parking review is now nearing completion and there are likely to be savings, which will be quantified once all outstanding payments have been made. Any savings will be used to assist other parking schemes within the district. The Buckhurst Hill parking review scheme is the next one to be undertaken and is expected to commence towards the end of this financial year. The parking review at Loughton Broadway will not commence until Buckhurst Hill is completed and slippage of £355,000 is recommended for carry forward to 2013/14 in respect of these two schemes.

13. A schedule of capital works to be completed at North Weald Airfield have been jointly agreed with the market operators. There has been a carry forward identified of £7,000 that is recommended to be moved into the budget for 2013/14. This leaves the budget for 2012/13 for North Weald Airfield Market Improvements at £130,000. Outside of the arrangement with the market operators a supplementary capital estimate of £15,000 is requested to purchase a second hand vehicle for use at North Weald. This is due to the fact the current vehicle has become very unreliable and is prone to mechanical breakdowns which adversely affect the effective operations at North Weald

14. The Flood Alleviation Scheme capital budget currently has an approved budget of £72,000. As mentioned above, a virement of £27,000 is proposed from savings on the Bobbingworth Tip budget; which would bring the total budget to £99,000. This sum is requested to be carried forward in full, pending member approval.

15. The budget for the grounds maintenance vehicles has been increased from £154,000 to £174,000. The majority of the budget relates to the purchase of 5 Ransomes Highway mowers, for which a budget of £124,000 was approved by Cabinet in June 2012 and the mowers have since been purchased. The remaining budget represents the original sum of £30,000 for replacement vehicles plus £3,000 brought forward from 2013/14 and additional allocations of £12,000 from the trade-in of the old tractor and £5,000 from revenue contributions. Members are requested to approve these amendments.

Planning and Economic Development:

16. The Town Centre Enhancement (TCE) scheme and CCTV systems at Loughton Broadway have been completed and a sum of £10,000 of the TCE budget remains unspent following the 12 month defects period. It is recommended that this £10,000 be taken as a saving and is removed from the Capital Programme.

Housing General Fund:

17. With regard to the Council's Open Market Shared Ownership (OMSO) scheme, for which EFDC provides interest-free loans to B3Living to provide shared ownership to Epping Forest residents, Phase 1 is now almost complete. After reviewing the progress of phase 1 and determining that it is a success, the implementation of phase 2 was agreed by the housing portfolio holder. However phase 2 is unlikely to see any expenditure in this financial year and it is therefore recommended that £350,000 be moved to 2013/14 to assist in the completion of phase 2 of the scheme.

18. The £372,000 budget, originally allocated to housing associations to provide assistance for affordable housing, has been carried forward to 2014/15 since it could be used to extend the OMSO scheme into a Phase 3, which would be subject of a further report to cabinet at a later date.

19. The expenditure on Disabled Facilities Grants has been low compared to the budget for 2012/13 due to the low number of referrals received from the occupational therapists at the end of the previous financial year. The referrals have picked up in this financial year and expenditure is expected to increase in the remainder of this year. Due to the low expenditure it is recommended that some of the budget be vired to assist other private sector grants; a virement of £22,000 is proposed to assist in small works assistance and a saving of £144,000 is proposed for disabled facilities grants in 2012/13.

20. With regard to other private sector housing assistance, the new Housing Assistance policy came into effect from 1 July 2012. The major change was that all discretionary financial assistance is now repayable upon the sale or transfer of property. Although expenditure is down at present, it is expected to pick up during the year as publicity and positive communication on the new arrangements are increased. The budget is expected to be fully spent by the year-end.

21. The housing estate parking schemes are jointly funded between the HRA and the General Fund. Work has commenced on some schemes but the original allocation in this year is too high and needs to be re-phased over the next two years. A report is due to be presented to Cabinet later this year to seek approval for the next set of schemes and this will also reassess the phasing. For the time being, it is recommended that £419,000 be carried forward to 2013/14 and £350,000 be moved to £2014/15.

Housing Revenue Account (HRA):

22. The HRA Capital Programme has increased from previous years for three main reasons. Firstly, the Council is embarking on a house building programme which is anticipated to see about 120 new homes built over the next six years. Secondly, the Council has agreed to upgrade the standard of council house maintenance from the Decent Homes Standard to a more modern standard from 2012/13 onwards. This affects the replacement cycles of the components in properties such as bathrooms, kitchens, roofs etc. With the replacement cycles being reduced, expenditure will thus increase. Finally the capital programme now incorporates an additional £518,000 which represents expenditure on capital schemes identified within the service enhancements budget of £770,000 which was originally included within the revenue account.

23. Expenditure on the house building budget in the current financial year is limited to procurement fees associated with the tendering process to appoint a development agent. The development agent is expected to be in place by January 2013 when work will commence on the house building strategy, feasibility study and the Homes & Communities Agency partnership status application on behalf of the Council. The original budget for this was very approximate and an underspend is now expected; thus it is proposed to members to carry forward £90,000 of this budget into 2013/14.

24. The budget for heating and rewiring has expenditure which is lower than expected.

The main reason for this is that the electrical testing undertaken so far this year has generally resulted in minor electrical capital works being undertaken rather than complete rewires. On the other hand heating upgrades are on track for the current financial year. Expenditure is being monitored and is expected to pick up later in the financial year.

25. The budgets for windows, front doors, roofing, water tanks and asbestos removal were increased significantly this year and an expanded programme of works has been drawn up but slippage is now expected in most areas. It has been estimated that the windows/ front doors programme will slip by about £400,000, roofing by £400,000 and communal water tank renewal by approximately £157,000. It is anticipated that the workload will catch up next financial year as staffing resources are increased to deal with the extra demands of the enhanced prgramme and contracts are re-tendered as appropriate. Thus it is recommended that a total of £957,000 is carried forward into 2013/14 for these programmes. Work on asbestos removal is demand-led and difficult to forecast but idications are that additional funds are required and, for the time being, a virement of £80,000 is proposed to top up the budget from an underspend on drainage works, pending further review of the asbestos programme.

26. The other planned maintenance category includes communal TV upgrades, energy efficiency measures, drainage schemes, door entry systems and Norway House improvements. All communal TV upgrades are now complete but there are underspends on the other categories of work. Reduced work on drainage has resulted from the transfer of responsibility to the water authorities which means that a saving will be generated; it is suggested that £80,000 be vired from here to asbestos works, as mentioned above. The budgets for door entry systems and energy efficiency works are also likely to be under spent this financial year and carry forwards of £142,000 and £136,000 are recommended.

27. The programme for kitchen replacements has generally been identified from stock condition surveys but the volume of work required this financial year has been lower than anticipated. To counter this, kitchens that were due to be replaced in future years have been brought forward and a new schedule of stock condition surveys has been drawn up. Overall, expenditure is expected to be lower than originally anticipated this year and it is recommended that £1,200,000 be carried forward into 2013/14. Bathroom replacements are also identified from stock condition surveys and, again, a significant reduction in workload has occurred this year. To offset this, a initiative is underway to replace non-standard bathrooms at Limes Farm. In spite of this a significant underspend is anticipated and thus a carry forward of £855,000 is recommended.

28. The capital programme for small capital repairs relates to void properties. This type of work is demand led and predicting the quality and condition is very difficult. Although expenditure is low, voids are expected to increase throughout the year and in turn expenditure on these properties is also expected to rise. However the budget is still likely to be underspent and therefore £174,000 is proposed to be carried forward into the 2013/14 budget.

29. Expenditure on structural schemes within the district has been lower than anticipated however it is thought that this will pick up later in the year. The expenditure on the budget will be monitored and, if necessary, amendments will be recommended during the course of the year.

30. The programme for environmental improvements includes budgets for off street parking on housing estates, watercourse repairs, CCTV, environmental improvements to shops and fencing. The largest project in this category is off street parking and it is anticipated that the budget for the works will be under spent in the current financial year, it is there proposed that £436,000 be carried forward into 2013/14 and £364,000 into 2014/15.

31. The budgets for garages, disabled adaptations in council dwellings and other capital repairs are anticipated to be fully spent in the current financial year and no changes are requested at this stage.

HRA Self-Financing

32. From 1 April 2012 the HRA has operated under the new rules of Self-financing whereby the Council retains its own rents and the old Subsidy system is abandoned. This enables EFDC to fund and manage the housing stock without Government intervention. As part of this, a one-off sum of £186 million was paid to the Department for Communities and Local Government on 28 March 2012. The impact of self-financing has been assessed by our housing consultant and a 30-year plan has been drawn up; this was presented to Cabinet on 12 March 2012. The plan indicates that balances will build up on the HRA and some of the surpluses will be used to help finance the enlarged Capital programme.

33. The 30-year plan also indicates that there will be an increase in usable Capital Receipts which the Council can use to finance capital expenditure. The rules regarding the amount of capital receipts which can be retained from right-to-buy sales have also changed. The Council will retain a sum of money based on the outstanding debt attributable to each house sold plus a further amount representing the 'Local Authority Share' of the capital receipt. These two elements can be used to fund any schemes within the capital programme or to offset debt. However, a third element is also retained by the Council which can only be used for the provision of replacement housing. This element is anticipated to come from an increase in right-to-buy sales resulting from the rise in the maximum allowable discount from £34,000 to £75,000. This last element has to be used within three years of receipt and can only constitute a maximum 30% of the house-building programme. Appendix 4 forecasts the anticipated receipts the Council will retain over the next five years.

34. The Council's housing consultant is currently preparing an updated report which will give consideration to the best way of funding the house-building programme from the available resources.

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 2012/13 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.

38. Similarly a prudent view is taken of other sources of capital funding including funds receivable from Government Grants and private contributions. For instance, the availability of Section 106 monies to fund capital projects is based on payments received to date and not payments anticipated in the future. With regard to Section 106 monies, those received in recent years for the provision of affordable housing have been used to finance contributions to Housing Associations. However, from 2013/14 onwards it is proposed to use these receipts to support the Council's own house-building programme, pending Member approval

39. As detailed in paragraph 33 above, the position regarding generation of capital receipts is forecast to improve. The number of Council House sales in recent years has been very low with 7 sales last year and 9 the year before. Although only 3 sales have completed so far this year, the number of applications has increased significantly in recent months

following the changes in discounts being offered and indications are that increased sales will follow. Future projections are, however, difficult to make as there remain many uncertainties in the housing market, therefore a cautious and prudent approach has been adopted at this stage: 15 sales have been estimated for 2012/13; 16 in 2013/14; and one more in each year thereafter rising to 19 sales by 2016/17. The situation will continue to be monitored.

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. It takes into account the changes which accrue as a result of the new HRA self-financing and capital pooling rules and shows that, based on current expenditure and projected receipts, usable capital receipts will be reduced to £8,082,000 by 31 March 2017 at the end of the programme period.

41. Appendix 4(b) shows anticipated balances on the Major Repairs Reserve with an estimated balance of £3,157,000 by 31 March 2017. However, the use of revenue contributions and capital receipts are indicative figures only and will be revised when the HRA forecast is updated within the 30-year plan. Any increases in the use of these sources of funding will result in a decrease in the use of funds held within the Major Repairs Fund and an increase in the balance at the end of the five year programme. Conversely, any reductions in the use of revenue contributions and capital receipts will have the opposite effect.

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.