

## ***Report to Cabinet***



**Epping Forest  
District Council**

***Report reference: C/041/2006-07.***

***Date of meeting: 4 September 2006.***

**Portfolio: Finance, Performance Management, and Corporate Support Services.**

**Subject: Review of the Capital Programme 2006/07 – 2010/11.**

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### **Recommendations/Decisions Required:**

- (1) That the latest four-year forecast of capital receipts be noted;**
- (2) That, as at 31 March 2011, the level of usable capital receipts is currently predicted to be £15,765,000 be noted;**
- (3) That the revised the Capital Programme 2006/07 to 2010/11 be approved;**
- (4) That, as quotations are still to be obtained for the proposed replacement of the Local Taxation and Benefits ICT system, no amount has yet been included in the programme be noted;**
- (5) That the revised payment to be made to Home Group Limited (Warden Housing) on completion of the legal agreements for the small scale stock transfer of Wickfields, Chigwell in the sum of £790,000 represents a saving of around £310,000 based on the original budget estimate be noted;**
- (6) That the following be approved or, where necessary, be recommended to the Council for approval:**
  - (a) a supplementary capital estimate in the sum of £16,000 for new messenger vehicles;**
  - (b) a supplementary capital estimate in the sum of £16,000 for a waste compactor;**
  - (c) a supplementary capital estimate in the sum of £8,000 for the car park upgrades works being carried out at Queen's Road, Buckhurst Hill;**
  - (d) an increase of £65,000 on the Loughton High Road Town Centre Enhancement Scheme to be financed from Section 106 monies;**
  - (e) an increase of £33,000 within the Finance, Performance Management & Corporate Support Services Portfolio for a country care replacement vehicle (£13,000) and accommodation improvements within Planning (£20,000);**
  - (f) virements within the HRA in 2006/07 in the sum of £566,000 to heating and rewiring projects and £88,000 to other planned maintenance from:**
    - (i) cost reflective repairs (£428,000);**
    - (ii) structural schemes (£120,000); and**

(iii) cyclical maintenance (£106,000) in 2006/07; and

(g) a virement within the HRA in 2006/07 in the sum of £46,000 to Springfields Improvements out of the savings from the Wickfields stock transfer;

(7) That the Head of Housing Services be authorised to buy-back the 7 leasehold properties at Springfields at a cost of £596,000 made up of:

(a) £550,000 within the existing Capital programme; and

(b) the virement of £46,000 within recommendation (6)(g) above;

(8) That the financing of the additional £500,000 contribution to affordable housing approved by Cabinet be considered and consequent savings elsewhere in the capital programme be identified as appropriate;

(9) That estimated HRA expenditure of £5,081,000 to be spent on the authority's own affordable housing and regeneration projects in 2006/07 be approved; and

(10) That the Loughton High Road Town Centre Enhancement Scheme phases 3 and 4 (estimated at £2,000,000) be considered as part of the next review of the Capital Strategy in October 2006.

#### **Introduction:**

1. This report initially sets out the capital programme that will form the basis of the Capital Strategy to be presented in October 2006. Since the capital programme was last approved in February 2006, an additional column showing the capital forecast for 2010/11 has been included.
2. 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 2010/11.

#### **Capital Programme:**

3. The detailed capital programme for non-housing schemes is shown by portfolio at Appendix 2 and the detailed capital programme for housing schemes is shown at Appendix 3.
4. Spending control officers have been monitoring the progress of each scheme within the capital programme and have reassessed the estimated final costs and the phasing of expenditure profiles as part of the capital review.
5. Amendments made to the General Fund and Housing Revenue Account (HRA) capital programmes have been identified in the following paragraphs since Council approved the programme in February 2006, which was based on the Capital Strategy approved on 13 December 2005.

#### **Finance, Performance Management & Corporate Support Services:**

6. The schemes financed through the Youth Sports Facilities initiative have been progressing well although some slippage did take place last year such that £55,000 has been carried forward to 2006/07. The following table shows the actual grants paid over in 2005/06 and forecasts for 2006/07:

<b><u>Youth Facilities</u></b>	<b>Actual 2005/06</b>	<b>Forecast 2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Epping Town Council	12	12
Chigwell Parish Council	7	0
Fyfield Parish Council	17	0
Lambourne Parish Council	0	6
Waltham Abbey Town Council	9	30
Loughton Town Council	0	10
Epping Upland Parish Council	10	25
Ongar Parish Council	0	10
Sheering Parish Council	0	31
<b>Total</b>	<b>55</b>	<b>124</b>

7. The table shows that the total estimate for 2006/07 now stands at £124,000. With the carry forward from 2005/06, the estimate for 2006/07 stood at £145,000, consequently slippage of £21,000 from 2006/07 to 2007/08 has been taken into account in appendix 2.
8. A report to Cabinet on 10 July 2006 suggested that the capital allocation of Planning Delivery Grant (PDG) be used to finance a replacement vehicle for country care at a cost of £13,000 as the existing Land Rover is now eleven years old and is in need of replacement. It was also suggested that the remaining £20,000 be allocated to bring forward further work on accommodation within Planning.
9. Other reports, also included on this agenda, set out the need to replace two messenger vehicles and purchase a waste compactor. The messenger vehicles are currently leased, and due for replacement in April 2006. Members are asked to approve a sum of £16,000 to finance the purchase of two new vehicles in 2007/08. In addition, Members are asked to approve a further sum of £16,000 for the purchase of a compactor, following the trial of a portable compactor.
10. A report will be presented to the October meeting of the Cabinet detailing the position on the various Civic Office Works.
11. Since the capital programme was last approved, two claims have been made on the General Capital Contingency. These were to finance the refurbishment of the Epping Drinking Fountain at a cost of £25,000 and to carry out works at Loughton Leisure Centre to alleviate the overheating of the teaching pool viewing gallery at a cost of £10,000. These virements were approved at Cabinet on 10 April 2006 and 5 June 2006 respectively and serve to reduce the contingency in 2006/07 to £215,000.
12. It is suggested in paragraph 25 of this report that a further sum of £8,000 be vired out of the General Capital Contingency to finance the increased cost of car park upgrades at Queen's Road. If approved, this would reduce the contingency down to £207,000.

#### **Customer Services, Media, Communications & ICT:**

13. The main ICT project currently being undertaken is the Customer Services Transformation Programme (CSTP), which is due to get under way this financial year. An indicative cost plan was reported to Cabinet on 10 July 2006 whereby slippage was identified giving the anticipated spend profile shown in appendix 2. The original scheme budget of £2.5 million has been included and this will be reviewed as part of the Capital Strategy in October 2006.
14. A report elsewhere on the agenda seeks Cabinet approval to obtain quotations for a replacement Local Taxation and Benefits ICT system. As such it is too early to include an amount in the programme, but Members should be aware that funding in excess of

£500,000 is likely to be required.

15. Progress has continued on the other ICT projects. Implementation of the new planning and local land charges system has progressed well over the last year with the planning system going live in September 2005. Delays have been experienced on the land charges element of the system and action is currently being taken to address the situation. General IT infrastructure works are progressing according to plan but work on computer suite number 2 has been hampered by technical difficulties. These have now been resolved and the estimated completion date is March 2007.

#### **Leisure and Young People:**

16. Although the Loughton Leisure Centre was completed and opened over three years ago and the final account was paid on 10 October 2005, there are still some outstanding consultancy costs. An estimate of £44,000 has been carried forward from 2005/06 to 2006/07 to provide for these costs. An additional £10,000 has also been vired from the General Contingency Sum to finance the works required to alleviate overheating of the teaching pool viewing gallery, which was approved at Cabinet on 5 June 2006.
17. The purchase of the Ongar Leisure Centre from Essex County Council was completed in January 2004. In partnership with Sports and Leisure Management PLC, work to convert the old gym and squash courts to a new fitness suite and movement studio, as well as a full refurbishment of the pool changing rooms has commenced. The project is due for completion in January 2007.

#### **Environmental Protection:**

18. The Bobbingworth Tip project was awarded to Cleanaway Limited in October 2004 under the NEC partnering type of Contract. Investigation and design work has progressed at a steady pace with planning permission being given earlier this year. The project team is working to achieve compliance with all planning conditions. Various consents and permissions have to be obtained and legal agreements reached to allow works to commence. One of the major risks of delay to the project is the lack of finalisation of the Section 278 agreement between the Council and Essex County Council. This relates to the permission of ECC to carry out works on the entrance to the site and deal with the risk of damage to the County's road infrastructure as a consequence of the proposed works. If the Council and ECC cannot agree the likely impact of the works on the road infrastructure and put a value to the damages payable to the County then the Section 278 cannot be finalised and therefore works will not be able to commence. All efforts are being made to work out such a figure and if that is not possible or agreeable between the two organisations then this is likely to cause a delay in implementation and consequently an escalation in the budgeted costs. It is understood that the Head of Environmental Service will put up a report to Cabinet if such a situation arose. At this stage it is not proposed to change the allocation for the project.
19. The remaining budget of £533,000 for Environmental Protection Equipment to cover the cost of wheeled bins, bin lifts and recycling boxes is expected to be fully expended by the end of this financial year.

#### **Civil Engineering & Maintenance:**

20. The Town Centre Enhancement works currently being undertaken at Loughton High Road, which represent phase 2 of the project, are progressing well and expected to be finished by October 2006. Meetings are being held to establish the final cost of the scheme; the latest estimate at the time of writing is £1,415,000. This compares to an estimate of £1,350,000 approved in March 2005. This estimate did not, however, take into account the extra works, which have been undertaken by use of Section 106

monies that total £156,000. Members are requested to approve an increase of £65,000 to bring the total scheme budget to £1,415,000 for phase 2 of the works.

21. In order to complete the entire TCE project at Loughton High Road, two further phases were originally planned. However, no budget currently exists in the capital programme for phases 3 and 4. It has been estimated that a further £2,000,000, would be required to complete both phases. This sum has currently been excluded from the programme pending consideration as part of the next review of the Capital Strategy in October 2006.
22. Cabinet received a report on 10 April 2006 to update Members on the latest position on the TCE Loughton Broadway Regeneration Scheme. Members gave authority for the Head of Environmental Services to enter into a contract with Gabriel (Contractor) Ltd for the design and build of the scheme. Authorisation was also given to appoint the appropriate consultants. At this meeting the total scheme provision was increased by £10,000 to £2,990,000. The timing of the scheme has now been reassessed and it is suggested that £1,970,000 be slipped forward from 2006/07 to 2007/08.
23. A report detailing the position on current Parking and Associated Traffic Management Schemes was presented to Cabinet on 14 November 2005. Approval was also given to bring forward the 2007/08 allocation of £200,000 into 2006/07 to enable parking reviews to be expedited. Since then slippage of £114,000 was carried forward from 2005/06 to 2006/07 as reported to Cabinet on June 2006 and now slippage of £150,000 is also expected on the Loughton and Waltham Abbey parking reviews from 2006/07 to 2007/08.

Scheme	2005/06 Est £000	2005/06 Actual £000	2006/07 C/f £000	2006/07 Est £000	2006/07 Revised £000	2007/08 Original £000
Buckhurst Hill parking review	75	31	44	85	129	0
Epping parking review	25	23	2	35	37	0
Clifton Rd residents parking	15	0	15	25	40	0
Interim reviews (Quick Fixes)	15	17	-2	15	13	0
Parking bays for the disabled	10	0	10	10	20	0
Loughton parking review	0	0	0	150	75	75
W. Abbey parking review	0	0	0	150	75	75
North Loughton Lorry Ban	10	0	10	10	20	0
Contingency	30	-5	35	12	47	0
<b>Total</b>	<b>180</b>	<b>66</b>	<b>114</b>	<b>492</b>	<b>456</b>	<b>150</b>

24. With regard to the other capital schemes within the Civil Engineering and Maintenance portfolio, there are no changes expected in respect of housing estate car parking, flood alleviation schemes and grounds maintenance plant and equipment. It is, however, anticipated that the final cost of completing the upgrading works being carried out on the Queen's Road car park are likely to be £8,000 higher than originally estimated. Members are asked to approve this sum as a supplementary capital estimate and it is suggested that it be met from the General Capital Contingency.

#### **Housing General Fund:**

25. The Council's budget for contributions to Housing Associations for the provision of affordable housing has been increased by £500,000 to £1,710,000 in appendix 3 as approved by Cabinet on April 2006. The total estimate has been spread over the two year period 2006/07 to 2007/08: £1 million is to be funded from transitional relief on pooled capital receipts; a further £210,000 is to be financed from S106 Agreement monies, 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; and the remainder will be financed from usable capital receipts.

26. Members also approved an additional £500,000 in contributions to Housing Associations for the provision of affordable housing having considered the report to Cabinet in April. However, no funding was secured at this time. For this reason, this sum has been excluded from the attached appendices. Members are asked to identify schemes they no longer wish to proceed or whose budgets they want reduced elsewhere in the capital programme in order to vire the budget into affordable housing.
27. Planning applications for all eight of the proposed developments on Council-owned land by Estuary Housing Association (which will utilise £1 million of social housing grant from the Council) have been considered by the Area Plans Sub-Committees. Three have not received planning permission for the proposals; Estuary HA are therefore reviewing these proposals with a view to re-submitting planning applications in the near future.
28. The Head of Housing Services is in discussion with the Council's five Preferred RSL Partners to agree the most cost effective use of the additional £1m that the Cabinet has made available for affordable housing developments, particularly to ensure that it is not used for affordable housing developments that could be funded by the Housing Corporation.
29. The capital provision for private sector housing grants has also been considered recently. On 10 April 2006 Cabinet approved an additional £200,000 for Disabled Facilities Grants and £50,000 for other private sector grants in 2006/07. On 27 July 2006 the Housing Scrutiny Standing Panel resolved to recommend to Cabinet that the allocation for Disabled Facilities Grants be increased to £500,000 per annum from 2007/08 onwards. The Housing Scrutiny Standing Panel also considered the use of a capital grant of £447,000 in 2006/07 and £223,000 in 2007/08, which has recently been confirmed as payable by GO-East for improving non-decent private sector properties. The additional £670,000 has been included on the appendices: £250,000 in 2006/07 and £420,000 under Other Private Sector Grants.
30. A new estimate has been included on appendix 3 for the compulsory purchase of 8/8a Sun Street, Waltham Abbey for redevelopment purposes, as approved by Cabinet on 10 July 2006. It has been estimated that the final net cost to the Council will be reduced to £27,500 as the resale value of the property has been valued at £350,000.
31. Most of the original estimate of £10,000 for the cost of drainage works at Alfred Road has been carried forward to 2006/07 as progress has been delayed due to difficulties agreeing site access with the owners.

#### **Housing Revenue Account (HRA):**

32. Cabinet approved an increase in revenue contributions to capital outlay (RCCO) of £1.2 million to enhance the Housing Revenue Account 's (HRA) capital programme over the next five years. Officers have now identified the areas of expenditure where increased work is most needed. The following table shows the categories of expenditure on which the additional monies are proposed to be utilized:

	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Springfields, W. Abbey		100				<b>100</b>
MVHR / Ventilation	108					<b>108</b>
Door Entry	40	40	40			<b>120</b>
Communal water tanks		75	75	75	75	<b>300</b>
Balcony Resurfacing	25	25	25	25	25	<b>125</b>
Watercourse Improve'ts	20	10	10	10	10	<b>60</b>

Misc Structural Works				134		<b>134</b>
External Lighting Schemes	10					<b>10</b>
Kitchen & Bath Replace'ts					68	<b>68</b>
Other Disabled	30	30	30	30	30	<b>150</b>
Feasibilities	5	5	5	5	5	<b>25</b>
<b>TOTAL</b>	<b>238</b>	<b>285</b>	<b>185</b>	<b>279</b>	<b>213</b>	<b>1,200</b>

33. 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. The full effects of the additional £1.2 million RCCO monies are given in appendix 3.
34. The Capital Outturn Report presented to Cabinet on 5 July 2006, identified slippage of £1,435,000 on HRA schemes in 2005/06, which have been carried forward into 2006/07. On the other hand, there were instances where work had commenced more rapidly than had been expected and a total of £500,000 was brought forward from 2006/07 to 2005/06. The impacts of all these movements are shown in appendix 3.
35. A report to Cabinet in April 2006 brought to Members attention the need to increase the budget for disabled adaptations in council dwellings and approval was given to increase the budget. Following discussions with the Head of Housing appropriate supplements have been added to appendix 3 to reflect this decision.
36. The progress made on each HRA scheme has been reassessed and some virements between categories are proposed. Virements of £566,000 to heating and rewiring projects and £88,000 to other planned maintenance are suggested from cost reflective repairs (£428,000); structural schemes (£120,000) and cyclical maintenance (£106,000) in 2006/07. A further virement of £60,000 is also proposed to heating and rewiring projects in the years 2007/08 to 2009/10 from cyclical maintenance. These virements are accounted for in appendix 3.
37. When the Council undertook the original design and feasibility for the proposed improvements at Wickfields, the Council's quantity surveyor estimated the works cost to be around £1.67 million. At that time, in accordance with established practice, it was estimated that the Council would need to pay Home Group a dowry of around £1.1 million, which would represent the negative valuation of the stock being transferred, and budget provision of £1.1 million was made within the housing capital programme accordingly. Since that time, Warden Housing has undertaken a tendering exercise to appoint the contractor to carry out the works, which has resulted in a tender figure less than estimated by the Council's quantity surveyor. The reduced works cost has resulted in a reduced dowry payment to Home Group of £790,000 on transfer; this generates a saving of £310,000 on the original budget provision of £1.1million.
38. The major works to be carried out at Springfields, Waltham Abbey have been delayed primarily due to the situation regarding properties sold to leaseholders. The spending profile has been reassessed and it is anticipated that there will be reductions in the 2006/07 and 2008/09 estimates of £948,000 and £889,000 respectively and equivalent increase in 2007/08. The overall anticipated cost of the scheme remains the same. However, following the Cabinet decision on 6 February 2006, the Valuation Office has valued the leasehold flats and negotiations have taken place with the leaseholders, which has resulted in 7 out of the 9 leases to be bought back by the Council at a cost of £596,000. As a result, it is recommended that £46,000 be vired from the savings generated from the Wickfields stock transfer to supplement the £550,000 already in the budget. The effect of this is shown in appendix 3.
39. Members are requested to approve the revised HRA Capital Programme as presented in appendix 3.

## **Capital Financing:**

40. Appendix 1 shows a summary of the capital programme with the financing profile underneath. On 21 February 2006 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 2005/06 to 2008/09. 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.
41. All sources of funds available to the Council to finance the General Fund and HRA Capital Programmes are listed in Appendix 5.
42. 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.
43. Since the last report to the Cabinet, the position regarding generation of capital receipts has improved slightly. The number of Council House sales in 2005/06 was higher than expected and the average price increased in the second half of the year. So far this year 10 sales have been completed to the end of July 2006 and the full year projected sales figure has therefore been revised to 30 for this year. This compares to 40 sales last year and 61 the year before.
44. 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.
45. Previous reports have identified a number of potential non-housing capital receipts. Members will be aware that the sale of the parade ground at North Weald has now been completed and that the sale price was subject to a confidentiality agreement.
46. 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, as well as the estimated transitional relief that Epping Forest is entitled to as a debt free authority for the final year. The appendix shows that, based on current expenditure and projected receipts, usable capital receipts will total £15,765,000 as at the end of the programme period i.e. 31 March 2011.

## **Statement in Support of Recommended Action:**

47. The capital programme adheres to decisions already approved by Cabinet or decisions that Cabinet is soon to consider.
48. The actions recommended are intended to make the best use of the capital resources currently and forecast to become available for capital schemes to 2010/11.
49. Any deviation from the assumptions, all of which are stated in this report, will be amended accordingly.

## **Other Options for Action:**

50. The level of capital resources is predicted to fall to £15,765,000 by 31 March 2011 as



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.

51. Members may wish to exercise strict controls on bids for capital schemes in the future.
52. An alternative to using increased RCCO contributions to enhance the HRA capital programme would be to increase the use of usable capital receipts. This option was rejected because the RCCO levels suggested in this report are affordable within the HRA, according to current predictions, and any use of usable capital receipts for HRA purposes would have the effect of reducing capital resources available for the General Fund.

**Consultation Undertaken:**

53. No external consultation yet undertaken.

**Resource Implications:**

**Budget Provision:** As detailed in the report.

**Personnel:** Nil.

**Land:** Nil.

**Community Plan/ BVPP References:** N/A.

**Relevant Statutory Powers:** Reference has been made to the Local Government Act 2003 (for England and Wales) and the Regulations.

**Background Papers:** N/A.

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

**Key Decision Reference (if required):** Nil.

## Sources of Capital Funding

1. **Capital Receipts** - capital receipts arise from the disposal of an asset, both outright or by way of a lease, and on the repayment of capital grants and advances (eg mortgages). However only certain proportions of capital receipts arising can be used to finance capital expenditure. Currently only 25% of receipts arising from sale of council houses (right to buy) and 50% of any other housing receipts can be used. The remaining receipts will have to be paid into the Government Pool. Transitional relief is available to this Council for the final year in 2006/07 at a rate of 25% of the Pooled Sum. Currently, 100% of non-housing receipts may be used to finance capital expenditure.
2. **Major Repairs Allowance** – the Government launched a initiative to fund capital based repairs within the HRA in 2001/02. This Council receives approximately £4.5 million per year by way of a cash grant.
3. **Freedom to Borrow** – Under the Local Authority Act 2003 the Council is able to borrow for a capital purpose on the condition that it can demonstrate that it is affordable. However, given the desire to remain debt free this option is unlikely to be used.
4. **Capital Grants** - capital grants are available for some projects, typically disabled facilities grants and flood alleviation schemes. These are by way of direct cash grants, which reduce the cost of the project to the Council.
5. **Commuted Sums and Contributions** - It is sometimes possible to negotiate with a private developer for them to part or fully fund capital projects, either through S106 agreements or by direct contribution.
6. **Private Finance Initiatives** - currently regarded as being difficult to achieve and not cost effective for small-scale schemes.
7. **Revenue Contributions** - in theory a local authority can finance an unlimited amount of capital expenditure through its revenue account. However there is clearly a practical restriction on this freedom to the extent to which the local authority is prepared or indeed able to finance expenditure from local taxation or housing rents. Ring fencing of the Housing Revenue Account means that any revenue contributions to housing capital spending must be charged to the Housing Revenue Account. Revenue contributions can either come from resources raised in year or from accumulated reserves.