

Report to the Cabinet

Report reference: C-035-2017/18
Date of meeting: 7 December 2017



Portfolio: Finance
Subject: Capital Review 2017/18 – 2021/22
Responsible Officer: Teresa Brown (01992 564604).
Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the latest five-year forecast of capital receipts be noted;
- (2) That the intention to use all usable capital receipts in the year they are received where possible, be approved;
- (3) That borrowing of an estimated £28,382,000, necessary to support the General Fund capital programme, be noted;
- (4) That the following amendments to the Capital Programme be recommended to Council to approve:
 - (a) supplementary capital estimates of £741,000 for the new Shopping Park development, £52,000 for the surrender of a lease by Glyn Hopkins and £20,000 for the installation of CCTV systems in car parks in 2017/18;
 - (b) additional allocations of £161,000 and £13,000 for grounds maintenance vehicles and flood alleviation schemes respectively in 2018/19 and £350,000 for further investment in the superfast broadband network in 2019/20, subject to a further report to Cabinet upon completion of the tender process;
 - (c) savings of £308,000 in 2017/18 and £24,000 in 2018/19 for General Fund projects as identified in the report;
 - (d) virements in 2017/18 of £48,000 within the General Fund car parking allocation and £15,000 to CCTV systems as detailed in the report;
 - (e) additional allocations, savings and virements in respect of the Council's housebuilding and conversion programme and other HRA capital schemes as identified in the report;
 - (f) carry forwards totaling £1,956,000 and £5,553,000 from 2017/18 to 2018/19 for General Fund and HRA capital schemes respectively, and a brought forward sum of £10,000 for a General Fund scheme, as outlined in the report and Resources Implications table.

Executive Summary:

This report sets out the Council's Capital Programme for the five year period 2017/18 to 2021/22. It includes the forecast capital investment in Council owned assets; estimates of capital loans to be made for private housing initiatives; and projected levels of revenue expenditure funded from capital under statute. The capital programme has been prepared by updating the programme approved in February 2017, amended for any slippage and re-phasing approved in June 2017, as well as new schemes and allocations approved by Cabinet since then. The allocations included in 2017/18 and 2018/19 represent approved sums for capital schemes which the Council is committed to deliver. Allocations given for the years 2019/20 to 2021/22 represent forecast sums as a guide to future capital investment and the schemes to which they relate will require Cabinet approval before going ahead. The projects already approved within the capital programme have 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 Council's overall programme of capital expenditure is summarised for each Directorate in Appendix 1 and shows forecast investments of £111,663,000 in Council-owned assets over the five year period under consideration. Details of individual schemes or groups of projects are shown at Appendix 2 for the General Fund capital programme and an analysis of works into specific categories is shown at Appendix 3 for the Housing Revenue Account (HRA) Capital Programme. Appendix 1 also shows the Council's forecast to finance capital loans of £14,803,000 and planned expenditure of £735,000 which is classified as revenue expenditure but which can be financed from capital resources, over the five year period. Analyses of these figures are given in Appendices 4 and 5 respectively.

With regard to funding the capital programme, the report sets out proposed sources of finance over the five-year period from 2017/18 to 2021/22 in the lower section of Appendix 1, based on maximising the funding available to finance each scheme. The report identifies estimated external funding from grants and private sources of £1,011,000, and it proposes that capital receipts of an estimated £20,193,000 and direct revenue funding of an estimated £77,614,000 be applied to finance the capital programme over the next five years. It is forecast that borrowing of an estimated £28,382,000 will be necessary to support the Council's investments in new developments within the General Fund. The estimated level of capital resources available now and in the future are given in Appendix 6. In summary, the balance of capital receipts is expected to increase from zero as at 1 April 2017 to £2,069,000 by 31 March 2022 and the balance on the Major Repairs Fund is expected to decrease from £12,705,000 as at 1 April 2017 to £5,882,000 by 31 March 2022.

Reasons for Proposed Decision:

The capital programme presented in the appendices is based on decisions already approved by the Cabinet. 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 2021/22.

Other Options for Action:

All useable capital receipts are intended to be used in the year they are received, with the GF borrowing from any unapplied 1-4-1 HRA capital receipts as appropriate. Revenue balances will be used to support the capital programme initially and in 2018/19 external borrowing will

be required. The revenue consequence of reducing the level of capital and revenue balances over the next five years is to reduce investment income. At the same time, external borrowing would result in increased revenue costs in the form of interest charges. Members may choose to reduce the General Fund and/or Housing Revenue Account capital programmes by re-considering the inclusion of some new schemes or re-assess the inclusion of some existing schemes.

With regard to financing the General Fund and HRA capital programmes, there are a number of options available. The proposal put forward sets the level of direct revenue funding at high levels in order to reduce the need for external borrowing. However, these contributions could be reduced by increasing the levels of external borrowing. This option has been rejected because the revenue contributions suggested in this report are affordable within the General Fund and HRA, according to current predictions, and the cost of increased borrowing would ultimately result in higher net interest charges.

Report:

Resources

1. The detailed five year Planned Maintenance Programme 2016/17 to 2020/21 was approved at the Cabinet meeting on 3 November 2016 and a structured plan was agreed to ensure that the Council's operational and commercial property assets are properly maintained and improved to meet health and safety requirements, statutory regulations, contractual obligations in respect of leases for commercial premises, customer demands and the long term protection and value of the authority's assets. Following this report, the Council began its transformation program which included a major service accommodation review. An assessment of proposed works was carried out on all premises that could potentially be affected by the review. A report presented to Cabinet on 12 October 2017 summarised the situation at each site and reported on the status of the projects planned for this financial year; some projects were withdrawn and others were put on hold pending the outcome of the accommodation review. The projects that were withdrawn represent savings on the original budgets; these total £86,000 in 2017/18 and £24,000 in 2018/19. With regard to other schemes, £583,000 has been identified to be carried forward from 2017/18 to future years and £6,000 has been identified as a virement to finance a CCTV system. Members are asked to approve these changes.

2. Approval of £446,000 was originally granted for ICT projects in 2017/18 to maintain the current infrastructure, improve business continuity within the Council and allow staff to fully utilise the benefits available from ICT systems. Of this sum £31,000 was utilised in 2016/17 to complete works ahead of schedule. A recent review of all projects, similar to that carried out on the planned maintenance programme, has resulted in some schemes being delayed or put on hold pending the recommendations of the accommodation review. Such schemes include the pilot upgrade of the Citrix servers, the planning system upgrade, the telephone system extension and the installation of power supplies to remote sites. Members are requested to approve a carry forward of £101,000 to allow for this. Having adopted the Technology Strategy 2018-23, allocations totalling £635,000 for the capital projects approved on 9 November 2017 have been included in 2018/19 within the Capital Programme.

3. The additional equipment and systems budget in 2017/18 within the Resources Directorate represents the sum remaining for the implementation of the Human Resources/Payroll system. Works to scope and build the system, including the employee/manager self-service, health and safety, recruitment and learning elements have now been completed.

Neighbourhoods

4. Construction of the new Epping Forest Shopping Park at Langston Road was completed in June 2017, having commenced in September 2016. All but three of the units are now let and most of the stores are already trading, or expected to be trading by Christmas. The remaining vacant units are continuing to be marketed. Originally a total budget of £31,161,000 was set aside for the project to include all planning and preliminary costs, the purchase of Polofinds' interest in the land, the development of the site as sole owner-developers, and all works and fees associated with the Section 278 highways modifications. The contract sum for the main works, carried out by McLaughlin and Harvey, was £10,300,000 but has risen to a final contract sum of £10,405,000 due to various variations and tenant improvement works. The Section 278 road improvement works were undertaken by Walkers and started a week after the main contract. They represented a risk to the scheme from the outset with substantial delays attributable to changing requirements from Essex County Council and numerous utility clashes on drainage routes. The resulting variations led to substantial additional costs and ultimately a prolonged contract period. The final contract sum is now anticipated to be in the region of £4,250,000, although a figure of approximately £165,000 will be recovered from Essex County Council. These works are programmed to be complete in late November 2017. Throughout the project external consultancy experts of various disciplines have been working collaboratively with the Council to manage this large and complex project. Apart from the problems experienced with the highways works, the project has run smoothly and the current development appraisal still indicates a good return on the Council's investment. The anticipated outturn figure for the project overall is expected to be in the region of £31,902,000 based on the latest information and allowing for a contingency sum in respect of additional potential capital incentives. This figure represents £741,000, or 2%, over the original budget set aside for the project and Members are requested to approve a supplementary estimate of this sum in 2017/18 to cover the overspend.

5. The Council entered into an agreement with Glyn Hopkin Ltd whereby it agreed to fund the extension of their premises on the corner of Brooker Road/Cartersfield Road in Waltham Abbey. Glyn Hopkin Ltd surrendered their existing lease and obtained a new lease for the whole area of their premises to permit full motor dealership use. With the acceptance of the new lease the rent of the premises has increased with 5-yearly upward-only rent reviews. Additional costs relating to stamp duty and other legal fees were identified after the report was submitted to Cabinet and Members are now requested to retrospectively approve a sum of £52,000 to cover these costs.

6. A provision of £100,000 has been included in the Capital Programme to undertake the necessary alteration works to accommodate the Pyrles Lane nursery and landscape service at the Town Mead Depot, Waltham Abbey. A further £45,000 has been absorbed from the planned maintenance to undertake the remaining health and safety adaptations following an audit of the depot. As the project is in the early stages of design and consultancy, works of an estimated £130,000 will not be undertaken until the new financial year; therefore a carry forward of this sum is recommended.

7. Last year a capital allocation of £130,000 was set aside to be spent in 2017/18 as a contribution towards the provision of alternative sports/recreation facilities following the loss of sports pitches in Waltham Abbey as a result of constructing the new Leisure Centre, Hill House Centre and Independent Living Scheme. The Council has now entered into a Section 106 agreement and is required to undertake a playing pitch strategy to identify the best location for the new facilities. This strategy is not due for completion until early in the 2018/19 financial year and therefore the full budget will be carried forward from 2017/18 to 2018/19, pending Members approval.

8. The car parking budget in 2017/18 comprises of five schemes. Firstly, a budget of £42,000 remains from the original allocation of £190,000 to complete the installation of new 4G pay and display machines in each of the Council's car parks. This whole scheme has now been completed at a significantly lower cost than expected generating a saving of £33,000. Secondly, an allocation of £40,000 was approved from the Invest to Save Fund to create three new off-street car parks in the Loughton Broadway area. Work has commenced at these sites and the pay and display machines have been purchased but delays have occurred due to a land ownership dispute, which has led to the need to construct a boundary fence; consequently works of £20,000 will slip into the next financial year. Thirdly, a budget of £15,000 had been set aside for pay and display machines at the Lee Valley car park but Lee Valley Regional Park Authority have made their own arrangements and the budget is now surplus to requirements. Fourthly, £84,000 remains of the £100,000 Invest to Save allocation to upgrade to LED lights in the Council's car parks. After the pilot scheme at the Traps Hill car park in Loughton was completed successfully, the next phase of the project is now underway. However, the original specifications for the works have changed and costs are expected to be higher than anticipated. It is recommended that the savings from the Lee Valley car park and the 4G pay and display installations, totalling £48,000, be transferred to cover the increased costs. Furthermore, the scheme is currently at the procurement stage and £100,000 is expected to slip into 2018/19 when the majority of the works will be undertaken. Finally, a budget of £51,000 was approved to improve the car park at Vere Road. A consultancy team has been appointed to advise on the demolition of the garages and re-design the car park to maximise spaces. Surveys and design works are expected before the end of the financial year, whereas the demolition of the garages and other works for the car park, expected to be around £41,000 will slip into 2018/19. Furthermore, the remaining £45,000 budget that was carried forward from 2016/17 for the IT infrastructure relating to enforcement and cash collection, has been dropped from the programme due to the expenditure being classed at revenue. In summary, Members are asked to approve an overall carry forward of £161,000, a saving of £45,000 and a virement of £48,000 between schemes within this section.

9. A budget of £28,000 remains for waste management equipment to fund the acquisition of new bins to properties where bins had previously not been provided, in particular for blocks of flats. No revisions to this sum are foreseen. Furthermore, a budget of £12,000 was set aside in the capital programme to fund an Invest to Save scheme to extend a vehicle compound at North Weald Airfield and increase rental income by £4,000 per annum. Planning permission is required before work can begin and, as this is unlikely to start until the new financial year; a carry forward of the full budget is requested.

10. An original allocation of £20,000 was set aside for flood alleviation schemes; £9,000 has been transferred to the general CCTV budget to replace the failing CCTV systems at the old Bobbingworth Tip site. However, there have been further unexpected failures to the main control unit and pumps at the site for which there are insufficient funds. An additional allocation of £13,000 is recommended for these works to give a total budget of £24,000 for this scheme, of which £19,000 will be required as a carry forward to 2018/19. The Flood Alleviation team are currently evaluating the potential risks of further equipment failures before submitting a new report to secure future capital funding.

11. The annual allowance for the replacement of grounds maintenance vehicles, plus the sum carried forward from 2016/17, totals £36,000. To date, one new mower has been purchased and quotes have been received for a new truck to replace an old vehicle. The costs of these vehicles will exceed the current allocation for 2017/18 and therefore it is recommended that £10,000 be brought forward from 2018/19 to cover the additional costs. Furthermore, six ride-on mowers will need to be replaced in 2018/19 as they are already over five years old and have had heavy usage. One-off running repairs and associated 'downtime' is becoming more frequent and scheduled service costs are increasing. This trend is expected to continue and would have an adverse effect on budgets and operational needs of

the service. Following a financial analysis to determine whether the procurement should be funded from capital or via an operating lease, it was concluded that capital funding would be more cost effective. An additional budget of £161,000 is therefore requested to cover this purchase in 2018/19, which will be part financed from the proceeds of the sale of the old vehicles expected to be in the region of £24,000.

Communities

12. An allocation of £177,000 remains in the capital programme, which was originally set aside to purchase offices on the second floor of Bridgeman House, above the museum, to accommodate the Community Services team currently working at Hemnall Street. However, this option is no longer viable and the Council is actively seeking a suitable alternative. As £177,000 is unlikely to be sufficient for the relocation, it is recommended that this budget is withdrawn pending a full costing of a viable solution.

13. The approved budget for general CCTV systems in 2017/18 is £87,000. Work has progressed well on many projects but slippage has occurred on two systems. Firstly, the system that will monitor the new leisure centre at Hill House and adjacent shopping parade is likely to be installed in 2018/19 once the construction works have been completed. Secondly, the progress of the Epping High Road system has been delayed due to the complexity of the specification. It is recommended that a sum of £57,000 is carried forward to 2018/19 to allow for this and virements of £15,000 from Planned Maintenance and Flood Alleviation schemes to finance other CCTV systems.

14. The car park CCTV installation programme has been working in conjunction with the Invest to Save LED lighting scheme, detailed in paragraph 7, with an original budget of £100,000, of which £56,000 was spent in 2016/17. The installation of cameras at three car parks at Darby Drive, Cornmill and Quaker Drive in Waltham Abbey is expected to be completed by the end of the financial year. The existing budget is expected to cover the costs of four of the seven remaining car parks and a supplementary estimate of £20,000 is requested to complete two further car parks and the final car park will be reassessed due to complications with the specification.

15. The housing estate off-street parking programme is jointly funded between the HRA and General Fund. The budget for the General Fund proportion currently stands at £550,000, which was increased significantly by a carry forward of £310,000 from 2016/17. This year considerable delays have occurred at Torrington Drive and Paley Drive, primarily because the main contractor went out of business. As a result a carry forward of £510,000 is requested and re-profiled over the next two years.

Housing Revenue Account (HRA)

16. In order to progress with investment decisions for the HRA, Members considered a number of options put forward by the Council's HRA Business Planning Consultant, Simon Smith. Having undertaken Stage 1 of the HRA Financial Options Review, Mr Smith presented his findings to Cabinet on 6 April 2017. After considering all options put forward in the review and, taking into account the views of the Epping Forest Tenants & Leaseholders Federation and the Communities Select Committee, Cabinet agreed to lift the moratorium which had been imposed on the Council's housebuilding programme and progress with phases 4 to 6 of the programme. Cabinet also agreed to return to the Government's Decent Homes Standard with regard to maintenance cycles as soon as practically possible, having regard to existing contractual commitments arising from framework agreements. The HRA Capital Programme presented in appendix 3 has been amended in the light of these decisions.

17. Forecast investment in the Council's new housebuilding programme has increased

significantly as a result of the decision, with allocations in the order of £9,000,000 having been added for each of the phases 4 to 6. Progress on phases 1 to 3 is monitored closely by the Council Housebuilding Cabinet Committee. Although major setbacks were experienced with phase 1, the Council has now taken possession of all 23 properties. The total anticipated outturn figure, including all construction costs, fees and site security costs, now stands at £6,404,000, which is £569,000 higher than previously approved.

18. With regard to phase 2 at Burton Road, there were delays during the planning stage and further deferrals due to the discovery of contaminated ground on the site. As a result of this, additional works are required and delays of around 23-weeks have been claimed by the contractor, with an expected completion date of June 2018. Although the contractor's entitlement is still being evaluated an anticipated outturn figure of £11,575,000 has been established for all costs, which is £742,000 higher than previously approved.

19. Phase 3 is progressing well on most of the eight sites, with the completion of 22 new homes over seven of the sites expected between January 2018 and June 2018. The development of the eighth site at Queens Road, Epping has been delayed pending an agreement with UK Power Network to divert power cables and reposition the electrical sub-station. Additional costs are therefore expected at Queen's Road as well as at Stewards Green; the latter as a result of the need to rebuild a retaining wall near to the sub-station there. The anticipated outturn for phase 3 is £7,832,000, which is £330,000 higher than previously approved.

20. The construction of eight affordable rented homes at Barnfield, Roydon by Linden Homes is progressing well and the Council is expecting to take possession of these properties by the end of 2017; £707,000 of the original allocation of £1,512,000, remains in 2017/18 for this scheme. Finally, an allocation of £345,000 has been included in the housebuilding programme to finance a pilot scheme to provide three modular units of temporary accommodation for six single vulnerable homeless people at Norway House, North Weald. It is anticipated that the units will be in place by the end of this financial year, subject to the receipt of planning permission. No allowance has been made in the Capital Programme for the buy-backs at Pyles Lane as timescales and property numbers cannot be predicted at this time.

21. Members are asked to approve the increases in budgets for phases 1 to 3 detailed above of £1,641,000, and the re-profiling of works estimated at £3,207,000 from 2017/18 to 2018/19. Members should be aware that it has been necessary to use approximated sums for fees within the anticipated outturn figures for all phases as new fee arrangements are now required following the announcement by East Thames to end their contract as the Council's development agent; a six-month hand-over period has been agreed to allow the Council to put in place alternative contractual arrangements. The conversions at Marden Close and Faversham Hall were completed in 2015/16. The final account is currently being negotiated and is expected to be in the region of £92,000; this represents an increase of £74,000 for which approval is sought.

22. Capital investment on improvement works to the existing housing stock increased from 2012/13 onwards when the Council agreed to upgrade maintenance levels from the Decent Homes Standard to a Modern Homes standard. Since then a programme of catch-up works has been in place and this is now essentially complete. However, as stated above, a decision was made to return to the Decent Homes Standard and, as a result, the forecast investment on existing stock shown in appendix 3 has been reduced in all years. Reductions in 2017/18 have been identified within a number of budget heads including kitchen and bathroom replacements, heating, rewiring, windows, doors, roofing, other planned maintenance, garages and other environmental improvements. In total, savings of £1,617,000 have been identified in 2017/18.

23. Given the age of the housing stock generally, there is an urgent need to carry out some major structural works on many properties with cracks in plaster and walls being a significant issue. It has been estimated that additional works of £455,000 will be required to carry out structural works primarily on void properties. It is recommended that this budget is enhanced by £455,000 from the savings identified in the categories detailed in paragraph 22 above. Design specifications for the Limes Farm Estate lift installations is currently progressing, however works are not expected to start on site until early 2018; consequently £475,000 of this sum would be re-profiled into 2018/19.

24. An additional £34,000 is required for the smart store IT system for the housing repairs service in the service enhancements category. It is recommended this sum is transferred from the categories detailed above where savings have been recognised.

25. Slippage has occurred on some projects. In particular delays have been experienced on the programme of providing off-street parking bays on housing estates, due to the complications outlined in paragraph 15; £431,000 is recommended for carry forward. The Oakwood Hill Estate enhancement programme has also faced considerable delays for which a carry forward of £200,000 is sought. Finally, despite the front door replacement programme on leaseholder flats being treated as urgent due to fire safety regulations, leaseholder issues have delayed procedures and works estimated at £150,000 is recommended for carry forward.

26. Last year a provisional sum of £3,200,000 was set aside within the capital programme to build a new depot at North Weald Airfield. This was to re-locate the housing repairs service from the Epping depot to enable the proposed re-development for the St Johns Road area to proceed. However, after a successful feasibility study on an alternative option that explored relocating the housing repairs service and the housing assets team to the Oakwood Hill depot, Cabinet decided in favour of expanding the Oakwood Hill depot and ceasing the plans to build a new depot at North Weald. A budget of £755,000 was re-allocated from the North Weald depot scheme to the Oakwood Hill expansion and a further sum of £340,000 has been identified to finance refurbishment and fitting-out costs as well as capital fees. Of the total of £1,095,000, an estimated £5,000 is expected to be spent in 2017/18 and £1,090,000 carried forward to 2018/19. The balance of £2,105,000 remaining from the provisional sum set aside for the North Weald scheme has been withdrawn from the capital programme.

27. In summary, the HRA capital programme presented in this report allows for a total investment of £95,872,000 over the five year period from 2017/18. The Council's new housebuilding and conversions programme represents £46,478,000 of this total and a provisional sum of £1,095,000 has been identified for the extension of a new depot at North Weald. Improvement works to the existing stock account, estate environmental works, disabled adaptations and replacement DLO vehicles account for the remaining £48,299,000. Some of these costs relate to capital works carried out on blocks of Council flats and they are recharged to private leaseholders as appropriate. Once the works are complete they are identified to each category of work and reported at the end of the financial year. It is currently estimated that these recharges will total approximately £1,500,000 over the five year period of this capital programme.

Capital Loans

28. The planned programme for the provision of capital loans for private housing assistance from 2017/18 to 2021/22 is shown on Appendix 4. Since the new regime was introduced on 1 July 2012, when all discretionary financial assistance given by the Council became repayable upon the sale or transfer of property, the uptake has been significantly lower than under the previous grant scheme. The allocation has been revised to £150,000

per year from 2017/18 onwards, with a view to being reviewed as and when necessary. However, uptake is still lower than anticipated and it is estimated that total advances this year will be in the order of £120,000. The Housing Assistance Policy is currently being reviewed and the new proposals will come into effect on 1 April 2018, pending approval. The new arrangements, combined with a recent increase in publicity, are expected to increase uptake.

29. Financial assistance is now in place to advance a loan of £14,086,000 to Places For People, the new leisure management contractor, for the construction of the new leisure facilities in Waltham Abbey and fitness equipment at other sites, as part of the new Leisure Management contract. Advances are made on a monthly basis, based on the work undertaken; the phasing is given on Appendix 4. Officers are currently exploring the possibility that this represents capital expenditure as opposed to a loan.

Revenue Expenditure Financed from Capital under Statute

30. The capital programme for revenue expenditure to be financed from capital resources is detailed on Appendix 5 for the period 2017/18 to 2021/22.

31. Over the past few years the Council has invested in three major parking reviews. The Epping parking review was completed in 2013/14 and the Buckhurst Hill review was completed in 2015/16. Phase 1 of the Loughton Parking review went live in August 2017, which provided 14 on-street parking schemes located in Loughton including Oakwood Hill, Rectory Lane and Langston Road. Phase 2 will identify potential locations in and around Debden station. Although public consultation, design and advertising are expected to be completed this financial year, the rest of the works in respect of phase 2 will slip into 2018/19; £253,000 is therefore requested to be carried forward.

32. In June 2017, Cabinet approved a virement of £120,000 from the Bridgeman House project to the transformation programme to fund external support to update the service accommodation review, including the programme definition document, and prepare a detailed business case for the option selected by Cabinet. Although this expenditure does not constitute capital expenditure, it can be legitimately funded from capital resources.

33. In June 2017 Cabinet endorsed the expression of interest in further investment in the superfast broadband network sent by letter from Essex County Council (ECC). This confirmed that the Council will provisionally allocate an amount of up to £350,000 as a contribution to a further rollout programme. A total of £821,000 of public funding is being offered for Lot 1 of Phase 4a of the Superfast Essex programme, which includes the Epping Forest District area, broken down as EFDC £350,000, match-funding of £350,000 from Broadband Delivery UK (part of the Department for Digital, Culture, Media and Sport) and a £121,000 contribution from ECC. The Invitation to Tender was issued to the market on 13th October 2017, with a stated strategic objective to reach 99.9% connectivity in the district. Cabinet requested at the meeting in June that a further report be brought back to members upon completion of the tender process in order that the proposed size and scope of the local investment can be more clearly defined. It remains the intention to do this once the successful bidder is identified. However, before contracts can be signed, ECC will require the Council to enter into a formal finance agreement to underpin the local funding contribution. Whilst the funding may not be drawn down by ECC until 2019/20 or 2020/21, in order to enter into this agreement and make this financial commitment the funding has been included in the capital programme for 2019/20 pending member approval.

Capital Financing

34. 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 2017/18 to 2021/22. 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, projected receipts from the sale of council houses, the projected receipt in respect of the St John's Road development and loan repayments from the Council's waste management and leisure management operators are taken into account. No recognition of other potential receipts is made and, when predicting levels of available capital funding, receipts from future land sales are not taken into account.

36. Similarly a prudent view is taken of other sources of capital funding including funds receivable from Government Grants and private contributions. The availability of Section 106 monies to fund capital projects is based on payments received to date and not payments anticipated in the future. Those received for the provision of affordable housing are currently used to support the Council's own house-building programme.

37. The position regarding the generation of Right To Buy capital receipts improved after the maximum allowable discount was increased significantly on 1 April 2013. In 2013/14 The number of Council House sales was 53, this fell to 46 in 2014/15 and 20 in 2015/16 but numbers rose again to 46 in 2016/17. To date there have been 19 sales in the first six months to 30 September 2017 and it is estimated that a total of 30 dwellings will be sold by the year end. Future projections are notoriously difficult to forecast as there remain many uncertainties in the housing market; for the purposes of this report 24 sales have been estimated for 2018/19 and the following three years. The situation will continue to be monitored.

38. Appendix 6(a) shows the latest forecast of capital receipt generation, their application and hence the likely level of resources available to fund new projects. Due to the increase in the Council's capital investment programme on General Fund schemes in recent years, there are limited capital receipts available to fund the General Fund capital programme this financial year. However, funds are expected to be available in 2018/19 pending the capital receipt for the sale of land at St John's Road and more limited funds are expected from 2019/20 onwards. All usable capital receipts are expected to be used in the year they are received where possible, with an estimated balance of £2,069,000 by 31 March 2022.

39. Borrowing is expected to be in the order of £28,382,000 to finance some General Fund projects over the next five years; where the term borrowing refers to either internal or external borrowing. It is unclear at this stage exactly when external borrowing will be required, but forecasts currently suggest that it will be at the end of this financial year or the beginning of 2018/19 and that it will fall within the authorised limit approved by Members. The sum given above has been kept to a minimum by making use of increased revenue funding from the General Fund last year and borrowing unapplied 1-4-1 HRA capital receipts. With regard to the HRA capital programme, it is thought that no increase in external borrowing will be necessary in the next five years. All available balances on the Major Repairs Reserve and the HRA self-financing reserve will initially be diverted to contribute directly to the capital programme before borrowing from external sources.

40. Appendix 6(b) shows that the balance on the Major Repairs Reserve will reduce to £5,882,000. Members are asked to note that the use of direct revenue funding are indicative figures only and will be revised as necessary when the HRA revenue account is revised.

41. Appendix 6(c) shows the HRA Self Financing Reserve which has a current balance of

£12,720,000 as at 1 April 2017. This balance is expected to fall to £5,135,000 by 31 March 2022.

Resource Implications:

The following table lists all sums recommended to be carried forward from 2017/18 to future years and one sum to be brought forward to 2017/8 from 2018/19:

Capital Project	Sum c/f from 2017/18	Sum b/f to 2017/18	Appendix
Planned Maintenance	583,000		2
General IT	101,000		2
Hill House Development	130,000		2
Town Mead Depot	130,000		2
Car Parking Schemes	161,000		2
NWA Vehicle Compound	12,000		2
Flood Alleviation	19,000		2
Ground Maintenance Vehicles		10,000	2
CCTV Systems	57,000		2
Housing Estate Parking	510,000		2
Parking Review Schemes (REFCuS)	253,000		5
Total General Fund Schemes	1,956,000	10,000	
New House Building	3,207,000		3
Structural Schemes	475,000		3
Housing Estate Parking	431,000		3
Oakwood Hill Estate	200,000		
Oakwood Hill Depot	1,090,000		3
Front Door Replacements	150,000		3
Total HRA Schemes	5,553,000	0	

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.

Risk Management:

There is a financial risk involved in reducing the balance of usable capital receipts over the next five years.