

REPORT TO: CABINET

DATE: 18 JULY 2019

TITLE: CAPITAL PROGRAMMES OUTTURN REPORT 2018/19

PORTFOLIO HOLDERS: COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES
COUNCILLOR MARK WILKINSON, PORTFOLIO HOLDER FOR HOUSING

LEAD OFFICERS: SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE MANAGING DIRECTOR (01279) 446228
ANDREW MURRAY, HEAD OF HOUSING (01279) 446676

CONTRIBUTING OFFICERS: SENIOR MANAGEMENT BOARD (01279) 446004

This is not a Key Decision

It is on the Forward Plan as Decision Number I010137

The decision is not subject to Call-in Procedures for the following reason:

The recommendations are within the scope of the budget which has been approved by Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the outturn of the Council's Housing and Non Housing Capital Programmes as at 31 March 2019 detailed as follows:
- i) Housing Capital Programme expenditure of £17,205,000 against an approved revised budget of £19,513,000.
 - ii) Non Housing Capital Programme expenditure of £10,422,000 against an approved revised budget of £14,903,000.
- B** Approves the carryover of Housing Capital programme schemes to 2019/20 of £3,608,000 to meet capital commitments.
- C** Approves the carryover of Non Housing Capital Programme schemes to 2018/19 of £1,216,000 to meet statutory and agreed capital commitments in the core programme and £260,000 to meet commitments in respect of the Enterprise Zone.

- D Recognises the operational performance which has been achieved across all Council services during 2018/19.

REASON FOR DECISION

- A To ensure that Cabinet may review performance against the Council's approved 2018/19 Housing and Non Housing Capital Programmes.

BACKGROUND

1. Detailed budget monitoring reports are formally reviewed each month and reported to Cabinet quarterly to facilitate a close supervision over the Council's financial position throughout the year.
2. In February 2018, Full Council approved a Housing Capital Programme for 2018/19 totalling £18,804,000 and a Core Non Housing Capital Programme totalling £3,946,000. The budgets for Prentice Place and the Enterprise Zone totalled an additional £11,304,000.
3. The Housing Capital Programme in 2018/19 continued to plan ahead using its Business planning processes to establish a short, medium and long term Asset Management Plan with programmes of work to its housing stock procured as effectively as possible to realise efficiency, make the best use of resources, and maintain compliance with the Government's Decent Homes Standards, manage the growing complexity of meeting local priorities, as well as fulfil its wider regulatory and statutory duties as a responsible landlord.

ISSUES/PROPOSALS

Summary of the 2018/19 Capital Programmes' Financial Performance

4. During 2018/19 changes to the Housing capital programme were approved by Cabinet as detailed in table 1 below:

Table 1 – Housing Capital Programme 2018/19 Outturn

2018/19 Budget Stage	£000s	Date Approved
Original budget	18,804	1 Feb 18
Carryovers from 2017/18	5,187	19 July 18
Other additions / adjustments	560	
Revised Budget	24,551	13 Sept 18
Carryovers included in Business Plan:	(-)5,243	
New build carryovers	(-)504	
Building Council Homes new expenditure	165	

2018/19 Budget Stage	£000s	Date Approved
Other expenditure	544	
Current Budget	19,513	24 Jan 19
Underspend on Programme	(-)2,308	
Outturn 2018/19	17,205	

5. A detailed comparison of the programme and the specific areas in which carry forward requests have been made are detailed in Table 2 below:

Table 2 – Housing Capital Programme Expenditure 2018/19

	Approved Budget Feb 2018	Current Approved Budget	Outturn 2018/19	Variance Outturn to Current Budget	Carry overs	Ref Note / Para
	£000s	£000s	£000s	£000s	£000s	
EXPENDITURE						
Property Conversions & New Build	781	465	333	(-)132	132	6a
Internal Works	4,351	3,029	3,374	345		6b
Windows & Doors	100	370	370	0		
External Works	3,732	5,461	4,375	(-)1,086	1,205	6c
Damp & Structural Works	200	200	218	18		
Other Works including Asbestos & Garages	1,400	1,958	1,723	(-)235	305	6d
Electrical Upgrades and Fire Safety	500	997	350	(-)647	648	6e
Fire Safety & Regulation – SE Ducts removal	1,053	1,053	423	(-)630	629	6f
Fire Safety & Regulation – Other work	1,590	750	1,332	582		6g
Energy Efficiency	3,312	3,889	3,633	(-)256	313	6h
Disabled Adaptations	900	1,079	684	(-)395	375	6i
Surveyors Fees	422	0	0	0		
Bromley Cottages	0	100	220	120		6j
Housing IT Development	463	162	170	8		
TOTAL	18,804	19,513	17,205	(-) 2,308	3,608	

	Approved Budget Feb 2018	Current Approved Budget	Outturn 2018/19	Variance Outturn to Current Budget	Carry overs	Ref Note / Para
	£000s	£000s	£000s	£000s	£000s	
FINANCING						
Capital Receipts – Right To Buy	(-)1,217	(-)1,217	(-)1,128	89		
Retained and Capital Receipts	(-)234	(-)1,675	(-)1,634	41		
Major Repairs Reserve	(-)11,439	(-)9,940	(-)10,362	(-)422		
Grants	0	(-)230	(-)131	99		

Direct Revenue Contribution	(-)5,914	(-)6,451	(-)3,950	2,501	(-)3,608	
TOTAL FINANCING	(-)18,804	(-)19,513	(-)17,205	2,308	(-)3,608	

6. The year-end variance of (-)£2,308,000 includes the following factors:

- a) The Council is developing a programme to build new council homes within its Housing Revenue Account (HRA). The carryover is to continue the planned work in 2019/20 and will add to the budgets approved for ongoing schemes.
- b) Internal works include works to tenanted properties based on agreed HTS (Property and Environment) Ltd (HTS) business cases.
- c) External work to tenanted properties, the carryover will enable urgent roofing works to Dellfield Court to be carried out in 2019/20 and the major external works programme to be final accounted.
- d) Carryover of garage programme to enable completion in 2019/20.
- e) Carryover of electrical compliance and health and safety works for completion in 2019/20.
- f) Continuation of programme to decommission SE Ducts in Tower Blocks following a pilot scheme at Willowfield Tower.
- g) Work in respect of fire safety in tower blocks proceeded more quickly than anticipated such that expenditure exceeded the revised budget. This will be amended against the 2019/20 budget.
- h) Carryover required to complete the 2018/19 programme of communal boiler works and energy efficiency schemes.
- i) Work to install disabled adaptations to tenanted properties.
- j) Refurbishment of Bromley Cottages as “move on” temporary accommodation in partnership with Streets 2 Homes. The original cost of works was £174,000 but due to unforeseen works identified through the build process the outturn is £220,000.

7. From 1 February 2017, HTS, a wholly owned subsidiary company of the Council, was contracted to undertake a range of housing related works including internal works, communal boilers, compliance, energy and efficiency and disabled facility works to council dwellings. The budget for 2018/19 was £7,507,000, with an outturn of £5,294,000 and carryovers of £2,327,000 (as set out in Annex 2).

Financing

8. Direct revenue contributions from the HRA were originally estimated to be £5,914,000. However, as a result of the underspend against the revised budget

(and the carry forward requests of £3,608,000 contained within this report) the actual revenue contribution required has reduced to £3,950,000. These factors cause a higher than anticipated revenue working balance at the year end. Capital receipts of £1,128,000 received in 2018/19 together with receipts brought forward from 2017/18 of £1,535,000 have also been used to finance the housing capital programme.

9. The original capital programme was based upon a forecast of 50 Right to Buy (RTB) Sales in 2018/19. The actual number of completions in 2018/19 was 44. In 2017/18 capital pooling receipts were retained totalling £3,928,000 with a view to supporting a programme of house building. Under Pooling Regulations these receipts must be used within 3 years and can be applied in respect of 30 per cent of new build expenditure incurred. In 2018/19 £99,000 of retained receipts were applied to finance the housing capital programme. The Council did not retain new capital receipts from pooling in 2018/19.
10. An Energy Company Obligation funding grant of £10,000 was received from Sustain Ltd to support the energy efficiency work undertaken on district heating schemes. The Government also awarded the Council grant funding under the Rough Sleepers Initiative, £121,000 of which was allocated to Housing to support the refurbishment of Bromley Cottages.
11. The Major Repairs Reserve (MRR) had a nil balance as at 31 March 2018. The depreciation charge for assets held was £10,362,000. This was applied to fund the Housing Capital Programme, resulting in a nil closing balance on the MRR at 31 March 2019. The MRR can only be used to fund capital expenditure or repay debt.

Table 3 – Major Repairs Reserve

	Original Estimate £000's	Outturn £000's	Variance £'000s
Balance at 1 April 2018	0	0	0
Depreciation Charge 2018/19	(-)11,439	(-)10,362	1,077
Capital Financing	11,439	10,362	(-)1,077
Estimated Balance at 31 March 2019	0	0	0

Non Housing Capital Programme

12. As with the Housing Capital Programme, the original Non Housing Capital Programme has varied during the year, summarised in Table 4 below:

Table 4 – Non Housing Capital Programme 2018/19 Outturn

2018-19 Budget Stage	£000s	Date Approved
Original budget	3,946	1 Feb 18
Enterprise Zone	8,031	

Prentice Place	3,273	
Carryovers from 2017/18	3,996	19 July 18
	19,246	
Deferral of EZ expenditure to 2019/20 and other minor adjustments	(-)4,519	
Revised Budget	14,727	13 Sept 18
In year budget additions	176	Annex A12/14 +
Current Budget	14,903	
Outturn 2018/19	9,742	
Underspend	5,179	
In year carryovers	3,508	
Year end carryovers	1,476	
Underspend on NHCP	195	
	5,179	
Expenditure on Grant funded schemes: not included in NHCP Budget Monitoring/Reporting.	698	

Table 5 – Non Housing Capital Programme 2018/19

	Approved Budget 2018/19 £000s	Current Approved Budget £000s	Outturn 2018/19 £000s	Variance Outturn to Current budget £000s	Carry overs £000s	Ref Annex / Para
EXPENDITURE						
Place Services:	2,630	3,456	2,103	(-)1,353	539	A7-14
Governance	15	0	0	0	0	
Finance	236	236	36	(-)200	200	A3
Community Wellbeing	1,065	1,338	864	(-)474	476	A4-6
Subtotal Core Programme	3,943	5,030	3,003	(-)2,027	1,216	
Prentice Place	3,273	3,350	1,191	(-)2,159	0	A15
Enterprise Zone	8,031	6,523	5,530	(-)993	260	A16
Sub Total Non-Core Programme	11,304	9,873	6,721	(-)3,152	260	
TOTAL	15,250	14,903	9,724	(-)5,179	1,476	
POD/GAF Schemes	0	0	698	698	0	A17

TOTAL	15,250	14,903	10,422	(-)4,481	1,476	

13. Overall there was an under spend against budget on the Non Housing Capital Programme. There were underspends against disabled facilities due to reduced demand and in schemes, including roofing work, and various works to commercial and community properties.
14. Carryovers are requested in respect of schemes committed to in 2018/19 or work in progress. Requests have been reviewed by Heads of Service and total £1,476,000 as detailed in Annex A2.
15. Asset disposals of £78,000 were used to fund the core 2018/19 Non Housing Capital Programme.
16. Work to the major infrastructure of the Enterprise Zone continued in 2018/19 financed from internal borrowing and a contribution of £152,000 from the Council.
17. The Council was awarded a Disabled Facilities Grant for 2017/18 of £740,000 from Ministry for Housing, Communities and Local Government of which £353,000 was applied to capital financing, in respect of expenditure incurred.
18. Funding of the Non Housing Capital Programme included grant funding from the County Council for the Town Park £11,000 and Netteswell Pond £66,000 plus contributions of £35,000 from Sumners Leisure Centre for work undertaken there.
19. Income from garages allocated to the General Fund made a direct revenue contribution of £74,000.
20. The Non Housing Capital Programme outturn of £10,422,000 requires internal borrowing in 2018/19 of £1,945,000 (Original estimate £2,993,000) in respect of the core Non Housing Capital Programme, plus internal borrowing in respect of the Enterprise Zone of £5,378,000. Total internal borrowing is therefore £7,323,000.
21. The carryover of £1,476,000 effectively defers additional borrowing for the core capital programme of £1,216,000 and of £260,000 for the Enterprise Zone to 2019/20.

Table 6 – Non Housing Capital Programme Borrowing

	£000's
Borrowing to support Non Housing Capital Programme as at 31 March 2018	9,535
New borrowing to finance shortfall in Non Housing Capital Programme, 2018/19	7,323
Borrowing to support Non Housing Capital Programme as at 31 March 2018	16,858

Risks and Opportunities

22. There is ongoing uncertainty regarding enhancement to the performance of tower blocks during fire emergencies in the wake of the incident at Grenfell Tower. The outcomes from the Inquiry may have far reaching consequences for more immediate demand for funding, with a potential requirement to review the 2019/20 housing capital programme and supplement the existing budgetary provision.
23. Key risks in the delivery of the five year Housing Investment programme are the performance of contractors and the Council's capacity to deliver a housing capital programme revised in light of changing priorities and funding available from the HRA. The Council's management of the appointed contractor for these works has been subject to an Internal Audit which reported a 'Substantial Assurance' outcome in December 2016.
24. Housing capital funding is affected by reducing rents until 2020.
25. Key risks in the Non Housing Capital Programme are centred on the implications for the Asset Management Plan and for future capital budgets and income generation following the completion of the Stock Condition Surveys.
26. An additional risk in the Non Housing Capital Programme is the cost of removing asbestos as works are undertaken.

IMPLICATIONS

Place (Includes Sustainability)

As contained within the report.

Author: Andrew Bramidge, Project Director – Enterprise Zone and Interim Head of Planning

Finance (Includes ICT)

As contained within the report.

Author: Simon Freeman, Head of Finance and Deputy to the Managing Director

Housing

As contained within the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

As contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Annex A – Capital Programmes Finance Report 2018/19

Background Papers

None.

Glossary of terms/abbreviations used

HRA – Housing Revenue Account

HTS – HTS (Property and Environment) Ltd

MHCLG – Ministry for Housing, Communities and Local Government

MRR – Major Repairs Reserve

RTB – Right to Buy

ANNEX A

CAPITAL PROGRAMMES FINANCE REPORT, 2018/19 Update on the Status of Capital Projects

Housing Capital Programme

A1. HTS Work Packages 2018/19

The year two contract with carryovers was £7.5m.

Work Packages	Current Budget	2018/19 Outturn	Carry-overs
	£'000	£'000	£'000
Internal Works	3,380	2,394	986
Aids and Adaptations	900	525	375
Compliance	757	220	537
Contingency	226	244	0
Windows and Doors	266	266	0
Garage doors	50	39	11
Garage 17/18 carry over	201	96	105
Energy Efficiency	330	170	160
17/18 Communal Boiler	1,174	1,021	152
Lift Replacement	122	122	0
Bromley Cottages	100	197	0
	7,507	5,294	2,327

Non-Housing Capital Programme

A2. Capital Carryovers 2018/19

Schemes	£	£
Place Services:		
LBC Boiler	2,250	
LBC Asbestos Removal	15,610	
Stow Public Toilet Conversion	39,000	
Bush Fair 2 Storey Pavilion	89,250	
Bush Fair Public Realm	94,500	
Harlow Museum	19,400	
Stow Public Realm	5,454	
Stow Public Realm	6,000	
EPCs	13,000	
Garages	254,788	
TOTAL PLACE SERVICES CARRYOVERS		539,252
Finance:		
Telephone Replacement		200,000

Community Wellbeing:		
Website Software Upgrade	38,100	
21 The Rows Refurbishment	250,000	
Moot House Frontage	188,373	
TOTAL COMMUNITY WELLBEING CARRYOVERS		476,473
Enterprise Zone	260,471	
TOTAL NON CORE PROGRAMME CARRYOVERS		260,471
Total Carryovers		1,476,196

- A3. IT work in 2018/19 prioritised the delivery of a new telephony system to the Council which will be installed in 2019/20.
- A4. Community Wellbeing schemes in 2018/19 include on-going work to refurbish The Playhouse totalling £444,000 and work to the Town Park which out turned at £308,000. A grant of £111,000 was awarded by ECC Short Breaks to enable the installation of the Inclusive Play Facilities in the Town Park which is suitable for people with disabilities. In 2018/19 only £11,000 was allocated to funding as the grant of £100,000 has a clawback clause which means it will be allocated to funding the Non Housing Capital Programme in tranches of £20,000 over the next 5 years.
- A5. A new van for the Community Rangers was purchased during the year £22,000 and work was undertaken to the Splash Pool at Potter Street £21,000.
- A6. A Multi Use Games Area was installed at Nichols Field, £47,000, as part of the agreed works to the Abercrombie area which are separately grant funded. In addition CCTV was installed at Bush Fair, £20,000.
- A7. A scheme to install CCTV at the Bus Station was approved by Cabinet on 28 March 2019 and has been carried out at a cost of £9,000.
- A8. Schemes originally approved at the Latton Bush Centre totalled £534,000 and spent £433,000 with a carryover requested to complete the asbestos removal programme of £16,000.
- A9. Work to the Council's Commercial portfolio in 2018/19 includes roofing work at Sumners Hatch of £139,000 and works to the Leah Manning Centre and to offices at Bush Fair.
- A10. Renewal of the existing obsolete and inefficient gas boilers providing both central heating and hot water to Sumners Leisure Centre was carried out at a cost of £72,000 with a carryover requested to finalise the work in 2019/20. The scheme is funded by a tenant contribution of £35,000.

- A11. A successful bid for grant funding of £66,000 from ECC Flood Improvement Fund has resulted in a programme of restoration work being carried out at Netteswell Pond. The scheme includes improving fishing facilities and flood prevention measures and is supported by a virement of £29,000 from the Townwide Flood Alleviation budget, giving a total expenditure of £95,000.
- A12. Various Playgrounds have been refurbished at a cost of £49,000.
- A13. River Way Car Park has been refurbished and is now a Pay and Display facility.
- A14. The work to the Town Centre Public Realm completed in 2018/19, £317,000 and was part funded with an allocation from the Town Centre Reserve of £112,000.
- A15. The Regeneration of Prentice Place was approved by Cabinet 31 March 2016 and a business case was included in the Non Housing Capital Programme 2017/18. The scheme cost £297,000 in 2017/18 and continued in 2018/19 with an outturn of £1,191,000. It is funded in 2018/19 from ring-fenced capital receipts. The total scheme budget of £4m will require future borrowing of £1.754m.
- A16. The Council is undertaking a major project to construct premises on the Enterprise Zone requiring expenditure of £5,530,000 in 2018/19. The project is funded from internal borrowing and in 2018/19 from a grant from ECC for £152,000. Income will be generated through future business rate receipts.
- A17. Work funded from the Programme of Development and Growth Area Funding grants included schemes around the shopping hatches in Harlow and the purchase of the Lister House site from Harlow Health Centres Trust. Also included was the installation of a Multi-Use Games Area (MUGA) at Abercrombie Way.