

REPORT TO: CHIEF EXECUTIVE

DATE: 15 APRIL 2020

TITLE: CAPITAL PROGRAMMES, QUARTER 3
FINANCE REPORT 2019/20

PORTFOLIO HOLDERS: COUNCILLOR MIKE DANVERS, PORTFOLIO
HOLDER FOR RESOURCES

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This is not a Key Decision

It is on the Forward Plan as decision number I010158

This decision is not subject to Call-in procedures for the following reasons:

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 the Chief Executive:

- A** Notes the progress in the delivery of the Council's Housing and Non Housing Capital Programmes as at Quarter Three (29 December 2019) as follows:
- i) Housing Capital Programme – forecast outturn £18,964,000 (revised estimate £23,743,000).
 - ii) Non Housing Capital Programme – forecast outturn £13,101,000 (revised estimate £19,654,000).
- B** Notes a business case for Bandstand Security and Fire Protection £24,895 included is the forecast outturn of the Non Housing Capital Programme. The proposed work will provide essential protection to the Bandstand ensuring public safety is of priority for the continued use of the Bandstand.
- C** Approves the revised Housing and Non Housing Capital budgets including re-profiled schemes as set out in the report to re-align work streams with current asset management priorities.

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the Council's approved 2019/20 Housing and Non Housing Capital Programmes.

BACKGROUND

1. This report on the Capital Programme forms part of the suite of budget monitoring reports provided to ensure close supervision over the financial position throughout the year.
2. In February 2019, Full Council approved a Housing Capital Programme for 2019/20 totalling £24,044,000 and a Non Housing Capital Programme totalling £11,156,000. As a result of subsequent Cabinet decisions during the financial year the values now are £23,883,000 and £19,685,000 respectively.
3. The Council continues to plan ahead using its business planning processes to establish a short, medium and long term Asset Management Plan. The programmes of works are procured as effectively as possible to realise efficiency, make the best use of resources, whilst ensuring that compliance with the Government's Decent Homes Standards is maintained.

HOUSING CAPITAL PROGRAMME

Asset Management Priorities

4. The housing capital programme continues investment through the modern homes programme and includes replacement of district heating schemes, energy efficiency programmes, and commencing a programme of Council house building within the reducing resources available.
5. Previous reviews of the Council's tower block fire risk assessments confirmed that all blocks were inherently safe. The budget for 2019/20 enables schemes to continue which respond to the conclusions of the Hackitt Report and also provides funding for fire risk works as they are identified.
6. The budget for fire safety in tower blocks in 2019/20, which includes Health and Safety work is based on fire risk assessments and on-going inspections. The programme of work for 2019/20 is spend in the region of £1,224,000 against an original estimate £3,224,000. However the programme has been reprofiled moving resources in to the 2020/21 financial year and creating a programme totalling £1,000,000 in 2020/21 and a further £1,000,000 in 2021/22.
7. The previous external works programme being undertaken by Mulalley and Company is now complete with a few specific issues to be finalised. The contract requires all sites to have been handed over prior to the final payment which will be funded from the resources carried forward from 2018/19.

8. External works to a number of priority sites across the town continues in 2019/20 with a budget of £2,646,000. Work is currently on-going at five sites with a further site being prepared for inclusion in the programme of work.
9. A further £1,410,000 for other external works includes planned work to leasehold properties, to Dellfield Court (£60,000) and Mill House (£150,000) plus work to be carried out under the HTS (Property and Environment) Limited (HTS) contract (£530,000). The programme of work to replace water tanks in flat blocks (£100,000) will now be carried out in 2020/21, and £334,000 relating to other external works will also be undertaken next year.
10. Other works includes a programme to refurbish or demolish garages across the town or create new parking spaces with budgets, including carryovers, totalling £910,000 across the Housing Revenue Account (HRA) and General Fund capital budgets. The budget for Other Works also includes work to remove Asbestos to council dwellings which is forecast to cost £200,000 (original estimate £100,000).
11. In 2018/19 the Council received Flexible Support Grant (FSG) from the Government. In 2019/20 under round two of the FSG allocation the Council has been awarded a further £360,000 funding which will continue to support this service with £36,000 allocated to support expenditure in the HRA.

Building Council Homes

12. The Council's programme to build new council homes within its HRA, is funded from retained pooled receipts and, when appropriate, external borrowing. Planned expenditure and funding will be in line with the HRA Business Plan and as reported in the Capital Estimates report.

Heating Systems Replacement

13. The capital programme includes provision for the replacement of four District Heating Schemes. In 2019/20 this budget has been revised to £1,462,441 to complete works commenced in 2018/19 and facilitate further communal boiler works.
14. Alongside the Heating System Replacement programme a programme of urgent works was put in place to install new gas 'wet' system boilers and heating systems and to decommission the associated air ducts in five tower blocks (Stort, Moor, Edmund, Willowfield and Nicholls). Due to the complex nature of the work the replacement programme commenced with a pilot scheme at Willowfield Tower in August 2018, works which were complete by the end of July 2019. Over the five sites the work affects 248 individual properties (140 tenanted and 108 leasehold) and includes consultation with residents. Due to the requirements of the leasehold consultation process, which requires alignment to the section 20 process, a full carryover of this budget is anticipated.

Housing ICT

15. Each year Cabinet approves a programme of Housing IT enhancements as part of the wider housing capital programme. This has included replacement modules for Asset Management, Responsive Repairs, as well as upgrades and interfaces to and from the Orchard Housing Management system. The allocated budget for 2019/20 is £522,000 and will focus on improving and enhancing Homelessness Management together with customer access. However, there is expected to be a carryover of £300,000 in to 2020/21 to complete this work.

Housing Capital Programme 2019/20

16. Table 2 below provides a summary of the approved Housing Capital Programme. It includes carry forwards from 2018/19 and is the current projection of expenditure to 31 March 2020.

Table 2 – Housing Capital Programme Projection as at Quarter 3

2019-20 Budget Stage	£000s	Date Approved
Original budget	24,044	7 Feb 19
Carryovers from 2018/19	3,608	18 July 19
Other additions / adjustments	(-)1,104	
	26,548	
Quarter 1 Adjustments	(-)2,805	12 Sept 19
Quarter 2 Adjustment	140	5 Dec 19
Current Budget	23,883	
Re-profiled to 2020/21	(-)4,070	Para 18
Fire Safety works re-profiled	(-)2,000	Para 6
Additional New Build	1,070	Para 12
Current variance to budget	81	
Forecast outturn 2019/20	18,964	

17. A more detailed view of the approved Housing Capital Programme is shown in Table 3 below. As a result of the current forecast it is expected that Direct Revenue Financing required from the HRA will be £6,641,000.

Table 3 – Housing Capital Programme 2019/20

	Original Budget	2018/19 Carryovers and adjustments*	Current Estimate	Projected Outturn (revised estimate)	Variance Current Budget (Projected Outturn)	Report Ref.
	£'000	£'000	£'000	£'000	£000	
Expenditure						
Council Home Building	3,716	(-)2,648	1,068	2,138	1,070	Table 1
Internal Works	3,313	(-)333	2,980	2,976	(-)4	
External Works (Savills)	3,294	(-)25	3,269	3,269	0	9 & 10
External Works (HTS)	1,000	(-)470	530	530	0	11
External Works (Other)	250	1,160	1,410	977	(-)433	11
Environment	100	0	100	100	0	
Damp & Structural Works	600	265	865	865	0	
Other Works: Lifts Asbestos, Garages,	894	305	1,199	1,299	100	12
Energy Efficiency (including Boilers)	1,700	(-)77	1,623	1,623	0	15
Compliance & Electrical Upgrades	1,000	1,337	2,337	2,337	0	
Fire Safety Tower Blocks	3,746	(-)545	3,201	1,224	(-)1,977	8
Fire Safety – Pilot Scheme	0	(-)309	309	309	0	16
Fire Safety SE Ducts	3,000	0	3,000	0	(-)3,000	16
Energy Efficiency (non HTS)	0	55	55	55	0	
Aids & Adaptations	900	375	1,275	900	(-)375	
Housing IT Development	531	(-)9	522	222	(-)300	17
Acquisition	0	0	140	140	0	
TOTAL EXPENDITURE	24,044	301	23,883	18,964	(-)4,920	
Financed by:						

	Original Budget	2018/19 Carryovers and adjustments*	Current Estimate	Projected Outturn (revised estimate)	Variance Current Budget (Projected Outturn)	Report Ref.
	£'000	£'000	£'000	£'000	£000	
Capital Receipts: Right to Buy	(-)953		(-)953	(-)1,590	(-)637	
Retained Receipts	(-)1,115		(-)321	(-)641	(-)321	
Major Repairs Reserve	(-)10,085		(-)10,085	(-)10,092	(-)7	
Borrowing	(-)2,700		0	0	0	
Direct Revenue Contribution	(-)9,191		(-)12,524	(-)6,641	5,894	
TOTAL FINANCING	(-)24,044		(-)23,883	(-)18,964	4,920	

18. The projected outturns reflect the planned scope of work in progress and schemes planned for 2019/20. Table 4 reports the anticipated reprofiled budgets which will be allocated to 2020/21 and £400,000 of work now included in 2020/21 original estimates*:

Table 4 – Reprofiled Budgets

Scheme:	£000
Sumners Farm Close	336
External works – Water Tanks*	100
External works – Leasehold properties	334
Tower Blocks SE ducts	3,000
Housing IT*	300
TOTAL	4,070

19. HTS are contracted to undertake a range of housing related works including compliance, energy and efficiency, windows and doors, garage and disabled facility works to council dwellings.

20. The 2019/20 HTS work programme has been realigned as part of the three year delivery of planned works. Details of the 2019/20 budget are reported in Table 5.

Table 5 – HTS (Property & Environment) Ltd. Work Packages 2019/20

Programme of works	Budget	Carryover	Total	Forecast Outturn
Externals	£320,000		£320,000	£530,000
Aids and Adaptations	£900,000	£374,820	£1,274,820	£900,000
Communal Boilers	£1,400,000	£152,441	£1,552,441	£1,462,441
Internal works	£930,000	£985,628	£1,915,628	£1,915,628
Estate works	£100,000		£100,000	£100,000
Garages	£350,000	£117,066	£467,066	£527,400
Compliance	£1,800,000	£537,414	2,337,414	2,337,414
ASC Fixed Price	£1,014,193	(-)3,863	£1,010,330	£1,010,330
Sumners Farm Close		£460,754	£460,754	£460,754
TOTAL	6,814,193	2,624,260	9,438,453	9,243,967

21. The Housing Capital Programme has delivered over 50,000 new components such as windows, doors, kitchens, bathrooms and boilers in dwellings between 1 April 2013 and 31 March 2019. The 2019/20 Housing Capital Programme will focus on preventing 102 properties from becoming non-decent within the financial year, as well as delivering a number of additional projects, including district heating systems, lift refurbishments, electrical upgrades, external property refurbishments and aids and adaptations to council properties, in line with Housing's Asset Management short, medium and long term priorities contained within the Business Plan.
22. The Council only pays for completed work when it is signed off by an independent clerk of works. There is a time lag, however, with this invoicing due to the necessary requirement that works can only be invoiced once they are satisfactorily completed and all associated paperwork/certification, such as gas, electric, is compiled and formally handed over. The Council is committed to prompt payment once these processes have been completed.
23. The original estimate approved by Council 2 February 2019 assumes 40 Right to Buy (RTB) sales in 2019/20 with thirty nine RTB disposals completed by 31 December 2019. However, applications pending suggest that there will be sixty two Right to Buy sales by 31 March 2020 resulting in additional income and therefore finance available of £579,000.
24. At 31 March 2019 there was a nil balance on the Major Repairs Reserve (MRR). Under proper accounting practice, the charge to the HRA for depreciation is projected to be £10,092,000 in 2019/20 (original estimate £10,085,000). At year end this is transferred to the MRR which, in turn, is utilised to support the Housing Capital Programme.

Non Housing Capital Programme

25. The Non Housing Capital Programme totals £19,685,000 including major works at the Enterprise Zone. Table 6 details the current Non Housing Capital Programme.

Table 6 – Non Housing Capital Programme as at Period Quarter 3

2019-20 Budget Stage	£'000s	Date Approved
Original budget (Core)	3,490	7 Feb 19
Enterprise Zone	5,319	
Prentice Place	2,347	
Approved budget	11,156	18 July 19
Cabinet approvals Quarter 1	8,498	20 June 19
CCTV Old Harlow	31	5 Dec 19
Current Budget	19,685	
Changes included in 2020/21 Capital Programme Report	(-) 1,345	
Additional Enterprise Zone Costs	697	
Reprofile of Enterprise Zone - Modus	(-)5,363	A14
Other proposed re-profiled schemes	(-)558	
Other minor adjustments	(-)15	
Forecast Outturn	13,101	

26. Further details of expenditure relating to projects are contained within Annex A to this report, together with any financing implications.
27. Estimated capital receipts from asset disposals in 2019/20 are anticipated to be £643,000.
28. The Council has been awarded Disabled Facility Grant (DFG) for 2019/20 of £798,000 from the Ministry for Housing, Communities and Local Government. However, the estimated budget of £500,000 will remain unchanged as expenditure is determined by demand and it is not expected that the estimated budget will be required in full.
29. Estimated internal borrowing to support the core programme in 2019/20 totals £1,003,000. In addition there is estimated borrowing of £8,114,000 to support new and on-going work at the Enterprise Zone, £1,754,000 to complete the refurbishment works at Prentice Place and £30,000 in 2019/20 in respect of Elm Hatch. It is likely that the Council will need to borrow externally to finance expenditure. The amount of external borrowing is estimated at £2,000,000.
30. Details of the Non Housing Capital Programme expenditure and financing are shown in Table 7 below.

Table 7 – Non Housing Capital Programme 2019/20

	Original Budget	Current Budget with carryovers	Forecast Outturn	Variance Outturn to Current Budget	Report Ref.
	£'000	£'000	£'000	£'000	
Expenditure:					
Place Services	2,879	3428	1,962	(-)1,466	A5-11
Governance	140	140	140	0	
Finance	36	236	236	0	A12
Community Wellbeing	435	943	461	(-)482	A2-4
Subtotal Core Programme	3,490	4,747	2,799	(-)1,948	
Prentice Place	2,347	2,158	2,158	0	A13
Enterprise Zone	5,319	5,580	6,277	697	A14
Enterprise Zone "Modus"	0	7,200	1,837	(-)5,363	A15
Elm Hatch	0	0	30	30	
Sub total	7,666	14,938	10,302	(-)4,636	
Total Expenditure	11,156	19,685	13,101	(-)6,584	
Financed by:					
Capital Receipts / Right to Buy	(-)207	(-)207	(-)207	0	
Asset Disposals/ Overage	(-)250	(-)250	(-)643	(-)393	Para 29
Earmarked Resources	0	(-)20	(-)20	0	
Direct Revenue Contribution	(-)156	(-)453	(-)411	42	
Disabled Facilities Grant	(-)500	(-)500	(-)500	0	
Renovation Loans & Contributions	(-)5	(-)5	(-)15	(-)10	A10
Prentice Place capital receipt	(-)593	(-)404	(-)404	0	
Sub Total	(-)1,711	(-)1,839	(-)2,200	(-)361	
Prentice Place borrowing	(-)1,754	(-)1,754	(-)1,754	0	
Enterprise Zone Internal borrowing	(-)5,319	(-)12,780	(-)8,114	4,666	A14
Elm Hatch	0	0	(-)30	(-)30	
Other borrowing	(-)2,372	(-)3,312	(-)1,003	2,309	Para 31
Sub Total Borrowing	(-)9,445	(-)17,815	(-)10,901	6,645	

	Original Budget	Current Budget with carryovers	Forecast Outturn	Variance Outturn to Current Budget	Report Ref.
	£'000	£'000	£'000	£'000	
Total Financing	(-)11,156	(-)19,685	(-)13,101	6,584	

Risks and Opportunities

31. There is national concern about fire safety and regulation in tower blocks in the wake of the Grenfell Tower fire and the implications the outcomes of the inquiry will have for landlords including Harlow.
32. Key risks in the delivery of the 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.
33. Housing capital funding has been affected by the nationally imposed rent reductions over the 2016-2020 period.
34. 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.
35. An additional risk in the Non Housing Capital Programme is the cost of removing asbestos as works are undertaken.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

As contained within the body of the report.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, Properties and Facilities)

As contained within the body of the report.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

As contained within the body of the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Annex A – Capital Programmes Quarter 3 Finance Report, 2019/20

Background Papers

None.

Glossary of terms/abbreviations used

DFG – Disabled Facilities Grant

HTS – HTS (Property and Environment) Ltd

HRA – Housing Revenue Account

MRR – Major Repairs Reserve

RTB – Right to Buy

ANNEX A

CAPITAL PROGRAMMES QUARTER3 FINANCE REPORT, 2019/20 Update on the Status of Capital Projects

Housing Capital Programme

A1. ANNUAL SERVICE CHARGE (ASC) Fixed Prices

Works to the ASC fixed prices for 2019/20 commenced on the 1 April 2019. The number of units completed at end of December 2019 is shown in the table below.

Performance shows a variance of £122,146 collectively against the work streams for the month of December against the 12 months profiled budget, which has again reduced from the previous month as due to the volume of work being completed outside of the Fixed Price budget. The variance against the profiled spend is as a result of the exceptionally high level of work in progress carried forward into this year from the 2018/19 fixed priced programme. The Council continues to support the backlog of Decent Homes works and has agreed to 35 kitchens and 4 bathrooms being transferred to the 19/20 Internals business case and boiler replacements are now being picked up as part of the Communal Boiler Business Case. This reallocation of works has once again had a positive impact to the overall budget variance for the month of December.

Element	Total Annual units agreed	Agreed Total ASC to date	Completed Units to date	Total Value to date	Variance to Profiled Budget
Kitchens	84	£228,014	78	£390,066	£219,056
Re-Wires	45	£107,476	16	£39,177	(-)£41,430
Boiler/ Heating	142	£674,840	134	£425,286	£80,844
Bathrooms			13	£25,364	£25,364
Total	271	£1,010,330	241	£879,893	£122,146

Non-Housing Capital Programme

- A2. In Community Wellbeing schemes in 2019/20 include ongoing work to refurbish the Playhouse totalling £265,000 and a budget of £70,000 to provide new signage at the entry points to Harlow.
- A3. As part of the carryovers from 2018/19, the scheme to upgrade the main Council website, £38,000 has been completed (approved February 2017).
- A4. The proposed scheme for the Bandstand Security and Fire Protection will provide a fire detection system and a security alarm system to the

premises. It will also enable the building to be used as storage space for the Playhouse so benefitting both the management of the Playhouse and the Bandstand and keeping the cost of hiring storage within the Council's facilities.

- A5. Schemes originally approved at the Latton Bush Centre total £567,000 to enable work to the boilers and to provide additional parking spaces. This latter is expected to carryover £144,000 to enable work to proceed in 2020/21. It is anticipated that substantial work, including asbestos removal required to the South Boiler House will mean that the work to replace the boiler will not commence until 2020/21 and therefore the budgets, which total £325,000, are expected to be carried over. Work to the North Boiler House is expected to complete by 31 March 2020.
- A6. Home Repairs Assistance Loans (estimate £15,000) are made available by the Council to owner occupiers for work to improve their homes.
- A7. The Council's Commercial portfolio in 2019/20 includes schemes to refurbish Ladyshot Pavilion (£160,000) and Cannons Cottages (£110,000). Following the tender process for work to Bush Fair Offices (original estimate £58,000) the forecast expenditure is £116,000. However, all three schemes will to some extent require a carryover to 2020/21 due to resourcing issues. Work to refurbish Bush Fair Pavilion (£89,250) is deferred and included in the Non Housing Capital programme for 2020/21.
- A8. Other schemes in Property Services include work to the Leah Manning Centre (£65,000), and roofing work to Abercrombie Play Barn and the Barbara Castle Health Centre (£209,000).
- A9. A budget of £329,000 is available for refurbishment works to Harlow Museum. The majority of this will be used for roofing works which are not expected to commence until 2020/21 and therefore it is anticipated that £239,000 will be carried over to enable this work to take place.
- A10. Included in the capital programme is a scheme at Passmores House to take down and rebuild defective sections of the brick boundary wall which in places is leaning dangerously into the garden (£85,000). The budget includes a contribution of £10,000 received for this work.
- A11. A carryover of £13,000 for Energy Performance Certificates will enable capital works to commercial properties to be completed to meet the minimum E EPC rating in line with the Energy Act (2011) and EU legislation which came into force 1 April 2018. This will increase the sustainability of the commercial portfolio as the regulations will apply from the granting or renewing of leases to tenants. By 2023 properties leased with less than an E rating will be subject to a penalty payment.
- A12. The scheme to install a new telephone system in the Civic Centre is expected to commence in 2019/20 funded from a carryover of £200,000.

- A13. The Regeneration of Prentice Place is expected to be complete in late March.
- A14. The Council is undertaking a major project to construct premises on the Enterprise Zone with expenditure in 2018/19 of £5,530,000 and a current forecast outturn of £6,277,000 (original estimate of £5.58m) in 2019/20. The project will be funded from borrowing to be financed from future business rate receipts.
- A15. Cabinet approved the funding of £7.2 million over two years to develop Plot H of the Harlow Science Park into a range of 'mid-tech' units combining office, research and manufacturing/assembly space, to be known as Modus. It is anticipated that £1.8m will be spent in 2019/20 with the remainder profiled to 2020/21. The development will be retained by Harlow Council as an investment with the development likely to comprise a mix of long leasehold disposals providing a capital receipt and shorter leases providing an ongoing revenue stream. The development will be funded through borrowing repaid by the Enterprise Zone business rate receipts as agreed with the South East Local Enterprise Partnership (SELEP).