

REPORT TO: CABINET

DATE: 3 DECEMBER 2020

TITLE: CAPITAL PROGRAMMES, QUARTER 2 FINANCE REPORT 2020/21

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 I011375

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

The recommendations are within the scope of the budget approved by Full Council in January 2020

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the progress in the delivery of the Council's Housing and Non Housing Capital Programmes as at Quarter 2 as follows:
- i) The Housing Capital Programme (HCP) current budget is £48.642 million following the amendments approved by Cabinet in September 2020. The projected outturn is currently £31.968 million.
 - ii) The Non-Housing Capital Programme (NHCP) current budget is £15.175 million following the amendments approved by Cabinet in September 2020. The projected outturn is currently £15,124 million.
- B** Approves the inclusion in the 2020/21 HCP an additional £1.8 million to finance newly required cladding at Joyners Field Towers (61-88) and (95-122) to meet updated fire safety advice and obtain the latest fire safety certificates. This capital expenditure is to be financed from HRA making a direct revenue contribution.

- C** Approves the removal from the HCP the £1.305 million Readings new build project because it is no longer affordable and reallocate the resources to other new build projects which are being developed and submitted for approval in the future.
- D** Approves the inclusion in the 2020/21 NHCP an additional provision of £1.5 million to finance the equity shareholding and loan to HTS Ltd previously approved under delegated authority by the Chief Executive on the 24 April 2020 and reported to Cabinet on the 10 September 2020. The purpose of this expenditure being for HTS Ltd to purchase five properties for which the Council has nomination rights.
- E** Approves the inclusion in the 2020/21 NHCP an additional provision of £1 million to finance the East Gate project. This project is funded by the Ministry for Housing, Communities and Local Government Towns Fund accelerated Funding grant.
- F** Approves the inclusion in the 2020/21 NHCP an additional provision of £122,000 to finance the upgrading of the existing IT equipment which is essential to cope with the Covid-19 pandemic.
- G** Approves the inclusion in the 2020/21 NHCP an additional provision of £1.25 million to support the Future High Streets Fund bid as set out in the report
- H** Approves the proposed re-profiling of capital budgets as set out in the report.

REASON FOR DECISION

- A** To enable Cabinet to review the actual performance against the approved current budget and amend the capital programme in the light of the latest operational developments, profiling and funding changes.

BACKGROUND

1. Cabinet approved the HCP and NHCP budgets in January 2020. The approved HCP budget was £27.739 million and the approved NHCP budget was £11.048 million. To this has been added the approved carry overs from 2019/20 together with the approved recommendations in the September Cabinet.
2. The report compares the current profiled capital budget with the actual expenditure as at the end September 2020. It highlights the variations in both the HCP and NHCP capital programme and provides explanations for those variations so that the projects can be re-profiled into 2021/22 and 2022/23.
3. The Council continues to plan ahead using its business planning processes to establish a short, medium and long term Asset Management Plan. In addition the Housing Revenue Account (HRA) 30 year business plans is used to drive the HCP once available resources have been identified.

ISSUES/PROPOSALS

2020/21 Housing Capital Programme, Quarter 2

4. Set out in table 1 is the movement in the HCP since it was approved in January 2020

Budget Stage	Budget £,000	Date Approved
Original Budget 2020/21	27,739	30/01/2020
Carryovers from 2019/20	6,896	
Additional carryovers	1,407	
Virements		
External Works	280	
Internal Works	{2}	
Damp & Structural	{200}	
Lift Programme	{60}	
Compliance/Electrical	{18}	
Subsequent Approvals		
House Purchase Programme	12,600	10/09/2020
Current Budget 2020/21	48,642	

5. Set out in Appendix A is the 2020/21 HCP Quarter 2 capital monitoring statement which compares the current budget with actual expenditure to date. The most notable variations are as follows:
6. Additional supported housing units at the Sumners Farm complex are designed to be a unique bespoke scheme due to the locality and planning considerations. Work to complete the design, planning constraints, and procurement arrangements are taking longer than expected and £220,044 will be re-profiled into 2021/22.

External Works

7. Work on the Holyfield blocks is subject to further review to align with design and planning considerations. New designs are currently being procured and it is anticipated that work will start in 2020/21 with £226,432 being re-profiled into 2021/22.
8. External work on The Hides is due to start in 2020/21 with a current budget of £1.6 million. It is anticipated that £800,000 will have to be carry forward into 2021/22.

Compliance/Electrical

9. Electrical testing and inspection programmes were reviewed following latest Government guidance and HTS Ltd now carries out its programme of testing in accordance with Covid-19 restrictions. Expenditure in 2020/21 is in line with the

£1.8 million budget. However, this will still mean that £621,624 will be re-profiled into 2021/22.

10. The budget allocation for fire safety, generally, has been established following the tragic fire at Grenfell Tower in London. Outcomes from the public enquiry are on-going and landlord responsibilities are increasing. Updated risk assessments continue to be aligned to the three year programme and Government guidance. The current budget including carry overs is £3.8 million and procurement processes are under way. It is anticipated the total expenditure on the project will be £3 million with £838,752 being re-profiled into 2021/22.
11. Fire risk assessments continue across the stock and are prioritised accordingly, with all tower blocks receiving annual assessments. Works include fire stopping, compartmentation and the decommissioning of SE Ducts .Due to the intrusive nature of the works and Covid-19 working restrictions, the capital expenditure has been re-profiled. The budget is £2.911 million it is anticipated that £2 million will be spent in 2020/21 and £911,217 re-profiled into 2021.22

Cladding at Joyners Field Towers

12. In January 2020 Cabinet approved the HRA Budget 2020/21 and the recommendation to increase the minimum general HRA balance up to £4 million. The purpose of the increase was a proactive step to allow the Council to be in a position to act quickly to any immediate actions which may be required following the publication of the final recommendations of the Grenfell Tower Public Inquiry.
13. Following a recent fire safety update from the Government, it has been advised that a product used within the application of the rain screed façade no longer holds the required certification, which is resulting in low EWS1 ratings, and therefore needs replacing. The programme of works due to commence in 2020/21 will include replacement of the rain screen facade and energy efficiency works. It is estimated that the cost of these works is £1.8 million. It is therefore recommended that this capital expenditure is financed from the HRA general balances by making a direct revenue contribution

New Build Programme

14. The Council's programme to build new council homes within its HRA, is funded from retained pooled receipts and, when appropriate, external borrowing. There are currently seven capital schemes in the programme and a comparison of the approved budgets with actual and projected expenditure is set out in Table 2.

Table 2 - New Buid Schemes							
Name of Scheme	No of Units	Approved	Actual	2020/21	2020/21	2021/22	2022/23
		Scheme Cost	to 31/03/2020	Budget	Projected	Budget	Budget
		£,000	£,000	£,000	£,000	£,000	£,000
The Readings	3	1,400	81	1,318	13		
Bushey Croft	16	4,140	137	(7)	20	2,808	1,202
Lister House, Perry Road	46	14,000	265	6,446	370	7,289	
The Yorkes	13	3,015	22	2,491	36	502	
Land at Brenthall Towers	8	2,585	25	2,130	38	430	
Stackfield	2	550	4	396	40	150	
The Hill	2	500	1	499	101		
Total	90	26,190	535	13,273	618	11,179	1,202

15. Details of the progress being made on each scheme is as follow

a) The Readings

- i) This project is to demolish several garages and replace with one commercial unit and three dwellings plus parking spaces. Design and initial cost estimates have been put forward, but the project no longer meets the affordability criteria as set out in the HRA business plan. It is therefore recommended that project is removed from the HCP and the resources reallocated to other new build projects which are being developed and submitted for approval in the future.

b) Bushey Croft

- i) This is a project to build 16 social/affordable dwellings on a former garage site. Tenders have been received and once approved it is anticipated that construction will start in 2021/22 and finish in 2022/23.

c) Lister House, Perry Road

- i) This is a development to construct a residential block of 59 social and affordable flats. Site investigations have taken place but there have been delays due to fly tipping and drainage problems. Site discussions have taken place and there is a risk of having to go back to planning because of changes to the original scheme. As a consequence, £6,075,878 will have to be re-profiled into 2021/22 and 2022/23.

d) The Yorkes

- i) This is a development to construct 13 social/affordable dwellings. Site clearance and ground surveys have taken place and designs are progressing in order to seek planning permission in March 2021. Consequently, £2,454,172 will have to be re-profiled into 2021/22.

e) Land at Brenthall Towers

- i) This is a development to construct eight social/affordable dwellings. Ground surveys have taken place and designs are progressing in order to seek planning permission in March 2021. Consequently, £2,093,390 will have to be re-profiled into 2021/22.

f) Stackfield

- i) This is a project was originally to develop a former garage site with two houses let at affordable/social rent. Stage 2 designs are being prepared and following consultation it is anticipated that the site will accommodate five new houses. Plans will be submitted for planning permission in June 2021 and consequently, £356,343 will have to be re-profiled into 2021/22.

g) The Hill

- i) This is a development to demolish an existing derelict property and construct two new properties to be let at social rent. Planning permission was granted in June 2020. Once designs have been finalised procurement will take place with a view of starting on site in February or March 2021. As with other projects £397,631 will have to be re-profiled into 2021/22.

Housing IT Development

16. Housing Services has a three year ICT programme aligned to the Council's Corporate Customer and Access Strategy. Repairs customer access enhancements are due to be completed in 2020/21. In addition feasibility studies have commenced regarding Asset Management and programme delivery. Further enhancements are anticipated to the Homelessness management system in 2020/21. It is therefore anticipated that not all the provision will be spent and £400.000 will be re-profiled into 2021/22.

Non Housing Capital Programme 2020/21 – Quarter 2

17. Set out in table 3 is f the movement in the NHCP since it was approved in January 2020

	Budget	Date
Budget Stage	£,000	Approved
Original Budget 2020/21	11,048	30/01/2020
Carryovers from 2019/20	4,127	
Virements		
Current Budget 2020/21	15,175	

18. Set out in Appendix B is the 2020/21 NHCP Quarter 2 capital monitoring statement which compares the current budget with actual expenditure to date. The most notable variations are as follows:

a) Latton Bush Centre

- i) Schemes originally approved at the Latton Bush Centre total £528,000 to enable work to the boilers and to provide additional parking spaces. Asbestos removal is still on going to the South Boiler House and this will mean that the work to replace the boiler will not commence until 2021/22 and £317.030 will be re-profiled accordingly.

b) Commercial Properties

- i) Working to refurbish the Bush Fair Pavilion has not progressed as anticipated due to the lack of tenant demand. Consequently a budget of £155,767 will be re-profiled into 2021/22. Similarly the decision to replace the boiler at Mead Park depot has been postponed until 2021/22 and the budget of £231,500 has been re-profiled.

c) Community Buildings

- i) A budget of £256,692 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 2021/22 and therefore it is anticipated that £248,692 will be carried over to enable this work to take place and the budget re-profiled accordingly.

d) Civic Centre

- i) A budget of £511,288 is available for additional work in respect of fire safety, external work including windows and the LED lighting. This work is ongoing but. It is anticipated that a budget of £81,000 will be re-profiled into 2021/22 due to delays caused by the pandemic.

e) Governance

- i) The current budget to replace the HR payroll system £95,895. It's anticipated that £80,595 will be spent in 2020/21 and that a budget of £15,000 will be carried forward into 2021/22 in order to fund future upgrading's. A separate business case will be submitted in 2021/22.

f) Community Wellbeing

- i) Community Wellbeing schemes include the refurbishment of 21 The Rows with an approved budget of £330,826, There are on-going discussions between the architect and HTS concerning the design specification and it is anticipated that work will not start until 2021/22. This project is linked the Future High Street Fund bid.
- ii) On 30 June, the Prime Minister announced that the Government is bringing forward £5 billion of capital investment projects, supporting jobs and the economic recovery. A £1 million bid was submitted for accelerated funding to finance the East Gate project. As the project is in line with the Towns Fund intervention framework a Section 31 grant has been received which has to be spent by 31 March 2021. It is now recommended that Cabinet approve the inclusion of the project in the 2020/21 NHCP capital programme.

g) Enterprise Zone

- i) 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. The development will be retained by the 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 uplift retention as agreed with the South East Local Enterprise Partnership. It is anticipated that the Modus project will be full spent in 2020/21.
- ii) In addition to the Modus project is the Enterprise Zone infrastructure project to Plot G. A budget of £1,128,813 was carried forward from 2019/20. The actual expenditure up to Period 6 is £1,257,663 resulting in a potential overspend of £223,850.

h) General Fund – New Build

- i) Elm Hatch is a project to demolish a retail hatch and redevelop the site with retail and residential properties. In January 2020 Cabinet approved a total budget of £4.305 million over three years. Negotiations to buy the existing tenant out of the long term lease are proving difficult and are causing delays. In addition planning complications with the Grade II listed church and the study centre over the height of the development could reduce the number dwellings. If there is a significant reduction in the number of dwellings the project may be no longer viable.

i) Equity Shareholding and Loan to HTS Ltd

- i) In December 2019 Cabinet approved the HTS business plan which enabled the Council to make a £450,000 equity shareholding in the company along with a £1.050 million loan. The purpose of this investment was to enable HTS Ltd to purchase five dwellings for which the Council will have the nomination rights for homeless households and people on the housing waiting list.
- ii) In order to account for this transaction the Council has received specialist financial advice from its Treasury Management advisors (Arlingclose). The advice is that the equity shareholding and the loan to HTS Ltd should be treated as capital expenditure and included in the NHCP. It is therefore recommended that the NHCP is increased by £1.5 million.

j) Upgrading of Information Technology Equipment due to Covid-19

- i) Due to the Covid-19 pandemic and the necessity for staff to work from home there has been greater demand on IT systems. The business case has therefore been put forward to upgrade some of the software and replace some of the hardware. It is estimated that the cost of upgrade is £122,000 in 2020/21 which will be financed by a direct revenue contribution from the general fund. It is recommended that the NHCP is increased by £122,000 to finance this expenditure.

k) Future High Streets Fund Bid

- i) The Council is currently in the process of seeking significant government support to enable town centre regeneration to progress. One of the bids to the Future High Street Fund is focussed on improvements in the area of Playhouse Square and College Square – known as Playhouse Quarter. In order to facilitate the bid process and to provide a council contribution towards the overall scheme it is proposed that up to £1.25 million be added to the 2020/21 capital programme. This funding may facilitate any early land or property acquisition that may be

beneficial to the delivery of the scheme and further support the bid process.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained in the report.

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

Housing

None specific.

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

Appendix A – Housing Capital Programme, Quarter 2, Budget Monitoring Report

Appendix B – Non-Housing Capital Programme, Quarter 2, Budget Monitoring Report

Background Papers

None.

Glossary of terms/abbreviations used

HCP – Housing Capital Programme

NHCP – Non-Housing Capital Programme