

**REPORT TO:** CABINET

**DATE:** 25 MARCH 2021

**TITLE:** CAPITAL PROGRAMMES, QUARTER 3 FINANCE REPORT 2020/21

**PORTFOLIO HOLDERS:** COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

COUNCILLOR MARK WILKINSON, PORTFOLIO HOLDER FOR HOUSING

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**CONTRIBUTING OFFICERS:** SENIOR MANAGEMENT BOARD

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I011387**

**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 2021

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

- A** Note that the Housing Capital Programme (HCP) projected outturn for 2020/21 is £22.618 million as set out in Appendix 1 to the report.
- B** Approves the £11.354 million re-profiling of the 2020/21 HCP into 2021/22.
- C** Note that the Non-Housing Capital Programme (NHCP) projected outturn for 2020/21 is £15.201 million as set out in Appendix 2 to the report.
- D** Approves the £1.524 million re-profiling of the 2020/21 NHCP into 2021/22.
- E** Approves the inclusion in the NHCP budget an additional provision of £670,000 to facilitate the loan to HTS Ltd to purchase 43 new vehicles, The loan was approved by Cabinet on 5 December 2019 (Minute reference 92(a)A).

## **REASON FOR DECISION**

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

## **BACKGROUND**

1. Cabinet approved the 2020/21 HCP and NHCP revised budgets in January 2021. The approved HCP revised budget was £33.768 million and the approved NHCP budget was £16.725 million.
2. The report compares the actual expenditure as at 31 December 2020 with the revised 2020/21 budget and following consultation with budget managers forecasts the final outturn at year end.

## **ISSUES/PROPOSALS**

### **2020/21 HCP - Quarter 3**

#### **Core Programme**

3. The 2020/21 HCP Quarter 3 capital monitoring statement which compares the revised budget with actual expenditure as at 31 December 2020 is set out in Appendix 1 to the report. It also forecasts the projected outturn for 2020/21 and the request to re-profile the 2020/21 budget into 2021/22. The most notable budgets that need to be re-profiled are as follows:
  - a) Internal Works - Due to current Covid-19 restrictions all internal works has been suspended, It is unlikely that work will resume until current lockdown restrictions are lifted and therefore a large proportion of the budget needs to be re-profiled into 2021/22.
  - b) Aids and Adaptations - Similar to other internal works the provision of aids and adaptations to tenants has also been suspended due to Covid-19 restrictions. Consequently, a large proportion of the budget has had to be re-profiled into 2021/22.
  - c) Compliance/Electrical Testing - 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. The compliance testing programme was up to date up to December 2020 but under the current lock down restrictions there may some cases where the programme has to be re-scheduled to a later date. Consequently part of the budget will be re-profiled into 2021/22.

- d) Externals Programme - The externals programme is a planned schedule of work to renew, improve, and maintain the housing stock at decent homes standard. As with all other programmes the external programme has been delayed due to Covid-19 restrictions. Once again the delay means that the budget will have to be re-profiled into 2021/22.
  - e) Fire Safety - Compartmentation - The budget allocation for fire safety compartmentation 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. The works have been delayed due to the current lockdown restrictions and the intrusive nature of the internal works required in order to achieve individual compartmentation of both individual properties and the blocks.
  - f) Fire Safety – SE Ducts - Fire risk assessments are carried over a two to three year programme which commenced in 2019/20. Works to Fire Safety SE Ducts has been more complex than anticipated following Government guidance and redesign of warm air systems. Consequently, it will be necessary to re-profile part of the budget into 2021/22.
  - g) Cladding at Joiners Field Towers - In December 2020 Cabinet approved a £1.8 million increase in the 2020/21 HCP in order to replace the cladding at Joiners Field Towers. The procurement process has commenced but as this is a major contract it is anticipated that all of the work will be carried out in 2021/22. It will therefore be necessary to re-profile the whole of the budget into 2021/22.
  - h) Housing IT Development - Housing Services has a three year ICT programme aligned to the Council's Corporate and Access Strategy. Whilst in December, Cabinet approved the re-profiling of the budget, the projects have had to be re-aligned further and project priorities adjusted in order to accommodate the climate over the last 12 months in terms of in-house staffing availability and external supplier's on site accessibility.
4. The suppliers have been unable to carry out much of the on-site" work needed due to Covid-19 restrictions and this has severely hindered project progress, this has impacted on the IMS reporting project in particular, In addition MRI Solutions have purchased Orchard Housing which has meant new contracts being entered into which have had to follow all Legal due diligence testing and protocols which delayed the projects approvals
5. Large projects such as Digital Tenancies have now been completed, despite the GO Live date being delayed due to software configuration. Work has now commenced on new projects such as the Estate Case Management model which is progressing, but will be required to partly roll over into the new financial

year. Asset Management will also need to be re-profiled into 21/22 due to the size of the project and the need to finalise existing projects.

### House Purchase Programme

6. The house purchase programme is progressing well and it is anticipated that the budget will be fully spent without any need for re-profiling. All purchases have been completed and the Council has purchased 28 three bed houses, 6 two bed houses, 5 two bed flats and 5 one bed flats. Work is progressing to ensure that all the properties are of a lettable standard and it is anticipated that these dwellings will be available to be let in the early part of 2021/22.

### New Build Programme

7. A summary of the progress of the new build schemes in the HCP and the requirement for additional re-profiling is set out in Table One.

**Table One – New Build Schemes**

Name of Scheme	No of Units	Approved Scheme Cost £,000	2020/21 Revised Budget £,000	2020/21 Projected Outturn £,000	Quarter 3 Re-profile Request £,000
The Readings	3	1,400	13	10	
Bushey Croft	16	1,320	20	36	(12)
Lister House, Perry Road	46	6,730	370	351	19
The Yorkes	13	2,524	36	25	11
Land at Brenthall Towers	8	2,166	38	26	11
Stackfield	2	415	40	25	15
The Hill	2	585	101	16	85
<b>Total</b>	<b>90</b>	<b>15,140</b>	<b>618</b>	<b>489</b>	<b>129</b>

8. In December 2020 Cabinet approved significant re-profiling of the new build programme in the HCP. Further re-profiling is required and the explanations are as follows:
- a) The Readings - This project was removed from the new build programme at the December 2020 Cabinet meeting.
  - b) Bushey Croft - This is a project to build 16 social/affordable dwellings on a former garage site. Tenders were approved at the December 2020 Cabinet meeting. Pre-contract meetings with contractor with the possible start date of March 2021.
  - c) Lister House, Perry Road - This is a development to construct a residential block of 59 social and affordable flats. Section 73 notices have been submitted to planning due to changes in the designs. It is

anticipated that the procurement process will commence in spring 2021 with the possible start date of summer 2021.

- d) The Yorkes - This is a development to construct 13 social/affordable dwellings. Site clearance work has recently taken place and the design team are currently reviewing the designs. There is a covenant on the land which restricts any development to a single storey and this is being looked at by the Legal Department.
- e) Land at Brenthall Towers - This is a development to construct eight social/affordable dwellings. Ground surveys have taken place and stage two designs are progressing in order to seek planning permission in March 2021.
- f) Stackfield - This is a project was originally to develop a former garage site with two houses let at affordable/social rent. Stage two designs are being prepared with the possibility of using "modern methods of construction" as proposed by the portfolio holder. It is anticipated that a planning application will be submitted in June 2021.
- g) The Hill - 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. Planning conditions have been discharged and the building control application has been approved. HTS Ltd have been invited to submit a business case for this scheme and if successful will start on site in March 2021. It is anticipated that the scheme will take 12 to 15 months to complete.

## **Non Housing Capital Programme 2020/21**

### **Core Programme**

- 9. The 2020/21 NHCP Quarter 3 capital monitoring statement which compares the revised budget with actual expenditure as at 31 December 2020 is set out in Appendix 2 to the report. It also forecasts the projected outturn for 2020/21 and the request to re-profile the 2020/21 budget into 2021/22. The most notable budgets that need to be re-profiled are as follows:
  - a) Commercial Properties - Working to rewire and replace the heating systems at Canon Cottages is progressing more slowly than originally anticipated due to the Covid-19 restrictions. Consequently, it will be necessary to re-profile the 2020/21 budget into 2021/22.
  - b) Drainage Work - In January 2019 Cabinet approved the five year capital programme to address drainage defects and introduce flood alleviation measures in Harlow Council. Work as commenced on Oxley's drainage programme which is now anticipated to be completed in 2021/22 due to the size of the project. As a consequence, it is now necessary to re-profile the budget into 2021/22.

- c) Community Buildings - Work to improve the Bush Fair shopping precinct has been delayed due to the over-run of the Moat House frontage scheme. However, the scheme to improve the shopping precinct needs to be re-designed and it is unlikely to commence in 2020/21. It is for this reason that it is requested that the whole of the budget be re-profiled into 2021/22 when new designs will be submitted.

In January 2019 Cabinet approved the business case to replace the commercial kitchen at the Leah Manning Centre and a provision was made in the 2019/20 NHCP. The provision was re-profiled into 2020/21 and at the end of quarter 3 it is estimated that only 30 per cent of the work has been completed. The work will continue into 2021/22 and it is for this reason that the budget has to be re-profiled into 2021/22.

- d) Contingency and Other Public Schemes - In order to reduce its net carbon emissions Members agreed to look at the feasibility of installing photovoltaic panels on all public council buildings, of which eight have been identified, within the next two years where possible. In February 2021 the Secretary of State for Business, Energy and Industrial Strategy awarded the Council a grant of £334,600 for solar PV installations. The project is now scheduled to start in 2021/22 and therefore the small budget which exists in 2020/21 needs to be re-profiled into 2021/22.
- e) Civic Centre - In October 2020 a fire safety survey was completed for the Civic Centre. The survey recommended the replacement of fire doors, cavity barriers and dampers. The procurement process has commenced but it is anticipated the most of the safety work will now take place in 2021/22. Preliminary work will begin in 2020/21 but a large part of the budget will have to be re-profiled into 2021/22.
- f) Community Wellbeing - In January 2020 Cabinet approved the purchase of two minibuses at the Leah Manning centre. Due to the Covid-19 lockdown restrictions the vehicles at the centre have not been used as they would have done normally and thus extending the life of the vehicles. Consequently the two vehicles have not been replaced in 2020/21 and it is requested the whole of the budget be re-profiled into 2021/22.

## **Other Projects**

### **Enterprise Zone**

10. 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, with it 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 final payment in respect of the Modus project will be delayed until 2021/22 and therefore it is requested that the budget be re-profiled accordingly.

### **General Fund – New Build**

11. 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. In December Cabinet approved the re-profiling of a substantial part of the budget into 2021/22. However, budget monitoring and the end of quarter 3 has revealed that some further re-profiling is necessary.

### **Loan to HTS (Property and Environment) Ltd**

12. In December 2019 Cabinet approved a loan of £670,000 to HTS (Property and Environment) Ltd in order to purchase 43 environmentally friendly vehicles. (Minute Reference 92 (a) A).
13. In order to account for this transaction the Council has received specialist financial advice from its Treasury Management advisors (Arlingclose). The advice is that loans to HTS (Property and Environment) Ltd should be treated as capital expenditure and included in the NHCP. It is therefore recommended that the NHCP is increased by £670,000 and financed by borrowing.

## **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 1 - Housing Capital Programme, Quarter 3, Budget Monitoring Report

Appendix 2 - Non-Housing Capital Programme, Quarter 3, Budget Monitoring Report

**Background Papers**

None.

**Glossary of Terms/Abbreviations Used**

HCP – Housing Capital Programme

NHCP – Non-Housing Capital Programme