

REPORT TO: CABINET

DATE: 27 JANUARY 2022

TITLE: CAPITAL PROGRAMMES 2021/22 – 2023/24

PORTFOLIO HOLDERS: COUNCILLOR JAMES LEPPARD, PORTFOLIO
HOLDER FOR FINANCE

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This is a Key Decision

It is on the Forward Plan as Decision Number I012625

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

The decision stands as a recommendation to Full Council

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council to:

- A** Approve the 2022/23 Housing Capital Programme (HCP) totalling £30.169 million as set out in Appendix 1.
- B** Approve of the inclusion in the Housing Capital Programme of an additional £25.939 million over 6 years for a Housing “Catch up Stock Need” as set out in Table 2.
- C** Approve the updated New Build programme as set out in Table 3, noting the removal of £155,000 expenditure incurred for both the Stackfield and Brenthall Towers schemes which are not proceeding.
- D** Approve the 2022/23 Non Housing Capital Programme totalling £18.603 million (attached as Appendix 2 to the report), noting the additional £2.19 million investment in response to Business Cases received as detailed in Table 11.

REASON FOR DECISION

- A** Approval of the capital programme is a responsibility reserved for the Full Council and reflects its investment priorities and health and safety obligations. This is necessary because the approved programme gives authority for the

procurement and resourcing of individual projects so that investment priorities can be delivered.

BACKGROUND

1. In January 2021, the Council approved the 2021/22 Housing and Non Housing Capital Programmes, together with the 2021/22 to 2023/24 Medium Term Financial Strategy and the 2021/22 Housing Revenue Account (HRA) Budgets.
2. On December 3 2021, the Housing and Non Housing Capital programmes were reviewed and Cabinet approved a number of changes to both programmes.
3. The HCP has been prepared in conjunction with the updated Housing Asset Management Plan (AMP) and the HRA Business Plan.
4. Both Capital programmes have been prepared in line with the Council's corporate strategy and Housing Revenue Account Business Plan priorities with the focus on Housing, Regeneration and Environment including projects that contribute towards the Council's Carbon Reduction Plan.
5. The AMP is compiled from the stock condition survey which identifies the capital expenditure required to maintain the housing stock over the next 30 years. Expenditure is broken down over individual components which form the core capital programme.
6. The HRA Business Plan shows the HCP has been prepared in accordance with the following principles:
 - a) That the HCP core projects are financed from contributions from the Major Repairs Reserve. Any shortfall will be financed from available housing capital receipts, direct revenue contributions and borrowing.
 - b) A £640,000 grant has been approved by Homes England towards the Bushey Croft development, with the initial payment of £480,000 being received during December 2021. The remaining expenditure incurred for this scheme will be financed from borrowing.
 - c) All other new build projects are financed from retained right to buy receipts and borrowing.

ISSUES/PROPOSALS

Housing Capital Programme Revised Budget 2021/22

7. Table 1 sets out a summary of the changes to the 2021/22 Housing Capital Programme.

Table 1 – Quarter 2 Movement in the Housing Capital Programme

Budget Stage	Budget	
	£000s	Cabinet Date
2021/22 Original budget	26,319	21/01/2021
2020/21 Quarter 3 budgets reprofiled	11,354	25/03/2021
2020/21 Year end budgets reprofiled	1,250	12/07/2021
2021/22 Current Budget	38,923	
2021/22 Budgets reprofiled at Quarter 2	(11,377)	02/12/2021
Quarter 2 - Removal of the Stackfield new build project	(132)	02/12/2021
Quarter 2 - Removal of Brenthall Towers new build project	(735)	02/12/2021
Quarter 2 - Increase in 4 the Hill new build budget (from 2022/23)	180	02/12/2021
Quarter 2 - Addition of Prentice Place	477	02/12/2021
Quarter 2 - Other minor variances	(3)	02/12/2021
2021/22 Revised Budget	27,332	

8. It can be seen from Table 1 that the Covid-19 pandemic continues to have a significant impact on the delivery of the Housing Capital Programme. This has resulted in a requirement to re-profile £11.377 million into future years of which £7.611 million relates to the core programme and £3.766 million to New Build developments.
9. The Housing Capital Programme requires continued investment in Council dwellings to continue to improve and make safe the Council’s housing stock. The Housing Investment Programme (HIP) has been updated to recognise priorities required by the enhanced fire, health and safety regulations.
10. Table 2 below identifies the 6 year profiling of the “Catch up Stock Need” which is a budget pressure identified in order to meet ongoing demands.

Table 2 - Catch up Stock Need

Programme	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s	Budget 2027/28 £000s	Total
Catch up stock need	2,000	3,000	6,000	6,000	6,000	2,939	25,939

11. Table 3 below details proposals for the New Build development programme. The new housebuilding schemes are in the early stages and are currently pending planning or Finance approval, so may be subject to change.

Table 3 - New Build Schemes

Previously approved schemes	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s	Budget 2026/27 £000s
Bushey Croft	2,533						
4 The Hill	386	220					
Pipeline schemes	174	10,417	10,074	1,950			
Total New Build Budget	3,094	10,637	10,074	1,950	0	0	0

12. In December 2021 the Stackfield project was removed from the New Build development scheme. A budget of £40,000 was included in the 2021/22 revised estimates for expenditure incurred to date; this has now been removed as it can

no longer be capitalised. Similarly a budget of £115,000 was included in the 2021/22 revised estimates for expenditure incurred on the Brenthall Towers scheme.

13. The Bushey Croft development continues to progress well. Works on the construction of the new car park are scheduled to take place during the Christmas break and architects landscaping designs for biodiversity works are being prepared. There is a six week delay to this programme with completion anticipated during April/May 2022.
14. The development at 4 the Hill suffered a six week delay due to a shortage of labour and materials and is now anticipated to complete during the spring of 2022.

Housing Capital Programme Estimates 2022/23

15. The Council's Housing Investment Programme (HIP) continues to deliver a set of internal / external works packages to meet the identified short, medium and long term asset management priorities outlined in the HRA Business plan. The Housing Asset Management Plans have been aligned to the new Corporate Strategy approved by cabinet in December 2021 recognising the ongoing need for continued significant investment in developing work packages targeted to continuing to improve housing conditions, meet the increased regulatory requirements, and make sure local priorities are tackled. It is however necessary to both reflect the overall investment that can be afforded as well as the ongoing stock condition “catch up need”.
16. The increased budget allocation for fire safety has been established following the fire at Grenfell Tower in London Updated risk assessments continue to be aligned to the three year programme and Government guidance.
17. In January 2021 Cabinet approved the Medium Term Financial Plan (MTFP) for the period 2021/22 to 2023/24. Set out in Table 4 is the movement in the 2022/23 Housing Capital Programme estimates since the MTFP was approved.

Table 4 - Housing Capital Programme Adjustment to MTFP 2022/23

Budget Stage	Budget £000	Cabinet
Original Estimates 2022/23 as per MTFP	20,920	21/01/2021
Core programme re-profiling from 2021/22	11,377	02/12/2021
Re-profiling to 2023/24	(3,000)	
Catch Up Stock Need	2,000	
New build revised pipeline 2022/23	(1,128)	
	30,169	

18. A minimum of £5.8 million of the core Housing Capital programme is allocated to HTS Property and Environment Ltd each year. Proposed HTS works include disabled adaptations, compliance, garage refurbishments and internal and structural works.

Financing HCP Core Projects 2021/22

19. In accordance with business plan assumptions the core element of the HCP should be financed from the MRR. Table 5 shows the contributions to the MRR as well as the amount available to fund the core element of the Housing Capital Programme.

Table 5 - Estimated Movement in Major Repairs Reserve

Narrative	2020/21 Actuals £000s	2021/22 Original £000s	2021/22 Revised £000s	2022/23 Estimates £000s
Balance as at 1 April	0	0	1,574	0
MRR Contribution	10,416	10,736	10,736	11,228
Financing of Capital Expenditure	(8,842)	(10,736)	(12,310)	(11,228)
Balance as at 31 March	1,574	0	0	0

20. It can be seen from Table 5 that there is £12.31 million available to fund the core HCP in 2021/22 and the balance on the reserve will be fully utilised.
21. If the MRR contributions are insufficient to finance the whole of the core element of the Housing Capital Programme it is assumed in the business plan that any available housing capital receipts will be used as shown in Table 6.

Table 6 - Movement in Other Housing Capital Receipts

Narrative	2020/21 Actual £000s	2021/22 Estimates £000s	2021/22 Revised £000s	2022/23 Estimates £000s
Balance as at 1 April	(200)	0	(1,083)	0
Adjustment in Year			(96)	
Other Housing Capital Receipts Received	(883)	(1,257)	0	0
Other Housing Capital Receipts Used	0	1,257	1,179	0
Balance as at 31 March	(1,083)	0	0	0

22. It can be seen from Table 6 that it is estimated that all other available housing capital receipts will be used to finance the core Housing Capital Programme.
23. Appendix 1 shows that the MRR and available Capital receipts will not be sufficient to fund the core Housing Capital Programme. Programme of Development Grant Funding totalling £477,000 will be used to finance the Prentice Place scheme and the balance of the Housing Capital Programme will be funded by a Direct Revenue Contribution from the Housing Revenue Account (HRA).

Financing HCP New Build Projects 2021/22

24. The HRA Business Plan also assumes that new build projects will be financed from retained Right to Buy (RTB) receipts and borrowing. The exception is

Bushey Croft for which a £640,000 Homes England grant has been awarded. Financing of the new build programme is set out in table 7 below.

Table 7 Financing of the Housing Capital Programme New Build Projects

Project Area	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s
New Build Programme	3,094	10,637	10,074	1,950
Financed by				
Right to Buy Capital Receipts	(224)	(4,255)	(4,029)	(780)
Right to Buy Receipts arriving in year	(1,449)			
Direct Revenue Financing	(781)			
Homes England Grant	(640)			
Borrowing		(6,381)	(6,044)	(1,170)
Total Financing	(3,094)	(10,637)	(10,074)	(1,950)

25. Under the current rules 40 percent of the new build cost can be financed from retained RTB receipts, which must be used within 5 years from the end of the financial year in which receipts were retained. The balance will be financed from borrowing unless other resources are available.
26. If grants, such as the Homes England Grants, are received towards financing a new build development such as Bushey Croft retained RTB receipts cannot be used in conjunction. The exception to this rule is where the grant is specifically related to individual properties; these properties are then excluded from RTB receipt funding but retained receipts could be used against other properties within the same development.
27. As properties are sold under RTB retained receipts accumulate and set out in Table 8 is an estimate of the retained receipts which will be available at 31st March 2022

Table 8 - Movement in Retained Right to Buy (RTB) Receipts

Narrative	2020/21 Actual £000s	2021/22 Estimates £000s	2021/22 Revised £000s	2022/23 Estimates £000s
Balance as at 1 April	(9,012)	(6,844)	(7,068)	(10,509)
Adjustment in Year			96	
Receipts Retained from RTB	(1,869)	(3,220)	(3,761)	(4,064)
Receipts Used to Finance New Builds	149	2,330	224	4,255
Receipts Used to Finance Acquisitions	3,664			
Balance as at 31 March	(7,068)	(7,734)	(10,509)	(10,318)

Non Housing Capital Programme (NHCP)

28. The NHCP has been prepared in conjunction with the Medium Term Financial Strategy approved by Cabinet in January 2021 and the Asset Management Plan.

NHCP Revised 2021/22

29. Set out in Table 9 is a summary of the changes to the Non Housing Capital Programme approved by Cabinet in December 2021.

Table 9 NHCP Movements Approved Quarter 2

Budget Stage	Budget £000s	Cabinet Date
2021/22 Original budget	17,820	21/01/2021
2020/21 Quarter 3 budgets reprofiled	1,524	25/03/2021
2021/22 Addition for Elections Equipment	18	09/09/2021
2020/21 Year end budgets reprofiled	3,984	12/07/2021
2021/22 Current Budget	23,346	
2021/22 Budgets reprofiled at Quarter 2	(12,374)	
Quarter 2 - Addition of Towns Fund Grant funded expenditure	784	
Quarter 2 - Additional investment in Paddling Pools and Splash park	218	
Quarter 2 - Increase in Moot House frontage improvements	29	
Quarter 2 - Increase to grant funded Energy Efficient Hand Dryers	18	
Quarter 2 - Bush Fair Pavillion re-profiled to 2023/24	(56)	
Quarter 2 - Town Park paddling pool works identified by AMP not require	(91)	
Quarter 2 - Asbestos removal underspend	(50)	
Quarter 2 - other minor variances	(28)	
2021/22 Revised Budget	11,796	02/12/2021

30. Explanations of changes were reported in the Quarter 2 Capital Programmes report and once again it is clear that Covid-19 has had a significant impact on the delivery of the capital programme. Contractors continue to encounter difficulties in sourcing both labour and materials resulting in inflated costs when resources are available.
31. Ongoing difficulties around the Elm Hatch development resulted in the Quarter 2 re-profiling of £4.092 million to future years. Revised plans are currently being prepared with particular attention being paid to the impact of housing and the existing hatch development on the view of the Grade II listed St Andrews Church.
32. A detailed analysis of the revised budget is set out in Appendix 2 with further re-profiling likely to be required at Quarter 3.

NHCP Estimates 2022/23

33. In January 2021 Cabinet approved the Medium Term Financial Plan (MTFP) for the period 2021/22 to 2023/24. Set out in Table 10 are the changes to the 2022/23 NHCP estimates since the MTFP was approved.

Table 10 - NHCP Adjustment to Estimates in the MTFP 2022/23

Budget Stage	Budget £000s	Cabinet
Original Estimate per the MTFP	4,413	21/01/2021
2021/22 re-profiled budgets	12,374	02/12/2021
of which budgets re-profiled to 2023/24 onwards	(3,825)	
Business Cases for additional investment 2022/23	1,419	
Towns Fund Grant Expenditure	6,885	
Other Amendments including re-profiling to future years	(2,662)	
	18,603	

34. The £6.885 million Towns Fund grant expenditure included in Table 10 above is part of the overall £23.7 million grant the Council were successfully awarded in order to deliver a Regeneration programme. This incorporates Broad Walk and Staple Tye improvements, a bus station interchange and hub building, an Institute of Technology programme to be delivered by Harlow College and the Cambridge Road junction. Works on some of these schemes are expected to commence during 2021/22 with overall completion anticipated in 2025/26. During November 2021 the council received the first £1.25 million of this grant allocation.
35. Details of the re-profiled schemes from 2021/22 were reported in the Quarter 2 Capital Programme Report to the December Cabinet. In addition, as capital schemes progress, minor amendments are made which will impact on the overall cost of the project.
36. There is a need for continuing capital investment and as part of the budget process bids are requested for new projects to be included in the NHCP. Set out in Table 11 is a list of new bids some of which reflect the Corporate Strategy requirement for a reduction in the Council's carbon emissions.

Table 11 - Non Housing Capital Programme Business Cases 2022/23

Scheme	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s
Town Park Water Gardens landscaping & biodiversity	15		
Town Park Showground - lighting phase 1	75		
Harlow Playhouse Boiler (addition to £100k reprofiled at period 6 2021/22)	292		
Harlow Playhouse External Lighting	49	61	
Harlow Playhouse Sound system	69	319	
Latton Bush Centre - Griffin suite refurbishment	38		
Accommodation Review - Building Services and Facilities	500		
Accommodation Review - ICT	200	100	100
The Oxleys Bank Stabilisation - Phase 2	80		
Multi-Use Games Areas	11	6	
Green Infrastructure - planting	65	87	98
HR Upgrade Phase 3	25		
Total	1,419	573	198

37. A comprehensive business case has been prepared to support each bid with each bid has been supported by the Senior Management Board (SMB)

38. The Council made two successful bids to the South East Local Enterprise Partnership (SELEP) Getting Building Fund to continue the investment in the Enterprise Zone totalling £3.56 million. To date the Council have received £2.26 million of this grant towards the Nexus and Modus internal developments, with the balance anticipated to be received later this financial year.

Financing NHCP Projects

39. Part of the NHCP is financed from non- housing capital receipts and Table 12 shows the estimated availability of those receipts.

Table 12 - Movement in Non-Housing Capital Receipts

Narrative	2020/21 Actual £000s	2021/22 Estimate £000s	2022/23 Estimate £000s
Capital Receipts B/Fwd	1,895	2,349	2,349
Capital Receipts Received	1,472	1,913	14
Capital Receipts Used	(1,018)	(1,913)	(14)
Capital Receipts C/Fwd	2,349	2,349	2,349

40. The remaining elements of the NHCP in 2022/23 will be financed by Disabled Facilities and Towns Fund grants, revenue contributions, earmarked reserves, loan repayment and borrowing.

Risks

41. The following risks should be noted.

Housing Capital Programme

42. The cost of any fire safety works required once the final report from the Grenfell Tower Public Inquiry is published, which may impact on the HRA minimum working balance.
43. Potential scheme delays resulting from a shortage in the labour market and availability of materials, both of which are currently impacting the Housing and Non Housing Capital programmes.

Non-Housing Capital Programme

44. Key risks in the Non-Housing Capital Programme are centred around the implications of the completed stock condition survey on the asset management programme. The survey found that there is a substantial backlog of work required in order to refurbish and maintain council assets and as such, many schemes have been re-profiled to future years to alleviate some pressure, though staff recruitment continues to prove difficult which may still impact the delivery of projects.
45. There is risk in respect of asset disposals, whereby if disposals do not take place resulting in a capital receipt, there will be increased pressure on the Council's borrowing requirement.

IMPLICATIONS

Strategic Growth and Regeneration

As contained within the report.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

As contained within the report.

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

Housing

As contained within the report

Author: Andrew Murray, Director of Housing

Community Wellbeing

No specific implications.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

As contained in the report.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix 1 – Housing Capital Programme 2021/22 to 2026/27

Appendix 2 – Non Housing Capital Programme 2021/22 to 2026/27

Background Papers

None.

Glossary of terms/abbreviations used

AMP – Asset Management Plan

EZ- Enterprise Zone

GF – General Fund

HCP – Housing Capital Programme

HIP – Housing Investment Programme

HR – Human Resources

HRA – Housing Revenue Account

HSB- Housing Standards Board

HTS – HTS (Property and Environment) Ltd

MHCLG – Ministry for Housing, Communities and Local Government

MTFS- Medium Term Financial Strategy

NHCP – Non Housing Capital Programme

RTB – Right to Buy

SELEP – South East Local Enterprise Partnership

Appendix 1 - Housing Capital Programme 2021/22 to 2026/27

Programme	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s
ASC Fixed Prices	1,056	1,089	1,116	1,139	1,161	1,185
Internal Works	3,509	3,500	3,000	2,600	2,600	2,800
External works including Energy Efficiency	4,471	4,830	6,440	5,300	5,300	5,000
Energy Efficiency / Fuel Poverty	290	100	100	100	100	100
Fire Safety	6,264	3,600	1,000	1,000	1,000	1,000
Communal Boiler Renewal	450	1,250				
Disabled Adaptations	1,624	700	750	750	750	750
Compliance (Water Gas and Electric)	2,576	2,000	1,000	1,000	1,000	1,000
Joyners Field Cladding	63	1,737				
Garage Refurbishment	662	172	181	202	197	173
HTS - Environmental Estate Works	17					
Property Conversions (HTS)	200	300				
Contingency		160	220	228	228	221
Asbestos Removal	215	100	100	200	200	100
CDM	74	50	50	50	50	50
Damp	151	100	100	100	100	100
Structural	1,245	500	1,000	500	500	500
IT	320	344	50	50	50	80
Disabled Adaptations (non HTS)	37					
Prentice Place	477					
Void works to 20/21 house purchases	384					
Catch Up Stock Need		2,000	3,000	6,000	6,000	6,000
2021/22 schemes reprofiled to 2023/24		(3,000)	3,000			
Total Core Programme	£ 24,083	£ 19,532	£ 21,107	£ 19,219	£ 19,236	£ 19,059

Table 3 - New Build Schemes

Previously approved schemes	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s
Bushey Croft	2,533					
4 The Hill	386	220				
Pipeline schemes	174	10,417	10,074	1,950		
Total New Build Budget	3,094	10,637	10,074	1,950	0	0
Total Housing Capital Programme	27,177	30,169	31,181	21,169	19,236	19,059

Financed by

Direct Revenue Financing	10,898	4,736	2,255	2,418	2,434	2,237
Major Repairs Reserve	12,310	11,228	11,512	11,802	12,056	12,299
Borrowing		8,433	11,824	4,571	3,109	2,847
1-4-1 Receipts used	224	4,255	4,029	780		
Other Capital Receipts	1,179					
Right to Buy Receipts arriving in year	1,449	1,517	1,561	1,598	1,637	1,676
Other Grants & Contributions	640					
POD/GAF Funding re Prentice Place	477					
Total Financing	27,177	30,169	31,181	21,169	19,236	19,059

Appendix 2 - Non Housing Capital Programme 2021/22 to 2026/27

Project Area	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s
Environment and Planning Services	1,218	813	688	613	515	515
Latton Bush Centre	217	625	687	1,131	1,313	
Commercial Properties	201	675	420	53	114	30
Highways and Car Parks	147	75	243	75	765	75
Drainage	118	210	86	40	40	40
Community Buildings	610	645	580	326	49	
Other Finance and Asset Management Schemes	417	279	660	50	115	100
Civic Centre	436	730	795	266	110	
Contingency	12	50	50	50	58	50
Garages	310	143	136	136	136	136
Governance	53	38	15	15	15	15
Finance	231	36	36	36	36	
Community Wellbeing	2,365	2,131	410	30	30	30
Elm Hatch	105	268	3,210	1,070		
Enterprise Zone (Nexus)	1,663					
Enterprise Zone (Modus)	2,909					
Town Centre Limited Liability Partnership		5,000				
Towns Fund	784	6,885	3,476	9,555	3,000	
TOTAL	11,796	18,603	11,492	13,446	6,296	991

FINANCED BY	Revised 2021/22 £000s	Budget 2022/23 £000s	Budget 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s
Capital Receipts	115					
Asset Disposal Programme	1,798	14				
Earmarked Reserves	708	36				
Revenue Contributions	348	184	155	155	155	152
Grants	6,275	7,405	3,996	10,055	3,500	500
Loans	5	5	5	5	5	5
Borrowing						
Elm Hatch	105	268	3,210	1,070		
Ocassio House		1,250				
Town Regeneration Partnership		5,000				
Prudential Borrowing	2,442	4,441	4,126	2,161	2,636	334
Total	11,796	18,603	11,492	13,446	6,296	991