

REPORT TO: CABINET

DATE: 13 MARCH 2014

TITLE: CAPITAL PROGRAMME QUARTER 3
FINANCE REPORT 2013/14

PORTFOLIO HOLDERS: COUNCILLOR TONY DURCAN
COUNCILLOR ROD TRUAN

LEAD OFFICERS: CORPORATE MANAGEMENT TEAM (01279)
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This is not a Key Decision

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

The recommendations are within the scope of the original budget approved by Full Council in February 2013.

This decision will affect no Ward specifically.

RECOMMENDED that Cabinet notes the progress made in the delivery of the Council's Housing and Non Housing Capital Programmes as at 28 December 2013, detailed as follows:

- (i) Housing Capital Programme expenditure of £7,936,000 against profiled expenditure of £9,347,000 and the projected outturn for 2013/14 of £24,874,000.
- (ii) Non Housing Capital Programme expenditure of £847,000 against profiled expenditure of £864,000 and the revised projected outturn for 2013/14 of £2,247,000.

REASON FOR DECISION

A To ensure that Cabinet reviews performance against the Council's approved 2013/14 Housing and Non-Housing Capital Programmes.

BACKGROUND

1. Detailed budget monitoring reports are formally reviewed each month and reported to the Cabinet quarterly to facilitate a close supervision over the Council's financial position throughout the year.
2. In January 2013 Full Council approved a Housing Capital Programme for 2013/14 totalling £22,393,000 and a Non-Housing Capital Programme

totalling £2,996,000.

3. The Housing Capital Programme in 2013/14 builds on the foundations laid in 2012/13 in order to deliver the Decent Homes Programme by April 2015.

ISSUES/PROPOSALS

Housing Capital Programme

4. Subsequent to the closure of final accounts 2012/13, in July 2013 Cabinet approved £2,593,000 of work carried forward to 2013/14. This increased the total 2013/14 Housing Capital Programme to £24,985,000.
5. IT work planned by the Council's Housing Service of £282,000 in 2013/14 will now cover a two year period and therefore £107,000 was identified to be carryover to 2014/15. In addition there are two tendered works schemes and a roofing scheme that are not expected to complete in 2013/14 creating an expected carryover of £144,000.
6. The report to Council on 6 February 2014 reported an outturn of £26,297,000. However, this has been revised to £24,874,000 due to lower pricing which will enable £1.3m to be carried forward to complete additional work early in 2014/15.
7. The scheme to refurbish properties at Barley Croft and Lower Meadow commenced with residents in occupation. However, after initial work of £80,000 in 2013/14 the remaining budget of £404,000 will be carried over to 2014/15 to allow for a revised plan of work to be tendered.
8. Pursuant to Cabinet approval in March 2013, Kier Harlow Ltd has been awarded housing works packages under the SCAPE National Minor Works Framework. This is EU procurement compliant and covers internal work to properties, garages, fire risk work and refurbishment of properties at Barley Croft and Lower Meadow (refer to paragraph 7 above). Overall expenditure in 2013/14 on schemes falling under the SCAPE framework has remained at £5.8m with a change to the mix of schemes being undertaken.
9. These packages have been re-aligned to link closely to the new local area investment planning. This will reduce the impact of delivering multiple works to tenants' properties and alleviate potential issues with access whilst providing a more efficient service. The revised SCAPE Works Packages are as follows:

Revised SCAPE Works Packages	Work Content	Value (£)
Scape Modern Homes Pilot	Kitchens, Bathrooms, Electrics	400,000
Scape Modern Homes Lot 1	Kitchens, Bathrooms, Boilers, Electrics	1,947,301

Scape Modern Homes Lot 2	Kitchens, Bathrooms, Boilers, Electrics	1,993,357
Damp	Insulation and extract fan treatment	100,000
Fire Precaution Works	Fire doors and stairwell enclosure works	50,000
Related Assets	Garage Improvement Programme	289,593
Disabled Adaptation Works	Various minor and major adaptations	920,000
Lower Meadow & Barley Croft	Internal and external improvement works	80,000
	Total	5,780,251

10. Contracts for external works have been awarded to two contractors following a competitive tender process ensuring best value is obtained for the Council. It is this tender process which required changes to the budgets originally envisaged and which were approved by Cabinet in September.
11. Due to one of the framework contractors running behind programme it has been necessary to appoint the third (back up) contractor to undertake approximately £2,000,000 of improvement works brought forward from 2014/15. A similar amount of work to be undertaken by the original contractor is deferred to 2014/15. This will ensure any shortfall in programme will be taken up and expended in this financial year, however, work was behind when the third contractor began work in Harlow in January 2014.
12. Forming part of the 2013/14 Housing Capital Programme are the JVCo capital fixed price works allocated to Kier Harlow Ltd through the annual service charge. This work is undertaken in void properties and has been re-phased to enable delivery of the planned programme as follows:
 - (i) 75 kitchens,
 - (ii) 50 rewires,
 - (iii) 122 boiler / heating upgrades.
13. The schemes are progressing on site despite some delays in the first half of the year. However, regular monitoring is undertaken with Kier Harlow Ltd to ensure programmes are being delivered to budget and to the required quality.
14. Whilst work on all housing capital schemes is on-going, invoicing has not kept pace with the work completed, in part due to the necessary requirement that works can only be invoiced once they are satisfactorily completed and all associated paperwork/certification (gas, electric, asbestos etc.) compiled and formally handed over. This protects the Council from future complaints and liability, but has had an impact on the actual expenditure reported to date. The Council is committed to prompt payment once these processes have been completed.
15. In 2012 Scottish and Southern Energy (SSE) and the Council agreed a programme to install external wall insulation to some 300 properties in Harlow during 2013/14. The agreement, set out in the Business Case for

Energy Efficiency Funding, approved by Portfolio Holder Decision Notice 14 November 2012, involves partnership working whereby work totalling £2.4m will be carried out by SSE, the cost to the Council being £0.9m. Phase 1 of the programme was completed in December 2013 and Phase 2 with a budget of £340,000 commenced in January 2014 and is on target for completion by April 2014.

16. In September 2013 Cabinet approved the allocation of resources to the purchase of properties on the open market. A £1.62m project will be funded over two years supported by retained Right to Buy capital receipts of £486,000 for the quarter ended 31 March 2013 and the Council's own resources. Approval of a budget of £983,000 to meet the cost of the first six (of a potential ten) purchases was confirmed by Council on 6 February 2014. To date the Council has purchased four properties; a further two are expected by the end of the financial year.
17. The contract for a Pathfinder Project was approved in October 2013 and will result in 15 to 18 new houses being constructed on sites at Felmongers, Fesants Croft and The Hill. Work on Phase One will begin on site in April 2014 with scheduled completion by December 2015. The budget for Phase One is £2,108,000 and will be supported by retained RTB capital receipts and grant income, drawn from Growth Area Funding, Stansted Area Partnership and other retained receipts. A budget of £263,000 to meet expenditure on preparatory work was approved by Full Council on 6 February 2014.
18. A summary of the forecast outturn on the Housing Capital Programme in 2013/14 and its financing, is given in Table 1 below. The significant increase is due mainly to the purchase of properties on the open market (see paragraph 16).

TABLE 1
Housing Capital Programme 2013/14

	Original Estimate Jan 2013	Revised Budget Jan 2014	Profiled Spend to date	Net Spend to date	Projected Outturn	Variance Net Spend to Profiled Spend	Note
	£000s	£000s	£000s	£000s	£000's	£000s	
Barley Croft & Lower Meadow	484	450	34	34	80	0	
External Works	250	133	13	14	133	1	
Internal Works	14,571	15,546	4,424	3,397	14,371	(1,027)	i
Windows & Doors	3,229	2,914	535	114	2,914	(421)	ii
Water/Damp	533	183	0	0	100	0	
Other Works	1,181	2,515	1,241	1,285	2,764	44	
Pathfinder Project	0	263	0	0	263	0	
Open Market Purchases	0	983	493	493	983	0	
Leasehold Works	0	1,275	1,178	1,165	1,002	(13)	
Disabled Facilities	630	694	458	463	924	5	
Total Fees	1,390	1,228	926	926	1,227	0	
Housing IT	125	113	45	45	113	0	

	Original Estimate Jan 2013	Revised Budget Jan 2014	Profiled Spend to date	Net Spend to date	Projected Outturn	Variance Net Spend to Profiled Spend	Note
	£000s	£000s	£000s	£000s	£000's	£000s	
TOTAL EXPENDITURE	22,393	26,297	9,347	7,936	24,874	(1,411)	
Financed by:							
Capital receipts . Right to Buy	(509)	(2,109)			(2,109)		
Retained Capital Receipts	0	(845)			(845)		iii
Retained Pooling Receipts	0	(374)			(374)		iv
Major Repairs Reserve	(10,177)	(19,661)			(18,238)		
Decent Homes Grant Funding	(2,246)	(2,246)			(2,246)		
Leaseholder Contributions	(209)	(475)			(475)		
Asset Disposals (Cotswold House)	0	(324)			(324)		
English Heritage Grant	0	(78)			(78)		
Grant towards Pathfinder Scheme	0	(185)			(185)		
Direct Revenue Contribution	(9,251)	0			0		
TOTAL FINANCING	(22,392)	(26,297)			(24,874)		

- i) Internal works in respect of rewires, kitchens and bathrooms and heating. The additional contractor is beginning to pick up the shortfall that has arisen to ensure that the schemes complete on target by year end.
- ii) Windows and Doors. The contractor has taken on more fitters to ensure contract completion by year end.
- iii) Capital receipts retained from 2012/13 to be used in financing the deferred housing capital programme 2013/14.
- iv) Retained Pooling Receipts of £295,000 from 2012/13 to fund the purchase of new Council homes plus additional capital receipts of £79,000 to finance the Pathfinder scheme.

19. Table 1 identifies a significant increase in funding from Right to Buy (RTB) receipts. The original estimate assumed that 30 properties would be sold in 2013/14. There have been 63 Right to Buy disposals as at 28 December 2013. The increased sale of properties is being driven by the Government's re-invigoration of RTB sales which increased the discount available and has raised tenant awareness. The estimate for disposals for the year has therefore been revised from 30 to 87 and available Housing Capital Programme receipts have increased from £509,000 to £2,109,000. The Council already held £845,000 of capital receipts from 2012/13 which will also be applied to the 2013/14 programme.

20. The purchase of six properties on the open market (referred to in paragraph 16) will be part-funded from retained capital receipts, £295,000 of which will

be utilised in 2013/14. A further £79,000 will be available for financing the Pathfinder Project as noted in paragraph 17.

21. The financing of the Housing Capital Programme has also been updated in light of the impact of new rules governing the treatment of non dwellings depreciation within the Housing Revenue Account. The Housing Capital Programme will be financed from resources contained within the Major Repairs Reserve and not through Direct Revenue Financing (Revenue Contribution to Capital) as had previously been planned.
22. The Major Repairs Reserve balance as at 31 March 2013 was £4,424,000, and it is anticipated that £1,420,000 will be utilised during 2013/14 to fund the additional expenditure. For more information see Appendix C of the HRA Budget Monitoring Report.

Non Housing Capital Programme

23. Cabinet approved the carry forward of £991,000 of work from 2012/13 at its meeting in July 2013, increasing the 2013/14 Non Housing Capital Programme from £2,996,000 to £3,987,000. The report to Cabinet in January 2014 shows a revised budget of £2,734,000 in line with the new business cases and carryovers noted below
24. A contract to survey the Playhouse at a cost of £30,000 to the General Fund will be let in April 2014, however, the Stock Condition Survey of all the Council's non housing properties is on hold pending identification of funding for the work. The Stock Condition Survey is required in order to inform the future Asset Management Plan. Officers have therefore reviewed the schemes which are dependent on the outcome of the survey and have amended projected outturns in 2013/14 accordingly.
25. Following a successful bid during 2012/13, a grant from DCLG will enable the scheme for food waste bin collections to be extended to flat blocks in the Town thereby improving the recycling of waste in Harlow. £247,000 of the grant has been identified for capital expenditure on the purchase of two vehicles and assorted bins and has been included in the Capital Programme. This addition to the previously approved Capital Programme was approved by Cabinet in September 2013 and is fully funded from Government grant. The increased outturn is included under Community Wellbeing in Table 2. It is anticipated that the carryover at year end for Community Wellbeing will be £533,000; on pitch regeneration work (£456,000), which is fully grant funded, and the regeneration of public tennis courts (£77,000).
26. Work including fencing and surfacing of six tennis courts will commence in mid-February with completion in the first quarter of 2014/15.
27. Having received agreement to start the Town Park project from the Heritage Lottery Fund (HLF) in February 2013, the Council, in

conjunction with appointed landscape and building architects, Allen Scott, has continued work and planning permission was granted on 15 January 2014. The Council has also tendered for and appointed quantity surveyors and mechanical & electrical engineers (M&E) who have completed final cost plans and M&E designs. The team has also completed briefs for the production of a revised activity action plan and civil engineering which have now been let and the consultants are working towards their individual contracts. Work continues on the brief for the provision of the café in the ground floor of Spurriers House, with recruitment to a new post in hand. Tenders are being evaluated for the landscape package. The capital building works package will go out for tender before year end. Due to final negotiations on the detail and costs associated with the landscape package, it is anticipated that the project will start on site in April 2014 resulting in a carryover of £210,000 to 2014/15.

28. External grant funding for the Town Park is £2,580,000 which together with the approved contribution from the Council of £195,000 gives a total budget of £2,775,000. This funding is reported in the programme within the current budget and in future years as reported to Full Council in February 2014. Expected expenditure in 2013/14 is £140,000.
29. Projected asset disposals to support the Non Housing Capital Programme are currently forecast to be £1,427,000 in 2013/14 (estimate £1,557,000). This reduction is due to the capital receipt from the residual land transfer of the Rugby Club no longer receivable in 2013/14 and an additional capital receipt received from the sale of Fishers Hatch Social Club. However, the largest part of the expected asset disposals is dependent on the sale of properties at Marshgate Farm Depot by the developer under a building license contract and in the current economic conditions sales may be slow to take place. All monies under the contract must be paid to the Council by the end of September 2014.
30. The DCLG Disabled Facilities Grant in respect of adaptations to owner occupied properties has increased to £286,000 (estimate: £281,000). Total expenditure is anticipated to be in line with a budget of £370,000.
31. The outturn on the Non Housing Capital Programme is expected to be £2,247,000 with carryovers of £470,000 to 2014/15 which are in addition to the amendments to budgets of £4,280,000 reported to Full Council in February 2014.
32. The upgrade of the Agresso Financial Management System (FMS) and implementation of the Human Resources Module is included following Cabinet approval in December 2013. The scheme is required to upgrade the current system which will soon be unsupported by the supplier. It is essential to the Council's financial monitoring and production of the annual Statement of Accounts. Estimated funding of £200,000 is required, spread over two years and supported by a direct revenue contribution to capital of £50,000.

33. Therefore, as a consequence of the carry forward of budgets from 2012/13 and the revised forecast outturn, estimated internal borrowing is £2,070,000 (Estimate £2,010,000).
34. Details of the Non Housing Capital Programme expenditure and financing are contained in Table 2.

TABLE 2
Non Housing Capital Programme 2013/14

	BUDGET APPROVED JAN 2013	REVISED BUDGET JAN 2014	PROJECTED OUTTURN 2013/14
	£000'S	£000'S	£000'S
Expenditure			
Finance	66	174	174
Community Wellbeing	1,020	741	712
Regeneration	1,735	1,469	1,221
Regeneration (Town Park HLF)	175	350	140
Total Expenditure	2,996	2,734	2,247
Financed by:			
Capital receipts . Right To Buy	(170)		(170)
Asset Disposals	(1,557)		(1,293)
Direct Revenue Contribution	0		(25)
Earmarked Resources	(530)		(468)
Disabled Facilities Grant . Strategic Housing	(281)		(286)
Renovation Loans	(5)		(5)
Prudential Borrowing	(2,010)		0
Total Financing	(2,996)		(2,247)

	£000's
Borrowing to support Non Housing Capital Programme as at 31 March 2013	2,070
Repayment of borrowing from asset disposals	0
New borrowing to finance shortfall in Non Housing Capital Programme, 201/14	0
Borrowing to support Non Housing Capital Programme as at 31 March 2014	2,070

Risks and Opportunities

35. Key risks in the delivery of the Decent Homes programme are the performance of contractors and the Council's capacity to deliver a greatly increased Housing Capital Programme.

36. A key risk for the Non Housing Capital Programme is the delay in tendering the Stock Condition Survey contract. A survey of the Playhouse will be carried out in May 2014, however, funding has still to be identified for a full stock condition survey.
37. There is also a risk in respect of asset disposals whereby in the current economic climate developers may be unable to find the necessary resources in the expected timescale, so causing a delay to capital receipts.

IMPLICATIONS

Regeneration (includes Sustainability)

Contained within the body of the report.

Author: **Graeme Bloomer, Head of Regeneration**

Finance (Includes ICT)

As contained in the body of the report.

Author: **Simon Freeman, Head of Finance**

Housing

As contained in the body of the report.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: **Lynn Seward, Head of Community Wellbeing**

Governance (includes HR)

None specific.

Author: **Brian Keane, Interim Head of Governance**

Glossary of terms/abbreviations used

DCLG . Department of Communities and Local Government

EU . European Union

FMS . Financial Management System

JVCo . Joint Venture Company (i.e. the arrangement the Council has with Kier Harlow Ltd)

M&E . Mechanical and Electrical

SMEs . Small and Medium Enterprises

SSE . Scottish and Southern Energy

SCAPE . Scape is the procurement vehicle owned by a number of Midlands based Local Authorities.

Background Papers

None