

REPORT TO: CABINET

DATE: 26 MARCH 2015

TITLE: CAPITAL PROGRAMMES QUARTER 3
FINANCE REPORT, 2014/15

PORTFOLIO HOLDERS: COUNCILLOR ROD TRUAN
COUNCILLOR MIKE DANVERS

LEAD OFFICERS: CORPORATE MANAGEMENT TEAM

SIMON FREEMAN, HEAD OF FINANCE
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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 budget which has been approved by Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet

A Acknowledges the projected outturn position for the third quarter (October – December) of 2014/15 as follows:

(i) Housing Capital Programme expenditure of £13,722,000 against profiled expenditure of £13,830,000 and the projected outturn for 2014/15 of £24,813,000.

(ii) Non Housing Capital Programme expenditure of £1,297,000 against profiled expenditure of £1,761,000 and a projected outturn for 2014/15 of £3,687,000.

B Approves the inclusion of capital business cases in the Non Housing Capital Programme as detailed in paragraphs 33 and 34.

REASON FOR DECISION

A To ensure that Cabinet reviews performance against the Council's approved 2014/15 Housing and Non-Housing Capital Programmes.

BACKGROUND

1. Detailed budget monitoring reports are formally reviewed each month and reported to Corporate Management Team and Heads of Service monthly to facilitate a close supervision over the Council's financial position throughout the year.

2. In February 2014 Council approved a Housing Capital Programme for 2014/15 totalling £26,549,000 and a Non-Housing Capital Programme totalling £3,393,000.
3. The Housing Capital Programme in 2014/15 builds on the foundations laid in 2012/13 and 2013/14 in order to deliver the Decent Homes Programme by April 2015.

ISSUES/PROPOSALS

Housing Capital Programme

4. Subsequent to the closure of final accounts 2013/14, on 17 July 2014 Cabinet approved £1,101,000 of work carried forward to 2014/15. This increased the total 2014/15 Housing Capital Programme to £27,650,000.
5. Due to the performance of a contractor, the programme has been revised and work re-allocated using the established procurement frameworks with expenditure being re-profiled to re-align budgets in the overall work packages. The Council's commitment to achieve Decent Homes Standard by 31 March 2015 is on schedule albeit that there have been changes during the year to the work being undertaken to achieve this. Cabinet approved amended budgets in December 2014.
6. The Housing Capital Programme is constantly reviewed against delivery plans, procurement timetables, and forward forecasts. At Period 9, the following units have been installed, or work carried out:
 - 1,928 new Kitchens
 - 1,517 new bathrooms
 - 347 additional WCs
 - 1,191 rewires
 - 1,004 gas boilers
 - 10,126 new windows
 - 3,854 new doors
7. A four year procurement framework work package was awarded in 2013/14 for the installation of windows and doors by Solar Windows Ltd. This initial four year programme was converted into a two year programme, bringing forward from later years (years 6-10) other asset management priorities in particular the replacement of single glazed windows. The forecast outturn of £2,500,000 (Original budget and carryover 2014/15 £4,895,000) reflects this requirement for managing capacity and extending the initial two year programme to an additional third year. Additional contractor support will be provided in quarter four of 2015.
8. Changes to the programme also included the requirement to bring forward scheduled fire risk assessments and electrical testing to the tower blocks and communal areas in order to meet revised statutory requirements, and prepare for the External Works packages due to

commence in April 2015. Work totalling £310,000 was included in the initial Fire Safety budget for 2014/15, but subsequently increased to £423,000 with completion by March 2015. Additional budget to be allocated in the programme for 2015/16.

9. The revised budget for internal works for 2014/15 totals £13,595,000 (Original Estimate £14,585,000), is the largest element within the programme, covering Kitchens, Bathrooms, Heating and Electrical work including Fire Safety. Work is being undertaken by two contractors following the ending of the contract with one contractor who was unable to meet contractual commitments. In addition part of the work also comes under the SCAPE programme carried out by Kier Harlow Ltd.
10. Following Cabinet approval in February 2014, Kier Harlow Ltd was awarded housing works packages under the SCAPE National Minor Works Framework up to a value of £5.8m per annum. This is EU procurement compliant and covers internal work to properties, garages and environmental works on tenant initiatives.
11. These packages have been aligned to link closely to the local area investment planning. This will reduce the impact of delivering multiple works to tenants' properties and should alleviate potential issues with access whilst providing a more efficient service. However, at Period 6, a review of the budgets and work allocation was carried out to realign budgets with work to be completed by the 31st March 2015. A budget of £315,000 has been commissioned by the Council's Non Housing Service which has reduced the housing work to align to procurement thresholds. A works validation process has been recently completed by the Council. This has focussed on performance management, charging mechanisms, procurement processes, contract administration, customer satisfaction and value for money. As part of this process, the revised budgets were adjusted by £131,000 to include the invoicing received in 2014/15 which relates to work completed in 2013/14 and which was not included in year end accruals, as follows:

SCAPE Works Packages	Work Content	Value (£)
Internal works	Kitchens	1,150,000
Internal works	Bathrooms	600,000
Internal works	Heating - Boilers	800,000
Internal works	Electrical including smoke detectors	906,950
Internal works	CDMC Health & Safety	29,500
Damp	Extract fan treatment including budget carryover from 2013/14	113,000
Structural		100,000
Related Assets	Garage Improvement Programme	574,594
Disabled Adaptation Works	Various major and minor adaptations	935,000
Environmental Works	Tenant Initiatives	103,000
Asbestos	Removal	61,000
Communal Heating schemes	Heating and insulation works	50,000
Non Housing Capital Programme		315,000
	Total	5,938,044

12. The projected outturn on Disabled Facilities Adaptations for tenants increased to £935,000. This is as a result of Essex County Council providing additional resources to reduce the backlog of applications leading to a much greater demand than expected in 2014/15 and 2015/16 for adaptations. In addition £200,000 is to be made available from the Modern Homes Programme to provide supporting works to the disabled adaptations programme.
13. The contract for the scheme to refurbish properties at Barley Croft and Lower Meadow which was piloted in 2013/14 has been awarded with a budget of £1,147,000. The work will be phased over two years with a revised budget in 2014/15 of £380,000 to complete 12 properties with a further 66 properties to be completed in 2015/16. The additional budget in 2015/16 is required due to the increased complexity of works associated with these properties.
14. Forming part of the 2014/15 Housing Capital Programme are the JVCo fixed price works allocated to Kier Harlow through the annual service charge. This work is undertaken in void properties and is set to enable delivery of the planned programme as follows:
 - 85 kitchens,
 - 51 rewires,
 - 137 boiler / heating upgrades
15. In 2012 Scottish and Southern Energy (SSE) and Harlow 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. The success of the 2013/14 scheme is continued in 2014/15 with a budget of £420,000 to facilitate external wall insulation work to 78 properties. A further £175,000 has been allocated to continue the scheme to the end of March 2015 enabling an additional 21 properties to be insulated. Total value of work in 2014/15 with the SSE contribution

is expected to be £844,000.

16. Insulation, replacement heating schemes and external cladding are being planned to address the energy efficiency issues in Tanys Dell, Hughs Tower and Edmunds Tower. It is expected that these schemes will have a direct impact on tackling fuel poverty and will be carried out over a two year timescale, the preparatory work having taken place in 2014/15.
17. The Council only pays for completed work when works are signed off by an independent clerk of works and paperwork is complete. 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 (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. Officers are therefore confident that delivery of the 100% Decency target and all tenant promises made will be met by 31 March 2015.
18. On 26 September 2013 Cabinet approved the allocation of resources to the purchase of properties on the open market. Four properties were purchased in 2013/14 with a further one completed in 2014/15. Due to changes in market conditions it is no longer cost effective to purchase properties on the open market.
19. The contract for a Pathfinder Project was approved in October 2013 and will result in 18 new houses being constructed on sites at Felmongers, Fesants Croft and The Hill. Work began on two sites after mobilisation in October and is on target to complete by December 2015. The revised budget is £2,856,000 over 2 years and will be supported by retained RTB capital receipts and grant income, drawn from Growth Area Funding, Stansted Area Partnership and other retained receipts.
20. A summary of the forecast outturn on the Housing Capital Programme in 2014/15 and its financing, is given in Table 1 below. Note the major variances which have resulted in an outturn of £24.8m from an original estimate of £27.6m are outlined in paragraph 21 below.

TABLE 1
Housing Capital Programme 2014/15

	Original Estimate including carryovers Feb 2014	Profiled Spend to date	Net Spend to date	Projected Outturn	Variance Net Spend to Profiled Spend	Note
	£000s	£000s	£000s	£000's	£000s	
Internal Works	13,954	7,231	7,085	13,669	-146	iii
Barley Croft & Lower Meadow	347	0	0	380	0	
Windows & Doors	4,895	1,667	1,693	2,500	26	v

	Original Estimate including carryovers Feb 2014	Profiled Spend to date	Net Spend to date	Projected Outturn	Variance Net Spend to Profiled Spend	Note
	£000s	£000s	£000s	£000's	£000s	
Damp / Structural	287	122	61	225	-61	
External Roofing	420	371	371	406	0	
Environmental Improvements	50	50	103	103	53	
Other Works	1,383	1,211	1,510	1,947	299	i
Flat Block Refurbishments	175	67	67	67	0	
Electrical Upgrades	805	484	464	718	-20	
Energy Efficiency	720	518	385	993	-133	iv
Disabled Adaptations	900	623	467	1,135	-156	ii
Open Market Purchases	954	169	169	169	0	
Pathfinder Project	1,144	302	302	1,020	0	
Surveyors Fees	1,243	929	929	1,239	0	
Housing IT Development	373	86	116	242	30	
TOTAL EXPENDITURE	27,650	13,830	13,722	24,813	(-108)	
Financed by:						
Capital receipts – Right to Buy	2,181			1,890		
Other Capital Receipts	629			1,807		
Major Repairs Reserve	18,850			13,518		
Decent Homes Grant Funding	4,145			4,145		
Leaseholder Contributions	150			300		
Grant Funding	738			714		
Direct Revenue Contribution	957			2,439		
TOTAL FINANCING	27,650			24,813		

- i) Increased demand for statutory testing work (e.g. asbestos).
- ii) Disabled adaptations: budget almost fully committed for the year and work on-going.
- iii) Re-alignment of work allocation due to contactor performance.
- iv) Energy efficiency work on heating schemes prioritised and additional work under the SSE contract to be completed by end of March 2015.
- v) Extension of single glazed window replacement.

21. Major In Year Variances:

Scheme	OE £000	Projected Outturn £000	Variance £000
Windows & Doors	4,895	2,500	(-)2,395
Internal Works	13,954	13,669	(-) 285
Open Market Purchases	954	169	(-) 785
TOTAL			(-)3,465

22. The original estimate for Right to Buy Sales in 2014/15 is 60 with 52 'Right to Buy' disposals as at 31 December 2014. The sale of properties continues to be driven by the Government's re-invigoration of RTB sales which increased the discount available and has raised tenant awareness. The estimate for Right to Buy disposals in 2014/15 has therefore been increased to 83 resulting in a revised housing capital receipts estimate of £1,890,000 (Original Estimate £1,709,000) in 2014/15. In addition the Council retained pooling receipts of £545,000 in the first half of 2014/15 to support funding of the Pathfinder Project and drew down a further £129,000 in December 2014. The Council held £2,552,000 of capital receipts in the Capital Receipts Reserve as at 31 March 2014.

23. The Major Repairs Reserve balance as at 31 March 2014 was £2,417,000, and it is anticipated that £13,518,000 will be utilised during 2014/15 to fund the housing capital expenditure with a nil balance at 31 March 2015. For more information see Appendix C of the HRA Budget Monitoring Report.

Details	Original Estimate £000's	Forecast Outturn £000's	Variance £'000s
Balance at 1 April 2014	(-)1,581	(-)2,417	(-)836
Depreciation Charge 2014/15	(-)17,269	(-)11,101	6,168
Capital Financing	18,850	13,518	5,332
Estimated Balance at 31 March 2015	0	0	0

Non Housing Capital Programme

24. Cabinet approved the carry forward of £781,000 of work from 2013/14 at its meeting on 17 July 2014, increasing the 2014/15 Non Housing Capital Programme from £3,393,000 to £4,174,000. Subsequent inclusion of additional grant funded budget for HLF Town Park work to take place in 2014/15 increased the outturn to £5,400,000.

25. A contract to survey The Playhouse at a cost of £30,000 to the General Fund has been awarded. The survey is expected to be completed by 31 March 2015.
26. A Stock Condition Survey of all the Council's non housing properties is being planned with the contract put out to tender in 2015/16. 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 put together a programme of work which enables the Council to meet its statutory, contractual and health and safety obligations.
27. In 2014/15 under Finance and IT, planned works include schemes to upgrade the Council's IT systems to ensure continued Public Sector Network (PSN) compliance thereby safeguarding the integrity and security of the Council's systems. This work is planned for the second half of the year following the implementation of the Citrix Mobile software to support the new smart devices for Councillors and officers.
28. A mid year review of approved schemes and planned works resulted in a number of new schemes being included in the programme to meet health and safety concerns, maintain Council properties and therefore safeguard income and to combat complaints arising from non compliance with statutory duty. In addition schemes that can be carried over to 2015/16 were identified. Cabinet approved the revised budget of £3,708,000 in December 2014.
29. The approved budget for Disabled Facilities Grants for owner occupiers is £525,000 but there is a risk that additional costs may be incurred in 2014/15 if complaints are received that the Council has a statutory duty to respond to. The increased outturn is as a result of Essex County Council providing additional resources to reduce the backlog of applications leading to a much greater demand than expected in 2014/15 and 2015/16 for adaptations. CLG support this work with a grant of £290,000.
30. Home Repairs Assistance Loans are made available by the Council to owner occupiers for work to improve homes and are repayable when the property is sold. Demand for such loans has increased in 2014/15 with an estimated outturn of £23,000, (original estimate £5,000).
31. In Regeneration work is on-going to refurbish vacant properties at The Stow to convert unused office accommodation into self contained flats. In addition work is almost complete on replacing the windows at the Stow Snooker Club.
32. Having received agreement in February 2013 from the Heritage Lottery Fund to start the Town Park project planning permission was granted in January 2014. Preparation work was undertaken during 2013/14, and the contract for the landscaping work was approved by Cabinet on 17 July

2014 with a value of £576,000. Other work including that to Spurriers House and the Bandstand are being programmed according to the schedule of work in the Park and are now to be carried over to 2015/16.

33. 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 scheme budget of £2,775,000. This funding is reported in the programme within the current budget and includes the landscaping work which began on site in November 2014. In addition the buildings contract was awarded in January, with work commencing on site in February 2015. Expected expenditure in 2014/15 is £705,000.
34. A grant from the Cabinet Office of £13,740 has been received in order to purchase a Mailing Machine for use in the Electoral Office. The cost of £13,950 has been added to the programme.
35. Work to refurbish the dining hall at Latton Bush Centre to make the space available for use by the Food Bank is included at an expected cost of £10,000, funded from savings found within the Non Housing Capital Programme. This is a partnership project which will also enable the space to be let to other tenants when not required by the Food Bank .
36. Projected asset disposals to support the Non Housing Capital Programme are forecast to be £1,184,000 in 2014/15 (Estimate £1,618,000). Sale of properties at Marshgate Farm Depot under a Building License Contract completed in July 2014 with a total receipt of £869,000 and the sale of Kingsmoor House completed in December 2014 with a receipt of £315,000.
37. The outturn on the Non Housing Capital Programme is expected to be £3,687,000.
38. Estimated internal borrowing in 2014/15 is £1,140,000 (Estimate £318,000).
39. Details of the Non Housing Capital Programme expenditure and financing are contained in Table 2 below.

TABLE 2
Non Housing Capital Programme 2014/15

	Original Estimate including carryovers Feb 2014	Profiled Spend to date	Net Spend to date	Projected Outturn	Variance Net Spend to Profiled Spend
	£000'S	£000'S	£000'S	£000'S	£000'S
Expenditure					
Governance	0	0	14	14	14
Finance	366	26	27	166	1
Community Wellbeing	1,220	579	581	1,062	1
Regeneration	1,882	868	573	1,740	(-)229
Regeneration (Town Park HLF)	705	353	102	705	(-)251
Total Expenditure	4,174	1,826	1,297	3,687	(-)464
Financed by:					
Capital receipts – Right To Buy	(-)191			(-)191	
Asset Disposals	(-)1,618			(-)1,184	
Direct Revenue Contribution	(-)50			(-)56	
Earmarked Resources	(-)1,161			(-)821	
Disabled Facilities Grant – Strategic Housing	(-)290			(-)290	
Renovation Loans	(-)5			(-)5	
Prudential Borrowing	(-)859			(-)1,140	
Total Financing	(-)4,174			(-)3,687	

	£000's
Borrowing to support Non Housing Capital Programme as at 31 March 2014	2,100
New borrowing to finance shortfall in Non Housing Capital Programme, 2014/15	1,140
Borrowing to support Non Housing Capital Programme as at 31 March 2015	3,240

Risks and Opportunities

40. 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.
41. A key risk for the Non Housing Capital Programme is the delay in tendering the Stock Condition Survey contract and the continuing demand for disabled adaptations and home assistance loans.

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: **Jane Greer, Interim 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

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

SSE – Scottish and Southern Energy

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

M&E – Mechanical and Electrical

FMS – Financial Management System