

REPORT TO: CABINET

DATE: 10 DECEMBER 2015

TITLE: CAPITAL PROGRAMMES QUARTER 2
FINANCE REPORT, 2015/16

PORTFOLIO HOLDER(S): CLLR ROD TRUAN
CLLR MIKE DANVERS

LEAD OFFICER(S): CORPORATE MANAGEMENT TEAM
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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 progress made in the delivery of the Council's Housing and Non-Housing Capital Programmes for the second quarter of 2015/16 (as at 27 September 2015) as follows:
- (i) Housing Capital Programme projected variation of £1,946,000 below the revised budget (representing -7.2%).
 - (ii) Non-Housing Capital Programme projected variation of £162,000 above the revised budget (representing 2.4%).
- B** Acknowledges the performance in delivering the capital programmes, as summarised in Tables 2 and 5 of this report (reference paragraphs 7 and 19).
- C** Recommends to Full Council the following to the respective Capital Programmes:
- (i) Approves carryovers to 2016/17 from the Housing Capital Programme of £1.9m (reference paragraph 6).
 - (ii) Inclusion of a new business case in the Non-Housing Programme totalling £15,000 (reference paragraph 14).
 - (iii) Approves carryovers to 2016/17 from the Non-Housing Capital Programme of £784,000 (reference paragraph 15).

REASON FOR DECISION

- A To ensure that Cabinet reviews performance against the Council's approved 2015/16 Housing and Non-Housing Capital Programmes.

BACKGROUND

1. This report on the Capital Programme forms part of the suite of budget monitoring reports provided to Cabinet each quarter. Further monthly monitoring and review is formally conducted by Corporate Management Team and Heads of Service to ensure close supervision over the Council's financial position throughout the year.
2. In February 2015 Council approved a Housing Capital Programme for 2015/16 totalling £26,772,000 and a Non-Housing Capital Programme totalling £5,840,000.
3. The Housing Capital Programme in 2015/16 continues to deliver the significant investment plans for the Councils housing assets and builds upon the Decent Homes standard which were achieved in March 2015.

SUMMARY OF THE QUARTER TWO CAPITAL PROGRAMMES' FINANCIAL PERFORMANCE – 2015/16

Housing Capital Programme

4. At Quarter 2 the projected outturn is £25,103,000, being £1,946,000 below the revised budget approved in September 2015 (£1,669,000 below the original annual programme, prior to adding in any carry-overs from 2014/15).

TABLE 1. Housing Capital Programme as at Quarter 2

2015-16 Budget Stage	£000s	Date Approved
Original Budget	26,772	5 Feb 15
Carryovers from 2014/15	76	23 Jul 15
	26,848	
2015/16 Revisions (Quarter 1)	201	17 Sep 15
Revised Budget as at Quarter 1	27,049	
Projected Outturn as at Quarter 2	25,103	
Variance from Revised Budget	(1,946)	below budget

5. The variance is due mainly to the following two factors, which are proposed to be carried over into the 2016/17 Programme:
 - i) £1,450,000 relating to planned energy efficiency work which is in

the preparation and consultation stage, but which will not start on site until April 2016.

- ii) £450,000 planned internal works at Sumners Farm Close, now due for completion in 2016/17.

6. A summary of the forecast outturn expenditure for individual projects in the Housing Capital Programme in 2015/16, together with their financing, is given in Table 2 below. Further details of each project are contained within Appendix A to this report.

TABLE 2
Housing Capital Programme 2015/16

	Original Estimate including carryovers Feb 2015	Revised Budgets Quarter 1	Net Spend to date	Projected Outturn	Variance Revised Budget to Projected Outturn	ANNEX A Details
	£000s	£000s	£000s	£000's	£000s	
Internal Works	6,330	8,235	2,731	7,543	(692)	A1-3
Structural: Barley Croft and Lower Meadow	3,286	1,000	651	1,000	0	
Windows & Doors	3,530	3,100	219	3,100	0	
Dampness	152	158	47	174	16	
External Works	4,420	4,455	317	4,509	54	
Environmental Works	51	51	0	141	90	A7
Other Works	1,496	1,971	773	2,027	56	A6
Leasehold Works	576	576	0	576	0	
Electrical Upgrades and Fire Safety	1,011	1,068	28	1,071	4	
Energy Efficiency	1,769	2,126	386	683	(1,443)	A9
Disabled Adaptations	809	899	140	965	66	A10
Pathfinder Project – New Build	1,856	1,848	1,606	1,845	(3)	
Total Fees	1,256	1,256	628	1,214	(42)	
Housing IT Development	306	306	63	256	(50)	A11
TOTAL EXPENDITURE	26,848	27,049	7,589	25,103	(1,946)	
Financed by:						
Capital receipts – Right to Buy	1,338	1,338		1,574		
Other Capital Receipts	551	545		553		
Major Repairs Reserve	11,270	11,270		10,811		
Leaseholder Contributions	486	486		600		
Grant Funding	1,017	1,187		1,067		
Direct Revenue Contribution	12,186	12,223		10,498		
TOTAL FINANCING	26,848	27,049		25,103		

7. The original capital programme had assumed 60 “Right to Buy” (RTB) Sales in 2015/16. As at 27 September 2015, 26 RTB disposals had been completed. However, analysis of applications in progress indicates that the level of sales could reach 69 in 2015/16. The impact of this projection on the financing of the Housing Capital Programme increases the capital

receipts from RTB sales to £1,574,000. 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. Incentives included a reduced qualification time limit, from 5 years to 3 years, before a tenant can buy their property - there is currently no evidence that this reduction has had an impact on the planned or actual RTB sales.

8. The external works programme includes work to leasehold properties, from which it is estimated that the income from leaseholders will increase to £600,000 for 2015/16 (original estimate £486,000).
9. At 31 March 2015 there was a nil balance on the Major Repairs Reserve (MRR). Under proper accounting practice, the charge to the HRA for depreciation, now projected to be £10,811million in 2015/16, is transferred to the MRR which, in turn, is utilised to support the Housing Capital Programme for an equivalent sum.

Non-Housing Capital Programme

10. At Quarter 2 the projected outturn is £6,945,000, being £162,000 above the revised budget approved in September (£1,105,000, above the original annual programme prior to any carry-overs from 2014/15).

TABLE 3. Non-Housing Capital Programme as at Quarter 2

2015-16 Budget Stage	£000s	Date Approved
Original Budget	5,840	5 Feb 15
Carryovers from 2014/15	883	23 Jul 15
	6,723	
2015/16 Revisions	60	
Revised Budget as at Quarter 1	6,783	
Projected Outturn as at Quarter 2	6,945	
Variance from Revised Budget	162 above budget	

11. The Non-Housing Capital Programme of work enables the Council to meet its statutory, contractual and health and safety obligations. Included within the carry forward of £883,000 are grant-funded schemes amounting to £570,000.
12. The net variance above budget is due mainly to the following factors (see overleaf):

Non-Housing Capital Programme - Major Variations Q2

	£000s
▪ This incorporates the purchase of land at Latton Farm into the Capital Programme, being part of the self-financing project to facilitate the moving of Harlow Rugby Club and development of residential property at Ram Gorse.	710
▪ Contract variations required for the Town Park project, to be financed from Heritage Lottery Fund and grant funding.	510
▪ Various projects within Place Service, including:	
Latton Bush Centre, Projects deferred to 2016/17	£(167k)
Commercial Props for which funding has been allocated but are awaiting development of business cases, procurement processes, etc prior to commencement	£(539k)
Community Buildings, including Fernhill Travellers scheme added to programme and carry over of Town Centre Realm expenditure	£257k
Other Minor Variances in Place Service	<u>£(41k)</u>
	(490)
▪ Garages appropriated to the General Fund: re-alignment of capital works budgets	(390)
▪ Financial Management System - transfer of implementation costs to 2016/17 in order to reduce impact on closure of accounts processes for 2015/16.	(170)
▪ Other minor variations	<u>(8)</u>
	<u>162</u>
13. Further details of expenditure relating to projects are contained within ANNEX A to this report, together with financing implications related to these.	
14. A new business case (not included in the projected outturn in paragraph 11, above) has been made for capital expenditure and is included in the recommendations to this report for approval. The business case is for essential Civic Centre maintenance.	
15. The following carry overs amounting to £784,000 have been requested by services to be carried over into the 2016/17 Programme (see overleaf):	

TABLE 4 – Recommended Non-Housing Capital Carry-overs to 2016/17

Service	Nature of Carryover for Recommendation	£	£
Finance	Whilst preparatory work will be carried out during 2015/16, the major part of upgrading the Financial Management System, Agresso, will be carried out in 2016/17, to ensure closedown of accounts is not affected. This has also been required to accommodate infrastructure requirements and appointment of key personnel within IT and Accountancy.		170,000
Community Wellbeing	Playhouse Boiler - This project at the Playhouse is delayed due to the lead-in time required on the installation.		42,000
Place	Re-roofing to units at LBC - Project deferred pending asbestos removal work.	65,000	
	Refurbishment LBC Old Dining Hall & Kitchen - Project now planned for 2016/17	77,000	
	Re-roofing works to Sherards Hatch Common Room - Works has to be scheduled for summer holiday period	62,000	
	Bush Fair CCTV - Timing and scale of project under review	6,000	
	Church Langley Playing Fields - Parking - Subject to a Match Funding agreement with SEHSYA	22,000	
	Town Centre Public Realm Improvements - Awaiting working group direction on content of scheme	320,000	
	Civic Centre Maintenance	20,000	
			572,000
	Total for Carryover Recommendation		784,000

16. Projected asset disposals to support the Non-Housing Capital Programme are forecast to be £600,000 for the sale of land at Ram Gorse (Rugby Club) in 2015/16. The disposals that were included in the original estimate 2015/16 are now scheduled for disposal in 2016/17 (£874,000).
17. Estimated internal borrowing in 2015/16 is £2,285,000 (Estimate £1,772,000).
18. Details of the Non-Housing Capital Programme expenditure and financing are given in Table 2 below. Further details of projects are contained within ANNEX A to this report.

TABLE 5
Non-Housing Capital Programme 2015/16

	Original Estimate Feb 2015	Revised Budget Quarter 1 (including carryovers)	Net Spend to Date	Projected Outturn	Variance: Projected Outturn to Revised Budget	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	£000s	
Expenditure:						
Governance	15	15	0	0	(15)	
Finance	236	344	23	174	(170)	A19-A20
Community Wellbeing	1,438	1,671	269	1,678	7	
Place Services	2,203	2,457	151	1,967	(490)	A16, A25-A26
Place Services (Town Park HLF)	1,300	1,648	1,531	2,158	510	A27-A28
GF Garages	648	648	56	258	(390)	13
Latton Farm			0	710	710	A29-A30
Total expenditure	5,840	6,783	2,030	6,945	162	
Financed by:						
Capital Receipts - Right To Buy	204			199		
Asset Disposals	1,124			600		A30
Direct Revenue Contribution	719			286		
Earmarked Resources	1,693			3,247		
Disabled Facilities Grant- Strategic Housing	323			323		A23
Renovation Loans	5			5		
Prudential Borrowing	1,772			2,285		
Total Financing:	5,840			6,945		

Impact of Prudential Borrowing	£000s
Borrowing to support Non-Housing Capital Programme as at 31 March 2015	2,795
New borrowing to finance shortfall in Non-Housing Capital Programme, 2015/16	2,285
Projected Borrowing to support Non-Housing Capital Programme as at 31 March 2016	5,080

Risks and Opportunities

19 Key risks in the delivery of the 5 year Housing Investment programme are the performance of contractors and the Council's capacity to deliver a greatly increased housing capital programme with changing priorities.

20 Housing capital funding is at risk from the proposed rent reduction to tenanted properties announced in the Government's Summer Budget. This has major implications for the 30 year HRA Business Plan, which is being revised and will be reported to Cabinet on 28 January 2015.

- 21 Although the Council undertook an extensive housing property stock condition survey, it did not expose roof areas which upon more detailed examination have revealed a number of fire risks. The additional cost which may arise will have an impact on the programme and timing of delivery of the programme.
- 22 Key risks in the Non-Housing Capital Programme are centred around the outcome of the stock condition surveys and reviews including the result of the local plan review and the implications for future capital budgets.

IMPLICATIONS

Place Services (includes Regeneration)

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, Head of Community Wellbeing**

Governance (includes HR)

None specific.

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

Glossary of terms/abbreviations used

CLG	Department of Communities and Local Government
EA/ DDA	Equality Act and Disability Discrimination Act
FMS	Financial Management System
HLF	Heritage Lottery Fund
HRA	Housing Revenue Account
JVCo	Joint Venture Company (i.e. the arrangement the Council has with Kier Harlow Ltd)
LBC	Latton Bush Centre
SCAPE	Scape is the procurement vehicle owned by a number of Midlands based Local Authorities.

CAPITAL PROGRAMMES QUARTER 2 FINANCE REPORT, 2015/16
Update on the Status of Capital Projects

Housing Capital Programme

- A1. Approval is sought (paragraph 6 of the report) for internal work of £450,000 planned for Sumners Farm Close to be carried forward for completion in 2016/17.
- A2. Within the original estimate for Internal Works there was an allocation of £3.2m for Barley Croft and Lower Meadow to facilitate extensive refurbishment works. Following consultation with residents a revised scope of works was agreed to include internal works to boilers, kitchens and bathrooms and windows. The scheme completed in 2015/16 with a revised budget requirement of £1.0 million.
- A3. As a result of the reduced budget requirement for the Barley Croft and Lower Meadow works additional works of £1.2m will now be possible on properties not originally on the work plan for 2015/16. This brings forward work from future years but is a reduction on the Quarter 1 forecast to enable other priorities in the programme to be met. Within the revised projected outturn of £7m there is an allowance for the settlement of final accounts due to the two contractors no longer engaged on internal work.

At Period 6 the following units have been installed and work carried out:

148 Kitchens
85 Bathrooms
10 Additional WCs
125 Electrical safety inspections with 34 new consumer units fitted and 64 additional smoke alarms
94 Boilers of which 60 included full heating systems (radiators)
116 New Doors
342 New Window

- A4. The Windows and Doors contract for 2015/16 was included in the SCAPE funded programme to be carried out by Kier Harlow. Following a pilot programme in 2014/15 it is expected that the work can be undertaken within a budget of £3.1m. (Original estimate £3.53m).
- A5. Preparation work for the external works contract has identified that a substantial number of properties have roofs of a non-standard construction and may require additional unforeseen work to mitigate fire risks. Work is urgently being carried out to understand the legal, planning and budgetary implications. If roofs with non-standard construction are limited in number it is anticipated that the current external works budget of £4,420,000, together with the leasehold element of the works of £576,000, will be sufficient to meet the likely costs. However, if this type of construction is more

widespread, the estimated costs and timescale for replacement will be reported to Cabinet later in the year.

- A6. Other works include garages, asbestos removal, work to lifts and communal works. The cost (£13,000) of removing the utilities at the Wissants will facilitate the disposal of this property. There is an increase in the final cost of the lift installation at Brenthall Towers and in the estimated cost of work to Stairwells within flat blocks and efficiencies have been identified in the allocation of work at Sherwood House. The projected outturn in the cost of Other Works is £2,027,000 (revised estimate £1,971,000).
- A7. A programme of Townwide Environmental works is planned costing £120,000 to support a number of small infrastructure schemes across the town. The cost is partly offset by a reduction in the Tenant Initiatives budget. Projected outturn for Environmental Works £141,000 (original £51,000).
- A8. Statutory testing of electrics and fire risk assessments have been carried out and resulted in a programme of works to ensure the upgrade of electrical systems and fire stopping works in communal areas. The programme of works in both these areas will run into 2016/17 with budget provision being made to continue the works identified. Projected outturn £1,071,000 (original budget £1,068,000).
- A9. Energy Efficiency costs have increased to enable preparatory work to be undertaken on the twenty six District Heating Systems in general and sheltered properties, where the boilers are near the end of their expected operational life. Planned works also include the installation of external wall insulation to Hughs Tower and environmental works in the The Hides plus refurbishment of the heating system at Tanys Dell. These measures will address energy efficiency issues and will have a direct impact on tackling fuel poverty. Preliminary works are being carried out in 2015/16 at a projected cost of £683,000. The remaining budget of £1,450,000 will be subject to a carryover request in order to complete the installation work in 2016/17.
- A10 Disabled adaptations include the installation of stair lifts which are now expected to incur an additional cost of £15,000. The cost of associated works that are required when a disabled adaptation is installed is included at a cost of £50,000. Projected outturn for Disabled Adaptations is £965,000 (original estimate £809,000).
- A11 The Governments Summer Budget will impose a reduction on Council rents of 1% a year for four years. This will have a substantial impact on the Housing Capital Programme as it is supported by a revenue contribution from the HRA. Although the rent reduction will be implemented from 2016/17 initial savings of £50,000 in the Housing IT programme and £30,000 from Internal works have been identified.
- A12 Following Cabinet approval on 26 March 2015, Kier Harlow Ltd has been awarded housing works packages under the SCAPE National Minor Works Framework up to a value of £5,863,800 per annum. This is EU procurement

compliant and covers internal work to properties including windows and doors, disabled adaptations and garages.

A13 These packages have been aligned to link closely to 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.

SCAPE Works Packages	Work Content	Value (£)
Internal works	Kitchens	949,612
Internal works	Emergency Heating Installations	8,266
Internal works	Fuse Pulling	150,000
External works	Windows and Doors	3,100,188
External works	Damp and structural	22,333
Related Assets	Garage Improvement Programme	501,032
Lifts	Sumners Farm and Morris House	110,000
Disabled Adaptation Works	Various major and minor adaptations	809,000
Non-Housing Capital Programme: Garages		212,610
	Total	5,863,041

A14 Forming part of the 2015/16 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 estimated to deliver improvements as follows:

- 85 kitchens,
- 51 rewires,
- 137 boiler / heating upgrades

A15 The contract for a Pathfinder Project was approved in October 2013. Eighteen new houses have been completed at Felmongers, Fesants Croft and The Hill and are now subject to offers to potential tenants. The projected final account is £3,060,000 and will be supported by retained RTB capital receipts and grant income, drawn from Growth Area Funding, Stansted Area Partnership and other retained receipts.

Non-Housing Capital Programme

A16. Cabinet approved a report (23 July 2015) to upgrade ten existing plots at Fern Hill Lane Travellers Site. There are twenty-two plots in need of upgrade at an estimated cost of £628,000. A grant application for £490,000 has been approved by the Homes and Community Agency to carry out work to twelve plots. The cost of the refurbishment of the other ten plots will be met by Essex County Council and Harlow Council, each providing up to £70,000 (50%) of the cost.

A17. Officers have now drawn up plans to carry out a series of stock condition surveys of Non-Housing stock over the next two years. The contract for phase one is expected to be awarded by the end of November 2015. The work will take 4 months to complete and will cover 60 properties including

Latton Bush Centre, the Advice Centre and the Civic Centre.

The report from the stock condition survey on the Playhouse carried out in 2014/15 has been received and is the basis for a 2016/17 Business Case. All the business cases put forward for 2016/17 will be subject to further scrutiny before the non-housing capital programme is put to members for approval.

A separate stock condition survey and dilapidation survey in respect of Mead Park Depot is in progress with the report due in mid-December.

- A18. The survey work will enable a schedule of non-housing assets for development or disposal to be produced and will also help shape and inform the future capital investment requirements for the non-housing asset portfolio.
- A19. Delays to planned IT work in 2014/15 resulted in the carryover of schemes to facilitate upgrades to the ICT infrastructure, software and backup solutions, totalling £104,000 which will now be completed in 2015/16. Within these schemes the proposed backup and disaster recovery work specification were finalised and agreed by a Waiver Report (10 August 2015) to the Portfolio Holder, amending the budget to £32,000 (original carryover £28,000).
- A20. Preparation for the upgrade to the Financial Management System, Agresso is underway. However, due to the need to ensure that the required infrastructure is in place, and that key personnel are available within IT and Accountancy, the full procurement has been delayed to the end of Quarter 3. Preparatory work will be carried out during 2015/16, however, the major part of installation will be carried out in 2016/17, to ensure closedown of accounts is not affected, resulting in a carryover of £170,000.
- A21. In Community Wellbeing new schemes in 2015/16 include the purchase of a minibus for the Leah Manning Centre and a new van for the Community Rangers, the latter is due for delivery in December 2015. In addition there are various works planned to improve leisure facilities in the town.
- A22. A Business Case for the purchase of a new Stage Control Desk (£44,000) at the Playhouse was approved by Chief Operating Officer decision 10 August 2015. The purchase was necessary due to the failure of the existing equipment and the crucial role the Control Desk has in the co-ordination of performances.
- A23. The approved budget for Disabled Facilities work to owner occupied properties is £610,000 which is supported by a grant from Communities and Local Government (CLG) of £323,000 for 2015/16. The Council has a statutory duty to carry out disabled facilities work to both tenanted and private properties.

- A24. Home Repairs Assistance Loans are made available by the Council to owner occupiers for work to improve homes which are repayable when the property is sold. Demand for such loans has increased in recent years such that a budget of £25,000 has been allocated from the 2015/16 Disabled Adaptations Budget.
- A25. A business case for the refurbishment of two offices and the reception area at Latton Bush Centre is included in the non-housing capital programme. The funding of £15,000 was drawn from the approved funding pot for Latton Bush Centre. The work is in two parts, one to refurbish two offices which will maintain income from office rentals and the second to provide a new reception area which will also improve security for the staff.
- A26. Business cases received for approval and funded from the Commercial Funding approved in the Capital Estimates Report 2015/16 in February 2015, include refurbishment of Shop 3 Colt Hatch £35,000, Shops 5 and 7 Corner House £40,000 and £15,000 respectively and new fencing at Barbara Castle Health Centre £27,000. Refurbishment of property is a statutory landlord function and maintains the fabric and security of the Councils properties.

The business case for the Civic Centre to install Anti-Glare film on front facing windows at a cost of £7,000 was funded from the approved general funding for the Civic Centre.

- A27. Work on the capital contracts to restore the Town Park are almost complete. The landscaping contract is complete after undertaking extensive works across the park including introducing new paths and restoring the water garden area. The capital build contract is also almost complete. Pets Corner has reopened after refurbishment which has included a new Events Barn, new surfacing and a reconfigured layout. Two new entrances are still to be installed. Work on the bandstand has been completed except for renewing the concrete at the front of the stage. Work to the new Learning Centre and the refurbishment of Spurriers House is on-going.

Changes and variations to both the landscape contract and the building contract due to several unforeseen changes and the complexity of the project means that the expected final account for the two contracts is £2,134,000. This will require additional funding of £281,000 which will be funded through the HLF contingency fund and additional grant funding of £136,000 agreed at the beginning of the project.

Projected outturn for 2015/16 is £2,158,000. (Original estimate £1,648,000).

- A28. External grant funding for the Town Park is £2,580,000 which with additional grant funding of £136,000 and approved contribution from the Council of £195,000 gives a total scheme budget of £2,911,000.

- A29. In March 2015 Cabinet approved the sale of land at Ram Gorse and the purchase of land at Latton Farm to enable Harlow Rugby Club to move to a larger site. Housing will be built at Ram Gorse, including a proportion of social housing to which the Council will have nomination rights. The Council will receive a capital receipt of £600,000 to offset the anticipated overall cost of £710,000 (including stamp duty). The purchase and financing is included in the non-housing capital programme and is expected to complete by the end of December 2015.
- A30. Projected asset disposals to support the Non-Housing Capital Programme are forecast to be £600,000 for the sale of land at Ram Gorse (Rugby Club) in 2015/16. The disposals that were included in the original estimate 2015/16 are now scheduled for disposal in 2016/17 (£874,000).