

REPORT TO: CABINET

DATE: 15 SEPTEMBER 2016

TITLE: CAPITAL PROGRAMMES QUARTER 1
FINANCE REPORT, 2016/17

PORTFOLIO HOLDER(S): COUNCILLOR MARK WILKINSON
COUNCILLOR MIKE DANVERS

LEAD OFFICER(S): 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 progress made in the delivery of the Council's Housing and Non-Housing Capital Programmes for the first quarter of 2016/17 as follows:
- (i) Housing Capital Programme – a forecast outturn of £23,734,000 which is £1.0 million less than the agreed 2016/17 programme.
 - (ii) Non-Housing Capital Programme – a forecast outturn of £7,019,000 which is £134,000 below the approved programme for 2016/17.
- B** Approves the revision to the Housing Capital Programme and the movement of £1.0 million of External works programme to 2017/18 as set out in Paras 4 and 5.
- C** Approves
- (i) A business case for the development of offices at Latton Bush Centre by the current tenants, reference Annex 13, re-aligning £33,000 of funding already earmarked for the Centre.
 - (ii) A revised contribution of £86,000 (being an increase of £16,000) for the work at Fernhill Travellers Site, reference paragraph 13 and Annex 14.

REASON FOR DECISION

- A To ensure that Cabinet reviews performance against the Council's approved 2016/17 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 2016 Council approved a Housing Capital Programme for 2016/17 totalling £20,910,000 and a Non-Housing Capital Programme totalling £4,284,000.
3. The Housing Capital Programme in 2016/17 continues to deliver the investment plans for the Council's housing assets in order to maintain decent homes standard, improve energy efficiency, address issues of compliance to statutory regulation and maintain a programme of disabled adaptations to Council dwellings.

SUMMARY OF THE QUARTER ONE CAPITAL PROGRAMMES' FINANCIAL PERFORMANCE – 2016/17

Housing Capital Programme

4. Table 1 below provides a summary of the approved Housing Capital Programme (including 2015/16 approved carry forward schemes) and the projected outturn to 31 March 2017.

TABLE 1. Housing Capital Programme as at Quarter 1

2016-17 Budget Stage	£000s	Date Approved
Original budget	20,910	4 Feb 16
Carryovers from 2015/16	3,824	21 July 16
Approved revised budget	24,734	
Carryover to 2017/18	(-)1,000	Rec B
Projected Outturn as at Quarter 1	23,734	
Variance from Revised Budget	(-)1,000	

5. Table 2 below provides a more detailed view of the approved programme and

the forecast outturn to March 2017 against each main element. As a result of the current forecast it is expected that Direct Revenue Contributions required from the HRA will be £10,924,000 and this is driving the variations in the HRA budget reported separately on the Cabinet agenda.

TABLE 2
Housing Capital Programme 2016/17

	Revised Approved Estimate £000s	Net Spend to date £000s	Projected Outturn £000s	Variance Original estimate to Projected Outturn £000s	Details in report or ANNEX A
Internal Works	8,045	789	8,045	0	
Windows & Doors	1,930	397	1,930	0	
Damp & Structural Works	80	55	80	0	
External Works	7,501	34	6,501	-1,000	A1
Other Works	902	158	943	41	Para 6
Leasehold Works	0	2	-7	-7	
Electrical Upgrades and Fire Safety	1,666	1	1,622	-44	A2
Energy Efficiency	2,138	30	2,138	0	A7
Disabled Adaptations	812	113	822	10	
Total Fees	1,261	316	1,261	0	
Housing IT Development	399	9	399	0	
TOTAL EXPENDITURE	24,734	1,903	23,734	(-)1,000	
Financed by:					
Capital receipts – Right to Buy	-1,356		-1,356	0	
Major Repairs Reserve	-10,777		-10,777	0	
Leaseholder Contributions	-1,218		-677	541	
Grant Funding	0		0		
Direct Revenue Contribution	-11,383		-10,924	459	Para 5
TOTAL FINANCING	24,734		23,734	1,000	

6. The increased expenditure in Other Works relates to building alterations required to existing temporary accommodation units to ease the current and predicted demand for temporary and homeless accommodation.
7. The Housing Capital Programme has delivered 40,323 new components such as windows, doors, kitchens, bathrooms and boilers in dwellings since April 2013 with a further 4,690 planned by 31 March 2017.
8. The Council only pays for completed work when it is signed off by an independent clerk of works. 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. The Council is committed to prompt payment once these processes have been completed. As at the end of June 2016 there was £1,083,000 approved ready for payment but not reflected in the spend to date.

9. The original capital programme had assumed 60 “Right to Buy” (RTB) Sales in 2016/17. 23 RTB disposals had been completed by the end of June 2016. This is a higher number of sales for the first quarter than projected. Estimated sales for the year will be reviewed in September. Although applications pending are currently lower than usual it is anticipated that right to buy sales may increase in response to the proposed High Income Social Tenant Policy to be confirmed by Government.
10. At 31 March 2016 there was a nil balance on the Major Repairs Reserve (MRR). Under proper accounting practice, the charge to the HRA for depreciation is projected to be £10.777m in 2016/17. At year end this is transferred to the MRR which, in turn, is utilised to support the Housing Capital Programme for an equivalent sum.

Non-Housing Capital Programme

11. The 2016/17 approved Non Housing Capital Programme is £7,046,000. More detail is provided in Table 3 below:

TABLE 3. Non Housing Capital Programme as at Quarter 1

2016-17 Budget Stage	£000s	Date Approved
Original budget	4,284	4 Feb 16
Carryovers from 2015/16	2,762	21 July 16
	7,046	
Additions to programme	107	
Approved revised budget	7,153	
Projected Outturn as at Quarter 1	7,019	Para 17
Variance from revised budget	(-)134	

12. The total programme is further enhanced by the addition of three schemes. These are the completion of the Civic Upgrade in Revenues and Benefits (£55,000) and urgent work to the Town Park Playground (£20,000) both funded from reserves. In addition the continuing work at Parndon Mill Lock (£33,000) which is fully grant funded. A further adjustment of £9,000 for expenditure relating to 2016/17 incurred in 2015/16 was necessary.

In addition a contribution to work in front of the Town Park bandstand of

£8,000 is receivable from the design contractors.

13. Work to Fernhill Travellers Site has been amended by the final agreed funding arrangements (refer Annex 14) which requires an additional contribution of £16,000 from Harlow Council to be requested for approval (recommendation C). The outturn on the non-housing garages programme is updated in line with the reallocation of budget from the Housing Capital Programme (-)£41,000.
14. Further details of expenditure relating to projects are contained within Annex A to this report, together with financing implications related to these.
15. Projected asset disposals to support the Non-Housing Capital Programme in 2016/17 are forecast to be £874,000. In addition capital receipts have been received in respect of the disposal of Ram Gorse (£600,000 part of the Latton Farm transaction) and overage of £207,000 from the Fifth Avenue Development which completed in 2014/15.
16. Estimated internal borrowing in 2016/17 is £3,015,000 (Original estimate £2,567,000).
17. Details of the Non-Housing Capital Programme expenditure and financing are given in Table 4 below.

TABLE 4.
Non-Housing Capital Programme 2016/17

	Current budget with carryovers	Projected Outturn	Variance: Projected Outturn to Original Budget	Details in report or ANNEX A
	£000s	£000s	£000s	
Expenditure:				
Governance	15	15	0	
Finance	586	586	0	
Community Wellbeing	1,479	1,479	0	A12
Place Services	4,028	3,994	-34	A13/ A17
Place Services (Town Park HLF)	64	64	0	
GF Garages	271	230	-41	Para 13
Latton Farm	710	650	-59	
Total expenditure	7,153	7,019	-134	
Financed by:				
Capital Receipts - Right To Buy	-201	-201	0	
Asset Disposals/overage	-1,681	-1,681	0	Para 15
Direct Revenue Contribution	-392	-392	0	

Earmarked Resources	-1,110	-1,110	0	
Disabled Facilities Grant- Strategic Housing	-615	-615	0	A15
Renovation Loans	-5	-5	0	
Prudential Borrowing	3,149	-3,015	134	
Total Financing:	-7,153	-7,019	134	

Impact of Prudential Borrowing	£000s
Borrowing to support Non Housing Capital Programme as at 31 March 2016	3,809
New borrowing to finance shortfall in Non Housing Capital Programme, 2016/17	3,015
Borrowing to support Non Housing Capital Programme as at 31 March 2017	6,824

Risks and Opportunities

18 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 housing capital programme revised in light of changing priorities and funding available from the HRA.

19 Housing capital funding is affected by reducing rents until 2020.

20 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, 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
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.
HCA	Homes and Communities Association
ECC	Essex County Council
HTS	Harlow Trading Services

ANNEX A

CAPITAL PROGRAMMES PERIOD 3 FINANCE REPORT, 2016/17 **Update on the Status of Capital Projects**

Housing Capital Programme

- A1. Due to delays in starting the external works programme in 2015/16 a carryover of £3m was requested. The initial preparation work for the external works contract suggested that non standard roof construction may result in additional costs to mitigate fire risk. Further investigation has determined that this is not an issue, however, it has resulted in a reprogramming of work to years 3 and 4 of this 8 year programme, (ie. 2017/18 and 2018/19).
- A2. A budget of £1.3m has been allocated to undertake fire risk works as part of the Council's statutory compliance duties. This includes work to loft hatches and trunking.
- A3. Budgets totalling £550,000 have been allocated to carry out asbestos removal from Council dwellings.
- A4. Following Cabinet approval on 23 July 2016, Kier Harlow Ltd has been awarded housing works packages under the SCAPE National Minor Works Framework up to a value of £4,885,100 covering the remaining 10 months of the JVCo contract to 31 January 2017. This is EU procurement compliant and covers internal work to properties including windows and doors, disabled adaptations and garages.

The garage budget was misaligned between the Housing Capital Programme and General Fund for 2016/17 and therefore is increased to £278,000 in line with the SCAPE work budget allocation. A similar reduction was made to the Compliance budget covering fire risk work and electrical upgrades.

- A5. 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, Bathrooms, Heating and Electrical work	1,635,000
Internal works	Emergency Heating Installations	
Internal works	Fuse Pulling	
External works	Windows and Doors	1,930,000
External works	Damp and structural	
Related Assets	Garage Improvement Programme	278,000
Lifts	Sumners Farm and Morris House	
Disabled Adaptation Works	Various major and minor adaptations	812,000
Non-Housing Capital Programme: Garages		230,000
	Total	4,885,000

- A6. Forming part of the 2016/17 Housing Capital Programme are the JVCo fixed price works allocated to Kier Harlow Ltd 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
- A7. Work to upgrade the district heating systems in the town and reduce fuel poverty continues with budgets totalling £2.1m in 2016/17. Schemes include work to Tanys Dell to remove the oil supply and replace it with gas, and to a number of sheltered schemes to upgrade the communal heating and install heat meters.

Non-Housing Capital Programme

- A8. The stock condition survey work now in progress has been split into a number of phases. Phase 1 surveys have essentially been completed. Phase 2 survey work has been commissioned and is now under way. Phase 2a work will be commissioned shortly, followed by phase 3. All phases and all surveys are scheduled to be completed by 31 March 2017.
- A9. 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.
- A10. IT schemes in 2016/17 include continuing work to upgrade backup and disaster recovery software and to progress the Windows migration project (carryover £47,088). In addition a new scheme to improve the IT infrastructure will commence.

Within the Revenue and Benefits Service area work will continue on the software upgrade that will enable the service to interact digitally with customers and automate a range of manual processes. This work is funded from reserves.

- A11. Cabinet on 28 January 2016 approved the contract award under delegated authority for the upgrade of the Financial Management System, Agresso. Preparatory work took place during 2015/16, with installation being carried out in 2016/17. The 2016/17 budget including carryover is £173,000.
- A12. In Community Wellbeing new schemes in 2016/17 include work to refurbish the Playhouse totalling £534,000 and work to Pets Corner and the Town Park of £199,000. In addition there is a budget of £40,000 to upgrade Townwide CCTV.

Carryovers from 2015/16 of £707,000 will continue or complete schemes for Pitch Regeneration, work to tennis courts, Leah Manning Centre lighting and mini bus and work to the Playhouse glazing.

- A13. Offices 19b/19c/26/27 at Latton Bush Centre require extensive work to improve the standard of the work space. The current tenants have offered to carry out the work at an estimated cost of £110,000 with the Council making a contribution of £33,000. The work will ensure that the offices meet current DDA and building regulations. The Council's contribution will be funded from the approved budget for the Old Dining Room and Kitchen at Latton Bush Centre. The original scheme to refurbish this latter area will be reviewed once the Food Bank no longer requires the space taking into account the current requirements of the Latton Bush Centre.
- A14. Fernhill Travellers Site scheme to refurbish 10 plots at Fernhill Caravan Site as detailed in the report to Cabinet 23 July 2015. A Tripartite Agreement between the Homes and Communities Agency (HCA), Harlow District Council (HDC) and Essex County Council (ECC) was signed in April 2016 setting out the contractual terms of the agreement. A Contractual Agreement between ECC and HDC dated 22 June 2016 describes the practical arrangements between the parties. The original Cabinet report requested approval for a funding contribution of up to £69,000 from HDC with an equal amount from ECC and a grant of £490,000 from HCA (total £628,000).

The final agreement is a grant from HCA of £508,000 with funding contributions from HDC and ECC of £86,000 each, hence the request for additional funding from HDC of £16,000 (recommendation C). The amended outturn of £594,000 is the HCA grant and HDC contribution only, as the work is managed by ECC who will therefore apply the ECC contribution directly. The grant was applied for by Harlow due to its' status as a housing authority.

- A15. The approved budget for Disabled Facilities work to owner occupied properties is £800,000 plus carryover of £43,000, which is supported by a grant from Communities and Local Government (CLG). The amount of grant received for 2016/17 is £615,000 (original estimate £300,000). The Non Housing Capital Programme financing has been amended

accordingly. The Council has a statutory duty to carry out disabled facilities work to both tenanted and private properties.

A16. 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 £20,000 has been allocated for 2016/17.

A17. Carryovers from 2015/16 in Place Services will enable work to be completed in various areas of Harlow including The Stow and Bush Fair, flood alleviation works, the Town Park and the Town Centre. Other schemes include work to highways, drainage and community based properties.