

REPORT TO: CABINET

DATE: 8 DECEMBER 2016

TITLE: CAPITAL PROGRAMMES QUARTER 2
FINANCE REPORT, 2016/17

PORTFOLIO HOLDER(S): COUNCILLOR MIKE DANVERS,
PORTFOLIO HOLDER FOR RESOURCES

COUNCILLOR MARK WILKINSON,
PORTFOLIO HOLDER FOR HOUSING

LEAD OFFICER(S): SIMON FREEMAN, HEAD OF FINANCE
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This is not a Key Decision

It is on the Forward Plan as Decision Number I005996

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** Notes the progress made in the delivery of the Council's Housing and Non-Housing Capital Programmes as at 2 October 2016 which was as follows:
1. Housing Capital Programme with a forecast outturn of £22,714,000.
 2. Non-Housing Capital Programme with a forecast outturn of £6,988,000.
- B** Notes the revised outturn in the Housing Capital Programme and the movement of £1million of external works programme and £100,000 of work to temporary accommodation to 2017/18 as set out in paragraph 7.
- C** Approves
1. A business case for creating a secure room at the Leah Manning Centre (£7,000) to enhance the services provided by the Centre to its varied user group. (Paragraph 16)
 2. The business case to replace electrical apparatus that provides emergency power in the event of an interruption to the power supply to the Civic Centre so protecting essential IT servers. The allocation of £12,352 will be met from the approved Civic Centre funding pot of £10,000 plus a revenue contribution from the general fund. (Paragraph 16)

3. Schemes totalling £541,000 in the Non Housing Capital Programme to be carried over to 2017/18 to enable consultation, tendering of schemes and completion of work already started. (Paragraph 17)

D Notes

1. The virement of £130,000 within the Non Housing Capital Programme to enable the demolition of the Hummingbird Public House to proceed. Funding will be allocated from within the approved 2016/17 programme, resulting in other work being deferred to 2017/18. (Paragraph 16)
2. The virement of £64,000 from within the Non Housing Capital Programme to complete the refurbishment of the flats at Spurriers House. This will enable the properties to be let and generate an income to the Council.

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. In February 2016, the Council approved a Housing Capital Programme for 2016/17 totalling £20,910,000 and a Non-Housing Capital Programme totalling £4,284,000.
2. On 15 September 2016, Cabinet approved a revised Housing Capital Programme outturn of £23,734,000.
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 PERIOD 6 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 Period 6

2016-17 Budget Stage	£000s	Date Approved
Original budget	20,910	4 Feb 16
Carryovers from 2015/16	3,824	21 July 16
	24,734	
Carryover to 2017/18	(-)1,000	15 Sept 16
Approved outturn	23,734	15 Sept 16
Proposed carryover P6	(-)1,100	Para 7
Additions	80	Para 7
Projected Outturn as at Period 6	22,714	

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 financing required from the HRA will be £8,763,000 and this is driving the variations in the HRA budget.

Table 2 - Housing Capital Programme 2016/17

	Revised Estimate per Qtr 1	Net Spend to date	Projected Outturn	Variance Revised estimate to Projected Outturn	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Internal Works	8,045	2,867	7,682	-363	Para 7 / A3
Windows & Doors	1,930	1,407	1,930	0	
Damp & Structural Works	80	54	80	0	
External Works	6,501	425	5,501	-1,000	A1
Other Works	943	602	1,197	254	A3
Leasehold Works	-7	6	-7	0	
Electrical Upgrades and Fire Safety	1,622	1	1,622	0	A2
Energy Efficiency	2,138	584	2,138	0	A7
Disabled Adaptations	822	333	910	88	Para 7
Total Fees	1,261	633	1,262	1	
Housing IT Development	399	9	399	0	
TOTAL EXPENDITURE	23,734	6,920	22,714	-1,020	
Financed by:					
Capital receipts – Right to Buy	-1,356		-2,497	-1,141	
Major Repairs Reserve	-10,777		-10,777	0	

	Revised Estimate per Qtr 1	Net Spend to date	Projected Outturn	Variance Revised estimate to Projected Outturn	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Leaseholder Contributions	-677		-677	0	
Grant Funding	0		0	0	
Direct Revenue Contribution	-10,924		-8,763	2,161	
TOTAL FINANCING	-23,734		-22,714	1,020	

6. The forecast year end expenditure of £22.714million is due to:
- a) An additional carryover of £1million identified in respect of external works arising from contractor resource scheduling and delays in leaseholder consultation.
 - b) A carryover of £100,000 to extend two temporary accommodation properties which is necessary due to planning delays. In addition minor budget amendments to ensure that Housing Revenue Account short term priorities are being met.
 - c) Additional work identified in disabled adaptations to install stair lifts and a dwelling extension.
7. At the end of September 2016, the Housing Capital Programme had delivered 40,323 new components such as windows, doors, kitchens, bathrooms and boilers in dwellings between 1 April 2013 and 31 March 2016, with a further 9,463 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, this invoicing is 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.) is compiled and formally handed over. The Council is committed to prompt payment once these processes have been completed.
9. The original capital programme had assumed 60 Right to Buy (RTB) sales in 2016/17. 53 RTB disposals had been completed by the end of September 2016. The revised estimate of RTB sales is 99 by 31 March 2017 and will result in additional income to the Housing Capital Programme of £1,141,000. To date details of the High Income Social Tenant Policy proposed by the Government have not been issued and represent an unknown factor that may encourage an increased number of RTB sales.
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 £10.777million 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 £7,019,000. More detail is provided in Table 3 below:

Table 3 - Non Housing Capital Programme as at Period 6

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	
Approved changes to programme	(27)	
Approved budget	7,019	15 Sept 2016
Projected Outturn	6,988	
Variance from approved budget	(31)	

12. Further details of expenditure relating to projects are contained within Annex A to this report, together with financing implications related to these.
13. Capital receipts have been received in respect of the disposal of Ram Gorse (£600,000) and overage from the Fifth Avenue Development (£270,000).
14. On 15 September 2016, Cabinet approved an increase in funding to enable the refurbishment of Nichols Field Pavilion as part of the Pitch Regeneration Programme. The increased outturn and additional funding are included in the Non Housing Capital Programme 2016/17 and as a carryover of £80,000 to enable the work to complete in 2017/18.
15. Three new schemes are included in the programme of work:
- a) A business case for creating a secure room at the Leah Manning Centre (£7,000) to enhance the services provided by the Centre to its varied user group.
 - b) A business case for the demolition of the Hummingbird Public House which is in a poor state of repair. Virements of £70,000 and £60,000 respectively have been requested in order to allocate funding from the approved windows, doors and asbestos compliance, Non Housing capital budgets. The scheme for windows and doors will be included in the 2017/18 estimates.

- c) A business case to replace an Uninterruptible Power Supply unit (UPS) that provides emergency power to the servers in ICT when the mains power fails. It provides instantaneous protection from input power interruptions by supplying energy stored in batteries. The current UPS has failed after 13 years and needs to be replaced as a matter of urgency.
16. Officers have also identified schemes where all or part of approved budgets will be requested to be carried over to 2017/18 (£541,000) to enable consultation, specification and tendering of work to be carried out. In addition scheme outturns have been revised to reflect the result of tenders received and actual costs incurred. (Annex A19)
17. Estimated internal borrowing in 2016/17 is £3,680,000 (Original estimate £2,567,000).
18. Details of the Non-Housing Capital Programme expenditure and financing are given in Table 4 below.

Table 4 - Non-Housing Capital Programme 2016/17

	Approved Current budget	Projected Outturn	Variance: Projected Outturn to Current Budget	Proposed carryovers	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Expenditure:					
Governance	15	0	-15	0	
Finance	586	586	0	0	A10
Community Wellbeing	1,479	1,689	209	80	Para 15, A12/14
Place Services	3,994	3,499	-495	461	Para 16, A15-A19
Place Services (Town Park HLF)	64	334	270	0	A13
GF Garages	230	230	0	0	
Latton Farm	650	650	0	0	
Total expenditure	7,019	6,988	-31	541	
Financed by:					
Capital Receipts - Right To Buy	-201	-201	0		
Asset Disposals/overage	-1,681	-807	874		
Direct Revenue Contribution	-392	-570	-178		
Earmarked Resources	-1,110	-1,110	0		
Disabled Facilities Grant- Strategic Housing	-615	-615	0		
Renovation Loans	-5	-5	0		
Prudential Borrowing	-3,015	-3,680	-665		
Total Financing:	-7,019	-6,988	31		

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	3,680
Borrowing to support Non Housing Capital Programme as at 31 March 2017	7,489

Risks and Opportunities

19. Key risks in the delivery of the five 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.
20. Housing capital funding is affected by reducing rents until 2020.
21. 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**

Appendices

Annex A – Capital Programmes Period 6 Finance Report 2016/17 – Update on the Status of Capital Projects

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 6 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 £3million 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 a concern. However, contractor issues and delays in leasehold consultation have further delayed the start of the work resulting in a £2million carryover to 2017/18 and the reprogramming of work to years 3 and 4 of this 8 year programme (i.e. 2017/18 and 2018/19).
- A2. A budget of £1.3million 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. The full budget of £1.6million includes electrical compliance work.
- A3. Prior year SCAPE work not previously accounted for was identified after year end and incorrectly allocated to internal works. The expenditure is now correctly related to garages.
- A4. Following Cabinet approval on 23 July 2016, Kier Harlow Ltd was 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, 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' homes and should alleviate potential issues with access whilst providing a more efficient service.

SCAPE Works Packages	Work Content	Value (£'000)
Internal works	Kitchens, Bathrooms, Heating and Electrical work	1,381
External works	Windows and Doors	1,930
Related Assets	Garage Improvement Programme	532
Disabled Adaptation Works	Various major and minor adaptations	812
Non-Housing Capital Programme: Garages		230
	Total	4,885

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:

- a) 85 kitchens
- b) 51 rewires
- c) 137 boiler / heating upgrades

A7. Work to upgrade the district heating systems in the town and reduce fuel poverty continues with budgets totalling £2.1million 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 work will continue on the Civica software upgrade (£55,000) 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 (see paragraph 15), work to tennis courts, the Leah Manning Centre lighting and mini bus, and work to the Playhouse glazing.

A13. Following valuation queries with one of the contractors undertaking the Town Park Heritage Lottery Fund Project, negotiations were undertaken and after third party and legal advice a settlement was reached.

A14. Health and safety work to the Town Park Playground (£20,000) is being undertaken and will be funded from reserves. In addition, a contribution to work in front of the Town Park bandstand of £8,000 is receivable from the design contractors.

At Parndon Mill Lock Meadows work continues in partnership with the Land Trust (£33,000) which is fully grant funded.

A15. Offices 19b/19c/26/27 at the 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 the 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.

A16. 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 Council (the Council) and Essex County Council (ECC) was signed in April 2016 setting out the contractual terms of the agreement. A Contractual Agreement between ECC and the Council 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 the Council 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 the Council and ECC of £86,000 each, hence the request for additional funding from the Council of £16,000. The amended outturn of £594,000 is the HCA grant and the Council contribution only, as the work is managed by ECC who will therefore apply the ECC contribution directly. The grant was applied for by the Council due to its status as a housing authority.

- A17. 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 the Communities and Local Government Department. 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.
- A18. 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.
- A19. 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.

A20. Summary of carryovers 2016/17

Schemes	£000's
Community Wellbeing	
Pitch Regeneration	80
Commercial Properties	
Latton Bush Centre Boiler	60
Re-roofing to units Latton Bush Centre	80
Bush Fair CCTV	6
Ladyshot Sports Pavilion	62
Security Measures	10
Spicers Lane Garage Roofing & Guttering	40
Stewards Farm (cladding)	56
Bush House Office Refurbishment	40
Other:	
Church Langley Playing Fields - Parking	22
Unadopted Street Lighting	20
Town Park WCs	20
Bush Fair 2nd Storey Pavilion Refurbishment	45
Total Carryovers Period 6	541