

REPORT TO: CABINET

DATE: 23 MARCH 2017

TITLE: CAPITAL PROGRAMMES QUARTER 3
FINANCE REPORT, 2016/17

PORTFOLIO HOLDER(S): COUNCILLOR MARK WILKINSON,
PORTFOLIO HOLDER FOR HOUSING

COUNCILLOR MIKE DANVERS,
PORTFOLIO HOLDER FOR RESOURCES

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 I005197

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 1 January 2017 as follows:

- (i) Housing Capital Programme – forecast outturn of £21,097,000, (revised estimate £22,714,000).
- (ii) Non-Housing Capital Programme – a forecast outturn of £6,320,000.

B Approves new business cases:

- (i) Work to Stort Valley Ponds and Ditches funded by Essex County Council (paragraph 17).
- (ii) Fuel Station Replacement at Mead Park Depot funded by a direct revenue contribution (paragraph 18).
- (iii) Work to Mead Park Depot to comply with regulations as part of the terms of a new lease to HTS (Property and Environment) Ltd, funded by a direct revenue contribution (paragraph 18).
- (iv) Refurbishment of Nichols Field Multi-Use-Games- Area, funded from an approved budget underspend (paragraph 19).

- (v) To construct a Pay and Display Car Park at River Way Car Park, funded from an approved budget underspend (paragraph 20).
- (vi) Disabled toilet near Pets Corner/Walled Garden in the Town Park, fully funded by a grant of £105,000 from Essex County Council (paragraph 21).

C Approves the utilisation of up to £100,000 from the Regeneration and Enterprise Reserve as set out in the report to support town centre development work.

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 CMT/HOS on a monthly basis to ensure close supervision over the Council's financial position throughout the year.
2. In February 2017 Council approved a Housing Capital Programme for 2016/17 totalling £21,366,000 (original estimate £20,910,000) and a Non-Housing Capital Programme totalling £7,043,000 (original estimate £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 PERIOD 9 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 9

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	

2016/17 Revisions (Quarter 1)	(-)1,000	15 Sept 16
2016/17 Revisions (Quarter 2)	(-)1,100	8 Dec 16
2016/17 Revisions Revised Estimate	(-)1,500	2 Feb 2017
Disabled Adaptations	200	
Other	32	
Projected Outturn – revised estimate	21,366	
2016/17 Carryovers (Quarter 3)	(-)513	
Other variances	244	
Projected Outturn as at Period 9	21,097	

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 £7,713,000 and this is driving the variations in the HRA budget.

TABLE 2 - Housing Capital Programme 2016/17

	Current Budget (Revised Estimate)	Net Spend to date	Projected Outturn	Variance Revised estimate to Projected Outturn	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Internal Works	7,732	5,433	7,619	-113	Para 6 / A4
Windows & Doors	2,419	2,439	2,611	192	Para 6
Damp & Structural Works	80	73	78	-2	
External Works	3,497	898	3,533	36	Para 6 / A1
Other Works inc Leasehold	1,155	857	1,080	-75	Para 7
Electrical Upgrades and Fire Safety	1,622	324	1,622	0	
Energy Efficiency	2,138	1,168	2,138	0	
Disabled Adaptations	1,106	642	1,106	0	Para 8
Total Fees	1,219	841	1,210	-9	
Housing IT Development	399	44	100	-299	
TOTAL EXPENDITURE	21,366	12,719	21,097	-269	
Financed by:					
Capital receipts – Right to Buy	-2,497		-2,497	0	Para 10
Major Repairs Reserve	-10,859		-10,859	0	Para 12

	Current Budget (Revised Estimate)	Net Spend to date	Projected Outturn	Variance Revised estimate to Projected Outturn	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Leaseholder Contributions	0		0	0	Para 11
General Fund Direct Revenue Financing	0		-28	-28	
Direct Revenue Contribution	-8,010		-7,713	297	
TOTAL FINANCING	-21,366		-21,097	269	

6. The forecast year end expenditure of £21.097 million includes:
- (i) Carryovers totalling £3.5 million identified in respect of external works arising from contractor resource scheduling and delays in leaseholder consultation. In addition £500,000 was made available to support internal works to kitchens and bathrooms.
 - (ii) An over commitment of work to windows and doors with a reported outturn of £2.611 million, (quarter two £2.419 million).
 - (iii) A carryover of internal budget of £315,000 to extend two temporary accommodation properties is necessary due to planning permission being required. The work will provide an additional two units and accommodate eight people. In addition minor budget amendments ensure that Housing Revenue Account short term priorities are being met.
 - (iv) A carryover in the Housing IT budget of £299,000 to support the HTS year one ICT improvement plan, enhanced repairs reporting and corporate priorities relating to workflow, Customer Services Review and channel shift to new technology.
7. Additional budget of £200,000 has been allocated to Disabled Adaptations to ensure that the waiting list for adaptations to tenanted properties is substantially reduced and that commitments made to residents are kept.
8. 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.
9. 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 the associated paperwork has been compiled and formally handed over. The Council is committed to prompt payment once these processes have been completed.

10. The outturn of the Housing Capital Programme is subject to a final report on the delivery of SCAPE in 2016/17 from Kier Harlow Ltd.
11. The revised estimate approved by Full Council on 2 February 2017 assumed 99 Right to Buy (RTB) sales in 2016/17 (original estimate 60). Seventy-three RTB disposals had been completed by the 1 January 2017. The increased sales results in estimated additional income to the Housing Capital Programme of £1,141,000.
12. Capital financing for 2016/17 originally included income from capital work to leasehold properties (revised estimate £677,000). This income at year end will be accounted for in the HRA, which will have an impact on the direct revenue contribution from the HRA to support capital work.
13. 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 £10.859 million (original estimate £10.777 million) 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

14. Council 2 February 2017 approved a Non Housing Capital Programme of £7,043,000. More detail is provided in Table 3 below:

TABLE 3 - Non Housing Capital Programme as at Period 9

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	(58)	
Approved budget	6,988	8 December 16
Approved changes to programme	55	
Revised Estimate	7,043	2 February 17
Projected Outturn	6 320	
Variance from revised estimate	(-)723	

15. Further details of expenditure relating to projects are contained within Annex A to this report, together with financing implications related to these.
16. Capital receipts have been received in respect of the disposal of Ram Gorse (£600,000) and overage from the Fifth Avenue Development (£270,000).

17. A new business case is included in the programme for work to improve ponds and drainage on Council land in the Stort Valley (£24,000), to be grant funded by Essex County Council.
18. HTS will be carrying out the housing and environmental works from February 2017. As part of a new lease for Mead Park Depot, works are needed to meet regulatory requirements resulting in business cases for refurbishment works being included in the non housing capital programme. These include the installation of a new fuel pump metering station (£20,000) at the Depot and health and safety work to mitigate fire risks, purchase a new compactor and improve the lift (£110,000). Funding will be by direct revenue contribution from the JVCo demobilisation budget.
19. A business case to make safe and regenerate the Nichols Field Multi-Use-Games-Area (MUGA) adjacent to Nichols Field Pavilion, playground and playing fields is included in the non housing capital programme. It is funded from savings in the Public Tennis Court programme of work, £46,000.
20. A business case for work to construct a new Pay and Display car park at River Way to regulate parking for local businesses and users of the Town Park tow paths along the River Stort. The cost of £60,000 will be funded from the re-allocation of the budget approved for work to the Post Office Car Park. This scheme is being reviewed and is not deemed a priority.
21. A business case to erect a new standalone Changing Places, disabled access toilet located near the entrance to Pets' Corner in the Town Park. The toilet will be installed and fully funded using a grant of £105,000 administered by Shortbreaks for disabled children and Young People accessed through Essex County Council (ECC).
22. Virements to provide funding for the demolition of the Hummingbird Public House totalling £130,000 were included in the report to Cabinet on 8 December 2016. Subsequent to the report, the tender return increased the cost to £150,000 so that the virements required and individually signed according to financial regulations are £68,000, £75,000 and £7,000 from the approved Windows and Doors, Asbestos Compliance and Ladyshot Pavilion budgets respectively. The scheme for windows and doors will be included in the 2017/18 estimates and the remaining budget for Ladyshot Pavilion is among the carryovers requested for 2016/17.
23. Carryovers relating to schemes within the Non Housing Capital Programme were reported at quarter two and to Full Council on 2 February 2017 totalling £534,000. A further £301,000 has been identified for works to complete in 2017/18 totalling £753,000 (Annex A18).
24. Estimated internal borrowing in 2016/17 is £2,871,000 (Original estimate £2,567,000).

25. 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 Revised Budget	Proposed carryovers	Details in report or ANNEX A
	£000s	£000s	£000s	£000s	
Expenditure:					
Governance	0	0	0		
Finance	586	256	-330		A18 A11:12:13: 18
Community Wellbeing	1,689	1,506	-183		Para 21 A18/ Paras 17 & 18
Place Services	3,504	3,441	-63		
Place Services (Town Park HLF)	334	334	0		
GF Garages	280	132	-148		
Latton Farm	650	650	0		
Total expenditure	7,043	6,320	-723		
Financed by:					
Capital Receipts - Right To Buy	-201	-201	0		
Asset Disposals/overage	-807	-869	-62		
Earmarked Resources	-1,184	-1,274	-90		
Direct Revenue Contribution	-620	-484	136		
Disabled Facilities Grant- Strategic Housing	-615	-615	0		
Renovation Loans	-5	-5	0		
Prudential Borrowing	-3,611	-2,871	740		
Total Financing:	-7,043	-6,320	723		

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	2,871
Borrowing to support Non Housing Capital Programme as at 31 March 2017	6,680

Risks and Opportunities

- 26 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.
- 27 Housing capital funding is affected by reducing rents until 2020.
- 28 Key risks in the Non-Housing Capital Programme are centred on the outcome of the stock condition surveys and reviews including the result of the local plan review and the implications for future capital budgets.
- 29 The town centre and its regeneration is a priority for the Council and as such Cabinet agreed to establish a reserve of £1 million to help in the delivery of improvements and regeneration projects.
- 30 Works in Market Square have now started with an architect commissioned to produce design proposals and it is anticipated for physical works will start during summer 2017. A brief for development proposals at Post Office Road Car Park is also currently being developed with the intention to go to market spring 2017 with the project commencing 2018/19.
- 31 A planning application for major development of the Harvey Centres' block in Broad Walk, East Gate and West Gate is expected later in 2017 and as part of planning process discussions will take place to explore joint funding to improve both East Gate and West Square.
- 32 With some momentum now beginning to build there is a requirement to incur expenditure to ensure this continues and that the initiatives outlined above are able to be resourced appropriately. This report therefore recommends that up to £100,000 of the reserve are now earmarked for use against these initiatives and that a drawdown of funding takes place as required up to this value in the next six months.

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

CMT/HoS	Corporate Management Team and Heads of Service
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 (Property and Environment) Ltd
EPC	Energy Performance Certificate

ANNEX A

CAPITAL PROGRAMMES PERIOD 9 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 a concern, however, contractor issues and delays in leasehold consultation have further delayed the start of the work resulting in a £3.1m carryover to 2017/18 and the 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. The full budget of £1.6m 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 correctly related to garages.
- 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 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.
- A5. The SCAPE works 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 (£'000)
Internal works	Kitchens, Bathrooms, Heating and Electrical work	1,032
External works	Windows and Doors	2,611
Related Assets	Garage Improvement Programme	352
Disabled Adaptation Works	Various major and minor adaptations	808
Non-Housing Capital Programme: Garages		82
	Total	4,885

- A6. Forming part of the 2016/17 housing capital programme are the Kier Harlow

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

- 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 was split into four phases, 1; 2A; 2B and 2C. As well as these main phases, which report on the condition of the main elements of the various properties, Energy Performance Certificate (EPC) surveys are being carried out to identify what work is required to bring them up to the minimum standard when the new energy performance legislation comes into force in April 2018. Individual surveys have also been carried out on the Kao Hockham Building, Mead Park Depot and the Town Park Footbridge over the Railway due to leases becoming due or because of the issues with working on or near Network Rail property.

All site surveys have been completed for phases 1; 2A and 2B, Kao Hockham Building and Mead Park Depot. Phase 2C has commenced and the EPC surveys will commence in mid February. It is anticipated that these surveys will be completed by the end of the financial year, with the exception of the Grade 2 listed wall at Passmores House and a few EPC surveys.

The Town Park Footbridge survey is ongoing and will not be completed by the end of the financial year due to the complexities in resolving all issues relating to Network Rail. Specialist consultants who have the relevant permits to work on railway property have had to be engaged.

The reports for the final properties in phase 2A and 2B are being quality checked before being issued. These two phases are expected to be completed by the 20 February 2017.

The loading of the survey information onto the HDC database, is delayed due to coding issues which are being resolved, with the work expected to continue into the new financial year.

The survey work once on the database will enable a 20 year programme to be drawn up covering the development or disposal of non housing assets and will help shape and inform the future capital investment

requirements for the non-housing asset portfolio.

- A9. 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). The planned works to improve the IT infrastructure will carryover to 2017/18 delayed by other work priorities.

Within the Revenue and Benefits service area 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 and will carryover into 2017/18 due to other IT priorities.

- A10. Cabinet on 28 January 2016 approved the contract award under delegated authority for the upgrade of the Financial Management System, Agresso. The new financial management system went live in December 2016. Full outturn on budget (£173,000) is anticipated in 2016/17.

- A11. In Community Wellbeing schemes in 2016/17 include work to refurbish the Playhouse totalling £554,000 and work to Pets Corner and the Town Park of £105,000, with carryovers of £190,000 identified. 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.

- A12. Cabinet on 15 September 2016 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.

- A13. 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.

- A14. 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 part of the approved budget for the Old Dining Room and Kitchen at Latton Bush Centre with the remaining approved budget being used to refurbish the area for election team

offices.

- A15. 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 outturn of £594,000 is the HCA grant of £508,000 and HDC contribution of £86,000, as the work is managed by ECC who will therefore apply the ECC contribution directly.
- A16. 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.
- A17. 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.
- A18. **Summary of carryovers 2016/17**

Schemes	£000's
Community Wellbeing	
Pets Corner Stable Block and Gift Shop Roof	38
Tennis Courts/MUGA Nichols Field	46
Town Park Showground Lighting	64
Town Park Walled Garden	22
Changing Places WC	80
Playhouse Boiler	42
Latton Bush Centre:	
Structural Repairs	7
Commercial Properties	
Stewards Farm (cladding)	8
Bush House Office Refurbishment	12
Leah Manning Garages	11
Other:	
Mead Park HSE works	60
ECC Flood Alleviation work	49

River Way Car Park	55
VM Software – IT	275
GIS software	11
Civica upgrade	55
Total Carryovers Period 9	835

- A19. The Council is currently in dispute with one of the contractors following completion of the work to the Town Park. On legal advice a goodwill payment was made pending any action the Council may take on this matter.