

Final Budget Proposals 2023/24

GENERAL FUND & HRA CAPITAL 2023/24 to 2027/28

1. Background and Introduction

- 1.1 The Capital Programme plays a vital part in the delivery of the Council's Corporate Plan since long-term investment is required to deliver many of the objectives in the Plan.
- 1.2 Cabinet approved an updated Financial Planning Framework (FPF) 2023/24 to 2027/28 at its meeting on 30th September 2022, which is the first step in preparing the 2023/24 budget and updating the 5-year rolling Capital Programme.
- 1.3 The first major milestone in the FPF was reached on 10th October 2022, with Cabinet receiving and considering an indicative Capital Programme for 2023/24 to 2027/28 alongside the updated (revenue) Medium-Term Financial Plan (MTFP) for 2023/24 to 2027/28. The Programme comprised total capital investment of £226.564 million over the five-year period (General Fund £46.466 million, HRA £180.098 million).
- 1.4 Acting on the strategic direction provided by Cabinet on 10th October 2022, officers subsequently refined the indicative Capital Programme, presenting an initial draft Capital Programme for 2023/24 to 2027/28 for consideration by Cabinet on 20th December 2022. The initial draft Programme comprised total capital investment of £269.247 million over the five-year period (General Fund £103.012 million, HRA £166.235 million).
- 1.5 The draft budget proposals – including the Capital Programme (both General Fund and HRA revenue) – presented to Cabinet in December 2022 — were scrutinised by the Stronger Select Committee on 24th January 2023.
- 1.6 Further detailed work has now been completed on the capital budgets to reflect the Council's latest capital needs and investment priorities in the context of the Local Government Finance Settlement 2023/24 (explained in detail in **Appendix A**) and the current Balance Sheet position. This report allows Cabinet to consider the final capital investment proposals for 2023/24 to 2027/28 – for both the General Fund and HRA – as set out in the report, whilst taking into consideration the comments of the Stronger Council Select Committee.

2. General Fund Capital Programme 2023/24 to 2027/28: Capital Growth

2.1 There have been some notable changes to the indicative growth position presented in December 2022, with the capital investment needs of the Waste Management service and the new Epping Leisure Centre dominating. The final proposals are summarised in the table below.

General Fund Capital Programme 2023/24 to 2027/28: Growth Proposals						
Description	2023/24	2024/25	2025/26	2026/27	2027/28	Totals
	£'s	£'s	£'s	£'s	£'s	£'s
Home Assistance Loans	0	0	0	0	30,000	30,000
Grounds Maintenance VPE	0	0	0	0	30,000	30,000
NWA Vehicle Depot	4,167,000	0	0	0	0	4,167,000
Leisure Centre Energy Saving Schemes	155,640	0	0	0	0	155,640
Waste Vehicle Fleet Replacement	9,220,000	0	0	0	0	9,220,000
Epping Leisure Centre	0	6,112,560	1,987,440	0	0	8,100,000
ICT General Schemes	0	0	0	0	93,000	93,000
ICT Strategy	0	0	0	0	900,000	900,000
Investment Properties (planned works)	0	0	0	0	250,000	250,000
Operational Properties (planned works)	36,000	18,000	3,000	0	50,000	107,000
Total Growth*	13,578,640	6,130,560	1,990,440	0	1,353,000	23,052,640

*Note – Disabled Facilities Grants excluded from growth as 100% externally funded. Qualis loans also excluded as already they have full Council approval.

2.2 The proposals in the table above can be summarised as follows:

- **Home Assistance Loans (£30,000)** – further capital funding (£30,000 per annum) for Home Assistance Loans granted to property-owning vulnerable residents is included in the proposals. The Council has been running the scheme for several years now, and the bid is to further extend a scheme from which many Epping Forest residents have benefited from in the past.

- **Grounds Maintenance VPE (£30,000)** – an initial capital allocation of £30,000 in ‘rollover funding’ (into 2027/28) is also requested for the purposes of maintaining the Grounds Maintenance Vehicle, Plant and Equipment (VPE) replacement programme (it is assumed for now that the current capital arrangements will continue after the Grounds Maintenance service transfers to Qualis, although that is the subject of ongoing discussions at the time of preparing this report).
- **NWA Vehicle Depot (£4,167,000)** – the draft Programme includes a proposal to develop a Vehicle Depot for the Waste Management service at North Weald Airfield. This is subject to Cabinet approval elsewhere on this agenda.
- **Leisure Centre Energy Saving Schemes (£155,640)** – capital investment of £155,640 is also proposed for the purposes of implementing a range of energy efficiency measures (e.g., Pool Covers) at selected leisure centres; the plans are consistent with the Council’s carbon neutral ambitions and should also deliver long-term revenue savings.
- **Waste Vehicle Fleet Replacement (£9,220,000)** – the Council is currently exploring options for the future delivery of the Waste Collection and Recycling service (the current contract expires at the end of October 2024). The capital proposal is to achieve greater long-term value-for-money through the direct purchase (or lease) of a Waste Management Fleet. A business case is scheduled for presentation to Cabinet in March 2023 in support of this proposal; the current draft allocation of £9.22 million is indicative only at this stage.
- **Epping Leisure Centre (£8,100,000)** – a business case in support of additional capital funding of £8.1 million for the re-scheduled development of Epping Leisure Centre is also due for Cabinet consideration in March 2023; this is based on a more detailed assessment of the scheme including the latest available cost estimates.
- **ICT Capital Schemes (total £993,000)** - the proposed draft allocation is for 2027/28 and primarily represents a continuation of currently planned investment levels in the ICT strategy in the medium-term. The following should be noted:
 - The migration of several applications to ‘Software as a Service’ or suppliers cloud hosting solution have now been completed, such as Planning (Arcus Salesforce), Local Land Charges (NEC hosted), Grounds Maintenance (Confirm OnDemand), BACS processing (PTX), Revenues and Benefits (Capita) and EFDC Gazetteer (Aligned Assets), with others being planned for future financial years, including Regulatory Services, Financial Applications and Telephony. Proposals also include moving other applications to hosted solutions with the supplier or migrating (as part of the datacentre) to Azure
 - Investment is also proposed to the remaining on-site infrastructure to ensure it is fit for purpose while the migration to the Cloud happens. Full migration would take 1 to 2 years, significant network changes have started to be made and will continue to facilitate the new Cloud-based way of working; however
 - Officers are currently developing updated delivery plans in the context of the Council’s latest financial position, which includes potentially frontloading capital investment towards projects yielding higher cashable savings. Therefore, it is assumed in this budget that the revenue costs of delivering the proposed growth in the ICT Strategy will be met from the savings it delivers. The current capital spending profile presented may also be revised within the final budget proposals.

- ***Planned Property Works (£357,000)*** – a provisional growth allocation for planned works on the Council's Investment and Operational properties of £357,000 is proposed (Investment Properties £250,000, Operational Properties £107,000). Planned work on Investment Properties is usually limited to void repairs. The future capital needs of the Operational Property portfolio will be the subject of a detailed review in the year ahead as the Council develops a new Asset Management Plan (AMP); the new Civic Offices provides a good base, but the AMP will ensure that all General Fund capital assets continue to be of long-term use against a backdrop of rapid operational and technological change. The new AMP will be subject to scrutiny and Cabinet approval, with the Capital Programme updated accordingly for Member consideration and approval.

3. Proposed General Fund Capital Programme 2023/24 to 2027/28

3.1 The proposed General Fund Capital Programme totals £108.655 million over the five-year period 2023/24 to 2027/28 and is summarised by **service** area in the table below.

Draft General Fund Capital Programme 2023/24 to 2027/28: Service Analysis						
Service	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<i>EXPENDITURE</i>						
Commercial & Technical	16,036	18,391	3,019	1,031	1,031	39,509
Corporate Services	1,179	1,064	1,219	1,024	993	5,479
Housing & Property Services	336	318	303	300	300	1,557
Qualis	40,010	22,100	0	0	0	62,110
Total Expenditure	57,561	41,873	4,541	2,355	2,324	108,655
<i>FINANCING</i>						
Capital Receipts	(1,007)	(1,052)	(1,056)	(1,060)	(1,063)	(5,239)
Capital Grants	(971)	(971)	(971)	(971)	(971)	(4,856)
Borrowing	(55,583)	(39,850)	(2,513)	(324)	(290)	(98,560)
Total Financing	(57,561)	(41,873)	(4,541)	(2,355)	(2,324)	(108,655)

EXPENDITURE

3.2 The **capital expenditure** profile presented in the table above comprises a wide range of individual schemes and includes the following:

- **Commercial and Technical (£39.509 million)** – the Commercial and Technical service is leading on ten separate schemes, which are dominated by four in particular:
 - **Epping Leisure Centre (£20.6 million)** – the new Epping Leisure Facility is the single largest scheme included in the Programme. The wider scheme will see the development of a replacement leisure facility for the existing (and aging) facility as well as the construction of a multi-story car park. Cabinet approved the addition of this scheme to the draft Capital Programme at its meeting on 21st January 2021 with an original allocation of £25.0 million. The growth proposal described above in Paragraph 2.2 (of £8.1 million) will bring the overall capital allocation for the scheme up to £33.1 million; the table above includes re-profiled spending of £20.6 million over the three-year period 2023/24 to 2025/26.
 - **Waste Vehicle Fleet Replacement (£9.220 million)** – see discussion above re the proposed growth item for the Waste Vehicle Fleet Replacement scheme.
 - **Disabled Facilities Grants (£4.856 million)** – the Government eventually confirmed that the Epping Forest District Council allocation for Disabled Facilities Grants (DFG) in 2021/22 was £971,213 (£297 below the February 2021 estimate). There is currently no indication of future allocations. It is therefore still assumed (as in previous draft versions of this Programme) that the Council will receive the same amount – without uplift – from 2023/24 onwards; and
 - **NWA Vehicle Depot (£4.167 million)** – see discussion above re the proposed growth item for the NWA Vehicle Depot scheme.
- **Corporate Services (£5.479 million)** – the capital proposals for the Corporate Services directorate reflect the Council's need for investment in ICT (see discussion on ICT growth proposals above in Paragraph 2.2).
- **Housing & Property Services (£1.557 million)** – the capital proposals for the Housing & Property Services directorate comprise the Council's need for planned works on its Investment and Operational property portfolios (see discussion on growth proposals above in Paragraph 2.2); and
- **Qualis (£62.1 million)** – this represents the planned drawdown of previously agreed Qualis loans (including the extended loan facility of £35.0 million approved by Cabinet in July 2021). The loans are a key enabler in the delivery of the Council's regeneration priorities in the district through Qualis; the Council will receive a revenue margin on the loan, which is available to support general spending and minimise Council Tax increases.

FINANCING

3.3 The assumed **capital financing** profile for the proposed General Fund Capital Programme 2023/24 to 2027/28 represents an amalgam of Capital Receipts, Capital Grants and Borrowing. Thus:

- **Capital Receipts (£5.239 million)** – financing from Principal Repayments on Qualis loans is the primary source of General Fund capital receipts. Should other General Fund capital receipts become available for financing capital investment in future, these would be reflected in individual business cases and Programme updates
- **Capital Grants (£4.856 million)** – an annual allocation of £971,000 from the Government is assumed for Disabled Facilities Grants (DFGs) for the five-year period covered by the Programme. No other capital grants are assumed at this stage; and
- **Borrowing (£98.560 million)** – further long-term borrowing is anticipated, primarily to fund the Council's commitment to Qualis loans, although precise details on lenders and other details will be determined in consultation with our Treasury Management advisors (Arlingclose) nearer the time.

3.4 A more detailed summary of the draft General Fund Capital Programme 2023/24 to 2027/28, analysed by individual **schemes**, is presented at **Annex 1**.

4. Proposed HRA Capital Programme 2023/24 to 2027/28

4.1 The proposed HRA Capital Programme totals £165.925 million over the five-year period 2023/24 to 2027/28 and is summarised by *nature* in the table below.

Draft HRA Capital Programme 2023/24 to 2027/28						
Description	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000's	£000's	£000's	£000's	£000's	£000's
EXPENDITURE						
Housing Development Programme	12,349	15,157	11,901	9,276	7,627	56,310
Capital Works	18,970	23,479	13,509	14,849	17,468	88,275
Regeneration Projects	2,000	3,950	3,250	6,000	0	15,200
Other Housing Schemes	1,700	1,378	666	1,038	1,358	6,140
Total Expenditure	35,019	43,964	29,326	31,163	26,453	165,925
FINANCING						
Direct Revenue Contributions	(1,282)	(2,778)	(2,487)	(2,354)	(2,805)	(11,706)
Major Repairs Reserve	(9,137)	(9,320)	(9,506)	(9,696)	(9,890)	(47,549)
RTB Receipts	(1,599)	(4,156)	(4,838)	(3,790)	(3,134)	(17,517)
Capital Grants	(80)	(80)	(80)	0	0	(240)
Other Contributions	(1,187)	(5,674)	(119)	(212)	(212)	(7,404)
Borrowing	(21,734)	(21,956)	(12,296)	(15,111)	(10,412)	(81,509)
Total Financing	(35,019)	(43,964)	(29,326)	(31,163)	(26,453)	(165,925)

4.2 The HRA Programme – which is dominated by the Housing Development Programme and routine Capital Works – comprises the following:

- **Housing Development Programme (£56.310 million)** – the Housing Development Programme includes a combination of (direct) Housebuilding and Acquisitions from Qualis. Thus:
 - Housebuilding (£42.380 million) – this is scheduled to deliver a mixture of affordable rent and shared ownership properties over a five-year period up to 2027/28, including New Build Properties (133 affordable rent units); and
 - Qualis Acquisitions (£13.930 million) – the Development Programme also includes the planned acquisition of 63 properties; 22 affordable rent units and 41 shared ownership properties across two different sites; St. Johns (59) and Pyles Lane (4).

- **Capital Works (£88.275 million)** – planned Capital Works (which includes works on Windows, Doors, Roofing, Kitchens, Bathrooms etc.) over the five-year period average out at around £17.65 million annually. This contrasts with annual budgets of £11.970 million and £11.752 million in 2021/22 and 2022/23 respectively. The programme now steps up to £18.970 million in 2023/24, reflecting a reversal in lifecycle assumptions previously applied to a range of capital items; most notably this applies to Gas Boilers where lifecycles were previously extended from 15 to 20 years, which have now reverted back to 15 years; this has triggered a substantial backlog capital investment requirement of £10.716 million. The same position applies to Flat Roofs (backlog cost £7.010 million).
- **Regeneration Schemes (£15.200 million)** – a range of Regeneration schemes are included on the draft Capital Programme, with Oakwood Hill Estate (£6.0 million) and Broadway (£4.0 million) being the largest items; and
- **Other Housing Schemes (£6.140 million)** – there are also a range of other miscellaneous schemes planned over the five-year period, with Sheltered Accommodation – set to receive capital investment of £3.235 million – being the most notable area.

FINANCING

4.3 The assumed **capital financing** profile for the proposed HRA Capital Programme 2023/24 to 2027/28 represents an amalgam of Direct Revenue Contributions, Major Repairs Reserve Contributions, “Right to Buy” (RTB) Receipts, Other Contributions and Borrowing. Thus:

- **Direct Revenue Contributions (£11.706 million)** – the Council is set to continue with substantial revenue contributions to capital; this has been a major source of financing for the HRA Capital Programme for many years. A temporary reduction – to £1.282 million – in 2023/24, ensures that the HRA breaks even (with the assumed contribution rising to £2.778 million in 2024/25) in the medium-term, whilst maintaining a minimum balance of £2.0 million in the HRA Reserve (covered in **Appendix D**).
- **Major Repairs Reserve (MRR) (£47.549 million)** – the large MRR contribution continues the strategy presented in 2022/23 (reflecting the new HRA Business Plan). Up until 2022/23, MRR balances had been allowed to accumulate. The new approach minimises the requirement for Direct Revenue Contributions, whilst at the same time minimising Borrowing.
- **RTB Receipts (£17.517 million)** – the new HRA Business Plan assumes RTB sales of 12 properties per annum (the Council retains approximately 25% of the receipt, with the remainder paid over to the Government). The profile presented above represents the *application* of those receipts under the Government’s RTB “one-for-one” scheme, which – since April 2021 – gives the Council an extended period of 5 years to provide a replacement affordable property.
- **Capital Grants (£0.240 million)** – the Council has been awarded a “Heat Source” capital grant from Ofgem, which is to be applied towards energy efficiency schemes over the next three years (2023/24 to 2025/26).
- **Other Contributions (£7.404 million)** – the Council is also set to receive a range of other third-party contributions, including Leaseholder Contributions, Capital Receipts (from the sale of Shared Ownership Properties) and Other HRA Land & Buildings; and

- **Borrowing (£81.509 million)** – as with the General Fund, further long-term HRA borrowing is anticipated. Likewise, precise details on lenders and other details will be determined in consultation with our Treasury Management advisors (Arlingclose) nearer the time.
- 4.4 Members should note that the data in the “Fortress” (HRA Business Plan) model is still being further refined and will be updated in the first half of 2023/24 to reflect the outcome of an independent Stock Condition Survey, which is anticipated to be completed by March 2023). This will allow an even more accurate and focussed assessment of the Council’s need for capital investment in its stock and will be reported to Cabinet in due course and reflected in the updated Medium-Term Financial Plan (2024/25 to 2028/29) scheduled for October 2023.
- 4.5 A more detailed summary of the draft HRA Capital Programme 2023/24 to 2027/28 is presented at **Annex 2**.

Annex 1**Draft General Fund Capital Programme 2023/24 to 2027/28: Summary of Schemes**

GF CAPITAL PROGRAMME 2023/24 to 2027/28 (DRAFT)						
Scheme	2023/24 Updated	2024/25 Updated	2025/26 Updated	2026/27 Updated	2027/28 New (Proposed)	Total MTFP 23/24 to 27/28
	£'s	£'s	£'s	£'s	£'s	£'s
	Commercial & Technical					
CCTV Replacement Programme	25,000	35,000	-	-	-	60,000
CarPark CCTV Systems	25,000	25,000	-	-	-	50,000
Disabled Facilities Grants (REFCuS)	971,210	971,210	971,210	971,210	971,210	4,856,050
Home Assist Grants (REFCuS)	30,000	30,000	30,000	30,000	30,000	150,000
Highways - Pavement Widening Scheme	100,000	-	-	-	-	100,000
Grounds Maintenance	30,000	30,000	30,000	30,000	30,000	150,000
NWA Waste Depot	4,167,000	-	-	-	-	4,167,000
Waste Vehicle Fleet Replacement	9,220,000	-	-	-	-	9,220,000
Leisure Centre Energy Saving Schemes	155,640	-	-	-	-	155,640
Epping Leisure Centre (Bakers Lane)	1,312,560	17,300,000	1,987,440	-	-	20,600,000
Sub-Totals	16,036,410	18,391,210	3,018,650	1,031,210	1,031,210	39,508,690
Corporate Services						
ICT General Schemes	93,000	93,000	93,000	93,000	93,000	465,000
ICT Strategy	1,086,000	971,000	1,126,000	931,000	900,000	5,014,000
Sub-Totals	1,179,000	1,064,000	1,219,000	1,024,000	993,000	5,479,000
Housing (Property Services)						
Oakwood Hill Depot Extension	-	-	-	-	-	-
Investment Properties (Planned Works)	250,000	250,000	250,000	250,000	250,000	1,250,000
202-220 Loughton HR - roof and H & S works	-	-	-	-	-	-
Operational Properties (Planned Works)	86,000	68,000	53,000	50,000	50,000	307,000
Sub-Totals	336,000	318,000	303,000	300,000	300,000	1,557,000
Qualis						
Regeneration Finance Loans	40,010,000	22,100,000	-	-	-	62,110,000
Sub-Totals	40,010,000	22,100,000	-	-	-	62,110,000
Total Expenditure	57,561,410	41,873,210	4,540,650	2,355,210	2,324,210	108,654,690
Capital Financing:						
Borrowing	55,582,920	39,849,730	2,513,480	324,320	289,560	98,560,010
Capital Grants	971,210	971,210	971,210	971,210	971,210	4,856,050
Capital Receipts	1,007,280	1,052,270	1,055,960	1,059,680	1,063,440	5,238,630
Total Financing	57,561,410	41,873,210	4,540,650	2,355,210	2,324,210	108,654,690

Annex 2

Draft HRA Capital Programme 2023/24 to 2027/28

HRA Capital Programme 2023/24 to 2027/28 (DRAFT)						
	2023/24 Updated	2024/25 Updated	2025/26 Updated	2026/27 Updated	2027/28 New (Proposed)	Total Capital Programme 23/24 to 27/28
Schemes	£'s	£'s	£'s	£'s	£'s	£'s
Housing Development Programme:						
Housebuilding	3,375,500	10,200,380	11,901,000	9,276,000	7,627,000	42,379,880
Qualis Acquisitions	8,973,500	4,956,620	-	-	-	13,930,120
Sub-Totals	12,349,000	15,157,000	11,901,000	9,276,000	7,627,000	56,310,000
Capital Works:						
Heating	1,724,000	2,549,520	1,851,210	1,749,730	1,724,000	9,598,460
Windows, Door and Roofing	6,386,110	5,379,110	3,191,320	4,155,290	5,236,110	24,347,940
Compliance Planned Maintenance	1,725,000	1,838,170	1,027,780	1,150,160	1,725,000	7,466,110
Kitchens & Bathrooms (inc void allocation)	4,786,000	4,965,400	2,961,190	3,345,780	4,483,330	20,541,700
Electrical	300,000	3,824,750	421,000	502,480	350,000	5,398,230
Net Zero Carbon Works	1,100,000	2,000,000	1,000,000	1,000,000	1,000,000	6,100,000
Environmental	1,118,530	1,059,000	1,189,600	892,000	892,000	5,151,130
Structural works	850,000	850,000	850,000	883,000	883,000	4,316,000
Disabled Adaptations	650,000	650,000	650,000	800,000	800,000	3,550,000
Asbestos Removal	280,800	294,560	294,560	294,560	294,560	1,459,040
Estate Improvements	50,000	68,000	72,000	76,000	80,000	346,000
Sub-Totals	18,970,440	23,478,510	13,508,660	14,849,000	17,468,000	88,274,610
Regeneration Projects:						
Limes Avenue and Copperfield	2,000,000	-	-	-	-	2,000,000
Broadway	-	2,750,000	1,250,000	-	-	4,000,000
Pylres Lane	-	1,200,000	-	-	-	1,200,000
Harvey Fields	-	-	2,000,000	-	-	2,000,000
Oakwood Hill Estate	-	-	-	6,000,000	-	6,000,000
Sub-Totals	2,000,000	3,950,000	3,250,000	6,000,000	-	15,200,000
Other Housing Schemes:						
Service Enhancements (General)	204,020	311,490	92,340	46,000	542,000	1,195,850
Housing Asset Management Project	540,000	-	-	-	-	540,000
Service Enhancements (HFFHH)	154,000	154,000	154,000	114,000	-	576,000
Door Replacement Programme (Leasehold)	233,540	-	-	-	-	233,540
Sheltered Block Refurbishments	100,000	363,000	370,000	378,000	386,000	1,597,000
Emergency Alarm Upgrades	-	360,000	-	-	-	360,000
Sheltered Housing Works	468,000	190,000	50,000	500,000	430,000	1,638,000
Sub-Totals	1,699,560	1,378,490	666,340	1,038,000	1,358,000	6,140,390
Total Expenditure	35,019,000	43,964,000	29,326,000	31,163,000	26,453,000	165,925,000
Capital Financing						
	2023/24 Updated	2024/25 Updated	2025/26 Updated	2026/27 Updated	2027/28 New (Proposed)	Total Financing 23/24 to 27/28
Direct Revenue Contributions	1,282,000	2,778,000	2,487,000	2,354,000	2,805,000	11,706,000
Major Repairs Reserve	9,137,000	9,320,000	9,506,000	9,696,000	9,890,000	47,549,000
RTB Receipts	1,599,000	4,156,000	4,838,000	3,790,000	3,134,000	17,517,000
Grants	80,000	80,000	80,000	-	-	240,000
Other Contributions	1,187,000	5,674,000	119,000	212,000	212,000	7,404,000
Borrowing	21,734,000	21,956,000	12,296,000	15,111,000	10,412,000	81,509,000
Total Financing	35,019,000	43,964,000	29,326,000	31,163,000	26,453,000	165,925,000