

CABINET MEMBER FOR SAFE AND ATTRACTIVE NEIGHBOURHOODS

**Venue: Town Hall, Moorgate
Street, Rotherham S60
2RB**

Date: Monday, 19th September, 2011

Time: 10.00 a.m.

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested, in accordance with the Local Government Act 1972 (as amended March 2006).
2. To determine any item which the Chairman is of the opinion should be considered later in the agenda as a matter of urgency.
3. Neighbourhoods General Fund Revenue Budget Monitoring 31st July, 2011. (report attached) (Pages 1 - 4)
Mark Scarrott, Finance Manager, to report.
4. Housing Investment Programme (HIP) 2011/12 and Other Capital Schemes. (report attached) (Pages 5 - 15)
5. Housing Revenue Account 2011/12. Budget Monitoring P04 - July 2011. (report attached) (Pages 16 - 25)
6. Exclusion of the Press and Public
Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs, indicated below, of Part I of Schedule 12A to the Local Government Act 1972.
7. Neighbourhoods and Adult Services - Stage 3 Complaint. (report attached) (Pages 26 - 31)
(Exempt under Paragraph 2 of the Act - (information likely to reveal the identity of an individual))

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS
--

1.	Meeting:	Cabinet Member for Neighbourhoods
2.	Date:	19th September 2011
3.	Title:	Neighbourhoods General Fund Revenue Budget Monitoring to 31st July 2011
4.	Directorate:	Neighbourhoods and Adult Social Services

5. Summary

This report details the projected year end outturn position as at 31st July 2011 for the Neighbourhoods department within the Neighbourhoods & Adult Services Directorate compared to the approved Net Revenue Budget. The latest forecast currently shows a projected under spend of (£24k) by the end of March 2012.

6. Recommendations

That the Cabinet Member receives and notes the latest financial projection based on actual income and expenditure to the end of July 2011.

7. Proposals and Details

The table below shows the summary forecast outturn position for the Directorate against the approved Net Revenue Budgets.

DIRECTORATE/SERVICE	Budget (Net)	Projected Outturn to 31 st March 2012	Variance from Net Budget Deficit/ (Surplus)	Overall % to Net Budget
	£000's	£000's	£000's	%
INDEPENDENT LIVING				
Asylum	0	0	0	
Housing Access	353	342	(11)	
Housing Choices	249	236	(13)	
HOUSING & NEIGHBOURHOOD SERVICES				
Safer Neighbourhoods	2,092	2,092	0	
Business Regulation	323	322	(1)	
Neighbourhood Partnerships	276	277	1	
Neighbourhood Investment	43	43	0	
TOTAL	3,336	3,312	(24)	(0.72%)

Most services are projecting balanced or near balanced budgets by the year end, with the exception of the following:

7.1 Independent Living (£24k)

Housing Access (£11k)

There are small projected surplus balances within the Housing Access area; Adaptations Service (£5k) and Housing Management & Admin (£13k) as a result of vacant posts, totalling (£18k). These are partially offset by a small predicted shortfall of £5k on the Medical Mobility and Community Care budget due to the unmet vacancy factor on this small service and a small projected shortfall of £2k on the Housing Mortgage service due to reducing Mortgage Interest.

Housing Choices (£13k)

This Service Area is projecting a surplus within the Homelessness budget as a result of a post that is unlikely to be backfilled during the post holder's secondment to another area within Housing Choices.

7.2 Housing & Neighbourhood Services (£0k)

Business Regulation (£1k)

The overall projection for Business Regulation is a small surplus of (£1k). This takes into account projected surpluses in Health & Safety and Food & Drugs totalling (£46k) as a result of vacant posts, which are mostly offset by projected overspends on Animal Health and Trading Standards mainly due to the unmet vacancy factor.

Neighbourhood Investment –balanced budget

The Registered Social Landlords cost centre is projecting a shortfall of £8k as a result of reduced numbers of landlords for 2011/12 against the budgeted amount. This is being offset by a surplus of (£8k) now being projected within Neighbourhood Investment as a result of a vacant post.

During the budget setting process for 11/12, savings of £790k were identified and given up from Safer Neighbourhoods, Business Regulation and Neighbourhood Partnerships services. These are on target to be achieved.

7.3 Agency & Consultancy

To date there is no spend on either Agency or Consultancy within Neighbourhoods.

7.4 Non-Contractual Overtime

Non-Contractual Overtime spend to date is £194.

8. Finance

The financial implications for each service area have been outlined in section 7 above.

9. Risks and Uncertainties

These forecasts are based on projected financial performance to the end of March 2012. The forecast outturn is dependent on delivery of the planned management actions being achieved and thus effective budget monitoring remains essential. Monthly budget clinics are held with the Service Directors to facilitate this.

10. Policy and Performance Agenda Implications

The delivery of the Council's Revenue Budget within the limits determined in March 2011 is vital to achieving the Council's Policy agenda. Financial performance is a key element within the assessment of the Council's overall performance.

11. Background Papers and Consultation

- Cabinet February 2011 – Proposed Revenue Budget & Council Tax 2011/12
- The Council's Medium Term Financial Strategy (MTFS)

The content of this report has been discussed with the Strategic Director (Neighbourhoods & Adults) and the Strategic Director of Finance.

Contact Name: Mark Scarrott, Finance Manager (NAS), Financial Services - Business Partnering, Extn 22007
mark.scarrott@rotherham.gov.uk

Appendix 1		NEIGHBOURHOODS BUDGET MONITORING SUMMARY							
		PROJECTED OUT-TURN					As at 31st July 2011		
Last Reported Projected Net Variance as at 30/06/2011 £000	Service Division	Net					Revised Projected Year end Variance Over(+)/Under(-) spend	Revised Financial RAG Status	* Note
		Latest Net Budget	Proj'd out turn	Variance (Over (+) / Under (-) Spend) to Original Budget	Current Financial RAG Status	Financial Impact of Management Action			
		£000	£000	£000	£000	£000	£000		
	a) Director of Independent Living								
0	Asylum	0	0	0	0	0	0	0	
(22)	Housing Access	353	342	(11)	Amber	0	0	0	1
0	Housing Choices	249	236	(13)	Amber	0	0	0	1
(22)	Total	602	578	(24)		0	0		
	b) Director of Housing & Neighbourhood Services								
0	Safer Neighbourhoods	2,092	2,092	0	0	0	0	0	
0	Business Regulation	323	322	(1)	Amber	0	0	0	
0	Neighbourhood Partnerships	276	277	1	Amber	0	0	0	
8	Neighbourhood Investment	43	43	0	Amber	0	0	0	2
8	Total	2,734	2,734	0		0	0	0	
(14)	Total for Service	3,336	3,312	(24)		0	0	0	

Reason for Variance(s), Actions Proposed and Intended Impact on Performance

NOTES Reasons for Variance(s) and Proposed Actions

Indicate reasons for variance (e.g. increased costs or client numbers or under performance against income targets) and actions proposed to address the variance which produce the revised RAG status

Reasons for Variance	
Profiled Expenditure	
1	There are small predicted surplus balances in Housing Access area within the Adaptations Service and Housing Management & Admin cost centres mainly as a result of vacant posts, totalling £18k. These are partially offset by a small predicted shortfall on the Medical Mobility and Community Care budget due to the vacancy factor on this small budget area. A further £13k predicted surplus has been identified in Housing Choices (Homelessness) area as a result of staffing savings due to a post which has not been backfilled.
2	Neighbourhood Investment area is predicting an £8k surplus as a result of a vacant post, which is currently offsetting the predicted shortfall on income detailed below.
Profiled Income	
1	There is a small projected shortfall anticipated within Housing Access on Housing Mortgages cost centre due to reducing mortgage interest.
2	Neighbourhood Investment area is projecting a small shortfall for the income budget on Registered Social Landlords as a result of fewer contributions in the current financial year than were budgeted for.
Proposed Actions to Address Variance	
	The monitoring position as shown is based on the assumption that the projected overspends will be met by projected underspends within Neighbourhoods, leaving an overall surplus of approximately £24k.

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS
--

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	19th September 2011
3.	Title:	Housing Investment Programme (HIP) 2011/12 and Other Capital Schemes
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

This report presents progress to the end of Month 04 on the 2011/12 Capital Programme, together with a forecast to the end of the financial year.

Details include schemes within the Housing Investment Programme (HIP), together with other Non HIP schemes for 2011/12.

At this stage in the financial year the HIP Programme is forecasting to outturn on budget.

6. Recommendations

That Cabinet Member receives and notes the content of this report.

7. Proposals and Details

- 7.1** The 2011/12 HIP was approved by Cabinet on the 23rd February 2011 with a total programmed spend of £21,166,243. This total has now been uplifted to £21,305,243 to reflect additional resources now available for aids and adaptations.
- 7.2** The 2011/12 Programme was drawn up in the anticipation that the 2010/11 Programme would be delivered on budget and that resource available in that year would be fully utilised, and prudential borrowing in excess of £5m would be drawn down as part of the resources used.
- 7.3** However, spending within the 2010/11 was below Programme, primarily within the HCA New Build and Private Sector Regeneration. This led to a substantial under spend of £3.663m in 2010/11, as shown in the table below. The under spend was as a result of slippage in programmed works due primarily to adverse weather conditions during November to January, and a consequence of this is that additional spend will now fall into 2011/12.
- 7.4** The slippage identified above is now resulting in a forecast over spend of £2.185m on the original Programme level for 2011/12 as shown in the table below.
- 7.5** However, the resources not drawn down in 2010/11 are, in the main, still available to be carried forward into 2011/12. This will result in a revised Programme level of £23.490m which would be fully resourced.

	Outturn 2010/11	Original Estimates 2011/12	Forecast at P4 2011/12	Revised Estimates 2011/12
	£000's	£000's	£000's	£000's
Approved Programme	50,378	21,166	21,305	23,490
Actual / Forecast Spend	46,715	21,305	23,490	23,490
Actual / Forecast Under / Over spend	-3,663	+139	+2,185	0

7.6 Details

- 7.6.1** The following paragraphs provide an overview of progress to date on the main spending heads within the HIP Programme:
- 7.6.2** Refurbishment and Improvements to Housing Revenue Account (HRA) Dwellings

It can be seen from Appendix A that a total of £9.648m is scheduled to be spent across public sector properties during 2011/12.
The scheduled work is further analysed as follows:-

Refurbishments

A total spend of £4.786m has been budgeted in 2011/12 to undertake refurbishment to properties and based upon activity to date the forecast outturn is £4.853m, a forecast overspend of £66k. This forecast overspend is off-set by a forecast saving of the same amount on other capital works, and is as a result of refining of scheme budgets.

Actual work scheduled includes:

- Window replacements
- Roof replacements to 29 units in Maltby
- External works to approx 268 units in Swinton
- Internal works to approx 316 units - various areas across North Herringthorpe, Thrybergh and North Anston
- Internal refurbs to approx 250 units - various areas across North Herringthorpe, Thrybergh and North Anston

This work has been allocated to Morrison and Willmott Dixon as part of the Repair and Maintenance Contract.

Delays were experienced in getting the earlier phases of some of the work to site due to

- The need to re-survey planned works due to inaccurate stock condition information as APEX, the stock condition database, was not updated to reflect work carried out during the earlier years of the Decent Homes Programme.
- Change in legislation for asbestos sampling. New legislation introduced in April of this year requires the need for more vigorous asbestos sampling prior to the commencement of work. This has led to substantial delays in getting work started.
- High levels of refusals / duplication. Both contractors are experiencing high levels of refusals for internal works, together with inaccurate scheme details which included works to properties which had already been carried out but not recorded on the stock condition database.

Contractor triangulation meetings are now held on a monthly basis to review programmed works and spend, and as a result of the joint working the issues identified above are being rectified: additional surveying resources are being employed to ensure that scheme details are accurate; both contractors are undertaking some asbestos sampling until the backlog with the current provider (White Young Green) has been caught up and additional tenant consultation has been programmed in immediately prior to the start of works to identify any refusals.

Spend and works are now back on target, however, it must be noted that Morrison have issued an Early Warning Notice indicating that they intend to raise a charge through an Early Warning Notice against the contract to meet the costs of the workforce being unproductive whilst the issues identified above were addressed.

Morrison's are being pressed to provide the actual value of the Early Warning Notice or an indicative sum, however, this has not been forthcoming to date, which creates a pressure on the budget, as this sum will need to be accommodated within the overall budget available.

7.6.3 Other Capital Works

Appendix A identifies that the total budget available for other capital works is £4.862m and that the forecast outturn is a spend of £4.795m, a forecast under spend of £67k which offsets the forecast overspend on refurbishments. The schemes within this category are as follows:-

- Environmentals
Work is currently ongoing to develop and prioritise schemes of work to meet the £500k environmentals budgets in line with the criteria previously laid down.
- Empty Homes
Current spending on empty homes would result in a forecast overspend of £235k. This is due to more capital voids than budgeted and a high average value as voids were being specified to the Decent Homes (plus) standard rather than the lettable standard.

The specification has been changed and works undertaken will revert to the lettable standard, prior to occupation but with a process in place which identifies any decent homes work which will be undertaken from the refurbishment budget in 2012/13. It is anticipated that this action will reduce the forecast spend position in line with budget. An update will be provided in the next report.

- Safer Homes (Communal Doors)
Work is currently ongoing to draw up and prioritise a scheme of works with a value of £300k to provide high security to communal blocks.
- Flat Door Replacements
A budget of £500k has been established to replace internal flat doors which were not included within the original decent homes standard.

This scheme is flagged as low priority and an assessment is currently being made as to the requirements for internal doors viz-a-viz fire protection. Work on this programme will take place later in the year to ensure that should there be an overspend on voids, this can be mitigated through managed slippage on this scheme.

- District Heating

Work is scheduled to start on the Vine Close district heating boiler replacement in September and a scheme has been developed to address filtration issues on the Fitzwilliam Estate District Heating Scheme. However, asbestos issues have slowed progress on this scheme which could lead to a delay with the September start date.

- EPC Improvements

A budget of £405k has been established to fund any works arising from the EPC Survey work around energy efficiency issues.

Works undertaken within this budget have a long lead-in period and often require matched funding. This budget has been earmarked for potential slippage if budget pressures are identified elsewhere in the Programme. Spend is currently forecast to be £120k below budget to reflect increased forecast spend on other budget heads following the refining of scheme budgets as described within refurbishments.

- Asbestos Testing

It has been identified elsewhere within this report that in light of a change in legislation asbestos sampling has created substantial delays in getting works to site.

A separate report to be presented to Cabinet Member details the requirements to establish an asbestos database to meet current legislative requirements and prevent delays in planned works.

The recommendation within that report identifies the need to establish budget provision of £285k within the Capital Programme to address asbestos within capital works.

Whilst there is currently no provision within the HIP Programme for this sum, two potential funding streams have been identified: the flat doors replacement programme or the EPC Improvements work could be deferred until next year, thus creating budget available to meet the asbestos requirements, and in addition, in light of the long lead-in time for EPC Improvement works, it is recommended that Cabinet approval is sought to vire funding from the existing budget head to create a budget for the asbestos work.

In summary, based upon activity to date and works planned for the remainder of 2011/12, refurbishment and improvement works to properties are forecast to outturn at £9.648m in line with budget.

7.6.4 Fair Access to All Disabled Adaptations

It can be seen that a budget of £1.739m has been established to meet the cost of private sector aids and adaptations with a further £1.600m for public sector clients.

Based upon activity to date, forecast spend to the year end is in line with budget.

7.6.5 Regeneration / Neighbourhood Renewal: Private Sector

Maltby Transformation Change Plan

Budget provision of £200k has been made to acquire properties within the Tarren Estate in order that the remaining properties can be demolished to facilitate redevelopment of the area. This proposal is the subject of a separate report to be presented to Cabinet in September. The forecast overspend of £15k reflects an indicative value of property acquisition.

Dinnington Transformation Plan

Negotiations are still ongoing on the acquisition of properties as part of site assembly on this scheme. This scheme slipped from the 2010/11 programme together with a corresponding amount of RHB grant.

Private Sector Support (RHB)

This is a scheme slipped from 2010/11 and is designed to meet the costs of enforcement work for Private Sector landlords and to undertake a stock condition survey. This work, which is underpinned by Regional Housing Board (RHB) funding has been reduced to reflect a reduction of activity within the enforcement team due to reduced staff numbers.

Canklow Phases 1 & 2

Phase 01 of this work, which involves acquisition and site clearance, to assemble land for future development is now complete.

Phase 02 is currently estimated to cost in the region of £3m with follow-on works in 2012/13.

The forecast spend of £1.006m identified in 2011/12 is to meet acquisition and site security costs and actual spend will be dependent upon negotiations for 22 properties on Canklow Road and Warden Street. This represents a forecast overspend of £886k. Funding of £430k New Homes Bonus Grant has been identified with the balance of spend to be met from capital receipts.

The scheme is the subject of a report to be presented to Cabinet Member.

Bellows Road Redevelopment

Budget provision of £380k has been allocated in 2011/12 to meet site assembly cost for the redevelopment of the Rawmarsh Shopping Centre.

Actual expenditure incurred will be dependent upon negotiations with local traders and occupiers of the residential element of the site.

7.6.6 Regeneration – Public Sector

- Non Traditional Properties

A budget provision of £1.923m has been allocated in 2011/12 to deal with the following schemes, together with sums outstanding from 2010/11.

Tarren Phase 3 – 38 houses at Campsall Fields with a scheduled start date of September with completion by 31st March 2012.

Reema Properties – 84 houses across Aston / Maltby / Whiston. Anticipated start date October / November with completion by 31st March 2012.

- Sheltered Housing Accommodation

The planned works due in 2010/11 were delayed due to issues with the tendering process, adverse weather and delays in design work. This resulted in an underspend of £207k in 2010/11 which has been rolled forward together with RHB funding to enable completion of these works in 2011/12.

- Garage Sites

All sites have now been surveyed with a view to specifying and prioritising work required from the £200k budget. To date one scheme – Swinton, has been issued with a value of £30k.

7.6.7 New Build

The 2010/11 outturn report presented to Cabinet Member on the 6th June 2011 highlighted the fact that, in total, the New Build Programme underspent by a total of £2.557m due, in the main, to adverse weather conditions experienced during November and December 2010.

This report also highlighted the fact that the New Build funding stream was fully secured on the proviso that Phases 1, 2 and 3 are completed by September 2011, and Phase 4 is completed by November 2011.

As at the end of P4, the update position on new build is as follows:-

- Phase 01
36 properties were practically completed at Wood Street at the end of May.
- Phase 02
70 properties have now been completed at Newlands Avenue, Stone Park, Albert Road and Rother View Road.
- Phase 03

21 properties at Albany Road achieved practical completion at the end of July.

- Phase 04
Work is currently underway to 5 properties at Whitehall Road and is on target to achieve practical completion by the end of September.

It can be seen from the foregoing that work which is still ongoing is still on target to achieve completion by the due dates, thus protecting the New Build funding stream.

Overall, the forecast spend on new build in 2011/12 is £6.086m, which is £1.356m over budget. However, when the funding identified in 2010/11, but not spent, i.e. slippage of £2.557m is brought forward, it can be seen that overall the New Build Programme will deliver savings of in excess of £1m. This will result in reduced prudential borrowing and in turn reduces the interest charged. The table below demonstrates the savings:-

	2009/10 £000's	2010/11 £000's	2011/12 £000's
Spend per Programme / Forecast	114	8,669	6,086
Funding per Programme	-114	-11,226	-4,730
Unfinanced Spend 09/10			114
Funding Brought Forward	-	-	-2,557
Net Position	0	-2,557	-1,087
Funding Carried Forward	0	2,557	1,087

7.6.8 Summary

In summary, subject to resources being brought forward from 2010/11, the 2011/12 HIP will outturn at £23.491m in line with budget available.

8. Finance

- 8.1 The table below identifies the funding available to meet the costs of delivering the HIP.

FUNDING POSITION

SOURCE	BASE PROGRAMME	RESOURCES BROUGHT FORWARD	TOTAL FUNDING
	£m	£m	£m
New Build Grant	2.359	0	2.359
Regional Housing Board	0.495	0.340	0.835
General Fund Contribution	0.760	0	0.760
Major Repairs Allowance	12.263	0	12.263
Capital Receipts Assumed by NIS	0.939	0.381	1.320
Revenue Contribution by Capital Outlay (RCCO)	0.800	0	0.800
Disabled Facilities Grant	0.979	0	0.979
Growth Programme Funding	0	0.109	0.109
Prudential Borrowing re New Build	2.049	1.356	3.405
CERT – New Build	0.322	0	0.322
Capital Receipts - RTBs	0.339	0	0.339
Total Funding Available	£21.305	£2.185	£23.491

The Base Programme column highlights the level of resources identified to meet the cost of the base programme as approved by Cabinet and the second column identifies funds brought forward from 2010/11 to meet forecast slippage into 2011/12.

This results in an overall level of resources of £23.491m which is in line with forecast spend.

9. Risks and Uncertainties

There are various risks in delivering the Capital Programme within resources as detailed below, together with how the risks are being mitigated.

- Voids – potential overspend due to high specification.
Mitigation – continual monitoring and delayed start of low priority work in order to contain any overspend.
- Early Warning Notice – Morrison. Value of claim requested from contractor in order that works of a similar value can be slipped into 2012/13.
- Capital Receipts. As in previous years the HIP is supported by Right to Buy receipts of which the Council has no direct control but monitors levels very closely.
Mitigation: Ongoing monitoring.

10. Policy and Performance Agenda Implications

The HIP supports the new Corporate Plan Priorities and is central to the longer term Housing Strategy:

- Making sure no community is left behind
- Helping to create Safe and Healthy Communities
- Improving the environment

11. Background Papers and Consultation

Report to Cabinet 23rd February 2011.

Report to Cabinet Member for Safe and Attractive Neighbourhoods 6th June 2011.

Contact Name:

Maureen Gatt, Finance Director, Neighbourhoods and Adult Services, RMBC (ext: 2288, e-mail Maureen.gatt@rotherham.gov.uk)

	E	F	G	H	I	J	K	L
1	HIP PROGRAMME 2011-12 POSITION AS AT PERIOD 4							
2								
3		2011/12 Programme						
4		Budget		Manager's Forecast		Variance (Under + / Over -)		%age (Under + / Over -)
5		£		£		£		%
6								
7	REFURBISHMENT / IMPROVEMENTS							
8	Decent Homes Refurb	0		110		110		
9	Decent Homes Windows	0		9,453		9,453		
10	Refurbishment (MFS & WDP)	4,286,000		4,516,492		230,492		5.38%
11	Windows (MFS & WDP)	500,000		326,578		-173,422		-34.68%
12	REFURBISHMENT / IMPROVEMENTS TOTAL	4,786,000		4,852,633		66,633		1.39%
13								
14								
15	OTHER CAPITAL WORKS							
16	Decent Homes Enviro	0		110		110		
17	Environmental (MFS & WDP)	500,000		500,001		1		
18	Empty Homes	1,500,000		1,500,000		0		
19	Central Heating Replacement	500,000		500,000		0		
20	Electrical Board & Bond - Scheme WDP-6A	60,000		159,510		99,510		165.85%
21	Safer Homes (Replacement Communal Doors)	300,000		253,747		-46,253		-15.42%
22	Community Centre Improvements	150,000		150,000		0		
23	Lift Replacement Beversleigh	80,000		80,000		0		
24	Communal Aerial Replacement	10,000		10,000		0		
25	Asbestos Removal	81,900		81,900		0		
26	Flat Door Replacement	500,000		500,000		0		
27	District Heating	400,000		400,000		0		
28	One-Off Properties	300,000		300,000		0		
29	EPC Improvements	405,000		285,000		-120,000		-29.63%
30	EPC Surveys	75,000		75,000		0		
31	OTHER CAPITAL WORKS TOTAL	4,861,900		4,795,267		-66,633		-1.37%
32								
33	ALL CAPITAL WORKS TO PROPERTIES	9,647,900		9,647,900		0		0.00%
34								
35	FAIR ACCESS TO ALL							
36	Phys. H/Capped Private Adapt'n	1,739,000		1,739,000		0		
37	Phy H/Capped Private Discretry	0		0		0		
38	Disabled Adaptations (Public Sector)	1,600,000		1,600,000		0		
39	FAIR ACCESS TO ALL TOTAL	3,339,000		3,339,000		0		0.00%
40								
41	REGEN. / NEIGHBOURHOOD RENEWAL							
42	PRIVATE SECTOR							
43	Home Assistance Grants	31,000		31,000		0		
44	Maltby Transformational Change Masterplan (RHB)	200,000		235,000		35,000		17.50%
45	Wentworth Valley LAA Devolved	0		0		0		
46	Dinnington Transformational Change Masterplan (RHB)	304,000		290,000		-14,000		-4.61%
47	Rother Valley South LAA Devol	0		0		0		
48	Private Sector Support (RHB)	155,000		60,000		-95,000		-61.29%
49	Canklow Phase 1 & 2	120,000		1,006,000		886,000		738.33%
50	Bellows Road Service Centre Clearance	380,000		380,000		0		
51	Ship Inn Demolition	25,000		25,000		0		
52	Occupation Road Clearance Project	50,000		50,000		0		
53	Alley-gating schemes	5,000		11,000		6,000		120.00%
54	PUBLIC SECTOR							
55	Non-Traditional Investment	0		0		0		
56	Structural Works Non-Trad's	1,923,000		1,923,000		0		
57	Sheltered Housing Modifications (RHB)	195,000		207,000		12,000		6.15%
58	Garage Site Investment	200,000		200,000		0		
59	REGEN. / NEIGHBOURHOOD RENEWAL TOTAL	3,588,000		4,418,000		830,000		23.13%
60								
61	OTHER PUBLIC SECTOR							
62	Bond/Rent In Advance Scheme	0		0		0		
63	HCA NEW BUILD							
64	Wood Street/School Street (Phase 1)	145,860		544,000		398,140		272.96%
65	Newland Avenue (Phase 2)	1,124,239		86,000		-1,038,239		-92.35%
66	Stone Pk CI (Phase 2)	0		81,000		81,000		
67	Albert Rd (Phase 2)	0		1,229,000		1,229,000		
68	Rother View Road (Phase 3)	2,863,410		2,526,000		-337,410		-11.78%
69	Albany Road (Phase 3)	0		923,000		923,000		
70	Whitehill Road (Phase 4)	596,834		697,000		100,166		16.78%
71	OTHER PUBLIC SECTOR TOTAL	4,730,343		6,086,000		1,355,657		28.66%
72								
73	SUB TOTAL 2	11,657,343		13,843,000		2,185,657		18.75%
74								
75	TOTAL CAPITAL PROGRAMME	21,305,243		23,490,900		2,185,657		10.26%
76								

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS
--

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	19th September 2011
3.	Title:	Housing Revenue Account 2011/12. Budget Monitoring P04 – July 2011
4.	Programme Area:	Neighbourhoods and Adult Services

5. Summary

This report presents progress to date as at the end of July (P04) on the HRA, together with a forecast to the end of the financial year.

Forecast outturn is that the HRA will outturn on budget with a transfer to Working Balance (HRA reserves) of £4.876m, this being £262k higher than the budget position.

6. Recommendations

That Cabinet Member receives and notes the content of this report.

7. Proposals and Details

Background Information – The Budget

- 7.1** This is the first budget monitoring report for the Housing Revenue Account (HRA) for the financial year 2011/12.

This report will therefore provide a summary of the budget” and the budget setting principles and then review the forecast outturn position at the end of 2011/12 based upon activity to the end of July (Period 04).

- 7.2** Appendix A of the report provides details of the Budget Operating Statement, i.e. “The Budget” for 2011/12. Column A illustrates the various budget lines which form the overall budget.

- 7.3** It can be seen that budgeted income of £80.022m is anticipated to be collected during 2011/12 and that this is offset by £74.634m of budgeted expenditure which represents the cost of delivering the service. As anticipated income is greater than the cost of delivering the service, the result is an overall net income to the service (£5.388m credit).

- 7.4** In addition, various other items of income and expenditure are charged to the HRA as follows:-

Minimal interest of £25k is anticipated on balances held within the HRA which increases that credit position to show net operating income of £5.413m.

The net operating account is then reduced as provision has been made within the budget to use £800k of the income generated to fund capital expenditure incurred through the Housing Investment Programme (HIP).

Accounting regulations allow revenue funding to be utilised in this way, and the use of revenue resources are referred to as Revenue Contribution to Capital Outlay (RCCO). This is shown as a charge (expenditure) in the HRA Revenue Account, and as a credit (income) in the HIP. This sum can be seen as a funding source in the HIP monitoring report which appears elsewhere on the Cabinet Member’s agenda.

In addition, provision has been made to transfer £4.613m into reserves or “Working Balance”.

The HRA is a statutory account and it is prohibited for the account to be in deficit. It is good accounting practice to establish a “Working Balance” which effectively is a provision for unforeseen items of expenditure which may fall due.

The Chartered Institute of Public Finance and Accountancy, the body which governs the accounting format, recommends that a Working Balance should allow a reasonable provision per property and current “industry standard” is that this should be in the region of £150 - £200 per property.

It may be noted that at the end of 2010/11 the closing balance on the Working Balance was £2.772M which was significantly higher than forecast at the time when the 2011/12 budget was set.

When this is added to the 2011/12 Working Balance budget, the total will be £7.385m which exceeds the £200 per property provision.

This has been factored into the 30 year Business Plan required from April 2012 under HRA Self Financing.

7.5 As a consequence of the additional charges to the net operating expenditure / income, and the budgeted transfer to reserves, the final position is a balanced budget whereby total costs are covered by income received.

7.6 Whilst Appendix A details various items of expenditure incurred in providing the service, several of these budget lines are either year end adjustments, (for example debt management costs of £226k) or are subject to external influence and therefore outside direct control, (for example cost of capital charges £11.596m). Budget Monitoring is therefore primarily focussed on expenditure and income which is within our control. Future reports will focus primarily upon income, the repair and maintenance budget of £14.658m and supervision and management budget of £16.405m.

7.7 However, in order to set the Monitoring framework, all budget lines will be reviewed in this report.

7.8 Budget Monitoring

7.8.1 Appendix A column B demonstrates the projected outturn on the various budget heads based upon activity up to the end of July (Month 4 P04).

Overall it can be seen that the net cost of service is forecast to be £5.650m as demonstrated in the table below.

	Budget	Forecast	Variance
Expenditure	£74.634m	£74.504m	-£130k
Income	£80.022m	£80.154m	-£132k
Net Cost of Service	-£5.388m	-£5.650m	-£262k

This is an improvement of £262k on the budgeted position which is also reflected within net operating expenditure.

As a consequence, the forecast transfer to Working Balance has increased from £4.613m up to £4.875m in order to maintain a balance budget. The following paragraphs review activity within the various sections of the budget.

7.8.2 Expenditure

Column B of Appendix A demonstrates that based upon expenditure and commitments to date the forecast expenditure is £74.504m, a minimal reduction of £130k against budget. The major changes are as follows:-

- Contribution to Housing Repairs Account

This is the Repair and Maintenance Account with the majority of the works being delivered through the Repairs contracts with Willmott Dixon and Morrison.

Whilst Appendix A demonstrates that it is anticipated that expenditure will be contained within the budget provision of £14.658m the following pressure points are highlighted for information:-

- Based upon the level of spend at the end of July, forecast outturn on minor voids would be £2.789m against budget provision of £2.558m, a potential overspend of £231k. This is as a result of high value variation orders for works ordered over and above the specification within the contract. A review is currently ongoing to assess the reasoning behind the variation levels and it is anticipated that values will reduce. Current forecasts are based upon anticipated minor voids of 1496 in year. If this figure changes there will be a consequential impact on budget which may need to be managed through a reduction in other planned works.
- Based upon spend to date cyclical works delivered through Willmott Dixon are forecast to out turn within budget provision.

However, negotiations are currently ongoing around various Change Orders – that is applications for payment outside the contract sum – which were raised in March 2011 in relation to gas servicing and repairs and other cyclical items. The Change Orders have a bearing on expenditure incurred last year and likely expenditure in 2011/12. An “accrual” or provision was made in the 2010/11 accounts of £100k, and additional budget provision of £472k has been made in 2011/12.

Legal advice is currently being sought regarding these demands and a verbal update will be made at the meeting.

Through the negotiation process if the “best case scenario” was achieved, i.e. the applications were rejected, the provisions identified above (£572k) would be released for spend elsewhere within the programme; if the worst case scenario i.e. all the contractor demands are met, this would result in a budget pressure of £148k re 2010/11 and £290k in 2011/12, whilst the “mid point” scenario would result in

savings of £72k re 2010/11 and £119k re 2011/12 being available for redistribution.

- Supervision and Management

Based upon spend and commitment to the end of July the forecast outturn on this budget head is £16.275m, a minor underspend of £130k against the budget provision of £16.405m.

Such a minor forecast under spend at this point in the financial year is not unusual as this budget is primarily salaries and related costs such as supplies and services, transport etc. along with central establishment charges and spending patterns have yet to be established. As the year progresses and actual costs are incurred forecasting will become more refined. In addition, in-depth monitoring with individual budget holders will be stepped up to better inform the forecasts. Based upon the position to date, spending within supervision and management is in line with expectations.

Actual forecast savings to date are primarily salary costs as a result of vacancies within the service.

- ALMO Management Fee. This budget sum of £1.892m was fully utilised to meet the costs incurred by the former 2010 Rotherham Ltd. in the period April to June prior to the reintegration with the Council.
- Rents, Rates and Taxes. This budget of £74k is forecasting to outturn on budget.
- Negative Housing Subsidy Repaid to Government. This item of expenditure netted off against the subsidy receivable (Major Repairs Allowance (MRA)) is:

Negative Subsidy	16.162m
Subsidy Receivable	<u>13.120m</u>
Subsidy due to Government	<u>£3.042m</u>

This is based upon the estimated subsidy position which will remain in place until the second advance claim is made in October and highlights the fact that in excess of £3m is forecast to be repaid to the government through the existing subsidy system.

- Provision for Bad Debts

The forecast outturn position for the write off of irrecoverable debt (rents and rechargeable repairs) is £500k in line with budget provision.

- Cost of Capital Charge

This budget (£11.597m) provides for the cost of repaying interest on HRA loans for capital works and is based upon an average interest rate of 4.12%.

Whilst this budget is forecast to outturn on budget any changes in rates will impact on charges incurred, albeit offset in part by subsidy.

- Depreciation of Fixed Assets

As highlighted in the income section this is, in effect, the transfer of the MRA to fund capital investment.

- Debt Management Costs

This budget of £226k is the Treasury Management costs associated with the management of the HRA debt portfolio of £268m.

The debt portfolio is the collection of loans raised in the past to fund capital investment in HRA properties. Treasury management deliver the strategy to effectively manage the loans to ensure that the most advantageous rates of interest are paid on the outstanding Debt.

7.8.3 Income

Based upon performance to Month 04, total income is forecast at £80.154m, an increase of £132k on budget. The major changes are as follows:-

- Dwelling Rents. The forecast outturn is a minor shortfall of £65k against budget. However, it should be noted that whilst overall rental income forecast is an increase of £203k, this is offset by an increased loss of income through voids and miscellaneous income. The number of void properties was higher than normal at the beginning of the financial year as both external contractors had a backlog of properties. Whilst contractors have increased productivity on voids to address the backlog, they are also receiving an increased number of voids following the release of new build properties, therefore, whilst turnaround times have improved at the end of July, there is still a need to improve further. This issue is currently being addressed through the end to end review of the voids process and an update will be provided to Cabinet Member at the completion of the review.
- Non Dwelling Rents. This budget head which covers garage rents, ground rents etc. is currently forecasting to outturn at £787k, a minimal under-recovery against budget.
- Charges for services and facilities has a forecast outturn of £3.225m, an improvement of £197k on the original budget sum offsetting the reduction on dwelling rent.

The increase in charges has resulted in a forecast increase in income generated through the Rotherham Furnished Home Scheme of £145k, together with an increase of £33k on District Heating (albeit this will be offset by increased running costs) plus other minor increases.

- Other Fees and Charges. This budget head for miscellaneous fees and income is currently forecasting an outturn of £183k, a minimal under-recovery against budget which offsets the reduction on non dwelling rents.
- HRA Subsidy Receivable – MRA. This is an indicative allowance paid to local authorities through the subsidy system to fund works of a capital nature which will keep properties in a good state of repair.

The sum allocated is intended to meet the cost of “depreciation” of the properties, that is, the cost of all repairs to ensure that the value of the properties does not reduce (depreciation).

The item is shown as income, as it is funding received. The income needs transferring out of the HRA into the capital programme – the HIP and this is facilitated through the expenditure line “Depreciation of fixed assets”.

7.8.4 Net Operating Expenditure

Interest receivable on balances held within the HRA is forecast to be on budget which results in the following net operating expenditure:

	Budget	Forecast	Variance
Net cost of service per paragraph 7.8.1	-£5.388m	-£5.650m	-£0.262m
Interest Received	-£0.025m	-£0.025m	0
New Operating Income	-£5.413m	-£5.675m	-£0.262m

7.8.5 Appropriations

Appropriations are transfers out of the HRA budget and provision has been made for two actions.

- RCCO. Forecast expenditure is in line with the budget estimate of £800k
- Transfer to Reserves. The original budget sum to transfer into Working Balance was £4.613m. Based upon the forecast increase in the net operating income the contribution to Working Balance will increase by £262k to £4.875m.

7.8.6 Summary

Based upon activity to the end of July and forecast costs and income to March 2012, there is a forecast net increase in the level of the operating income of £262k, with a forecast outturn of £5.675m compared to a budget of £5.413m.

As a result of this increase the forecast in-year contribution to Working Balance now stands at £4.875m.

8. Finance

Use of Working Balance

Paragraph 7 of this report identifies the principles of establishing a Working Balance and the preceding paragraphs identify an uplift of £262k leading to a revised total of £4.876m.

It is worth noting that any downsizing costs associated with realignment of services following the reintegration of former 2010 Rotherham Ltd services will fall upon the HRA. Whilst provisions have been made within 2010 accounts (£230k) and within the 2010/11 HRA (£220k), it is anticipated at this stage that total costs will exceed this sum and the difference will be a call on Working Balance.

Work is currently ongoing to refine actual downsizing costs in light of the current round of voluntary severance.

9. Risks and Uncertainties

9.1 In line with good accounting practice the following risks are identified together with proposed mitigation.

- **Inflation – Non Contractual**
The 2011/12 budget was formulated around an inflation assumption of nil, if inflation rises costs may exceed budget provision. (It should be noted that the inflationary increase on the repair and maintenance contract is locked in for the financial year at 5.5% and this has been provided for within the budget set).
Mitigation: Ongoing monitoring
- **Vacancy Factor**
Salaries budgets assume various levels of vacancies. If vacancies do not arise this could lead to salary costs in excess of budget.
Mitigation: In depth monitoring and forecasting of salary budgets.
- **Repair and Maintenance**
Voids. Budget provision reflects an anticipated 1496 number of minor voids in year. Any changes in number and/or average cost will impact upon expenditure.
Mitigation: Ongoing monitoring and triangulation with contractors

- Cyclical Repairs Dispute
Contractor change order requests exceed budget provision.
Mitigation: Legal advice has been sought to determine extent of liability.
- Negative Subsidy Paid to Government
Changes in property numbers and interest rates will have a bearing on final subsidy due to Government. Any changes will impact upon the contribution to Working Balance at the end of the year.
- Rental Income
Net rental income has been calculated on the basis of 2% void loss. Any increase / decrease on the actual level of voids will impact on the level of income achieved.
Mitigation: Ongoing monitoring

10. Policy and Performance Agenda Implications

10.1 The HRA supports the new Corporate Plan Priorities and is central to the long term Housing Strategy:.

- Making sure no community is left behind.
- Helping to create safe and healthy communities.
- Improving the environment

11. Background Papers and Consultation

- Budget and Council Tax Setting Report (2011/12) to Cabinet Member March 2011.
- Director of Strategic Finance and Director of Housing and Neighbourhood Services have been consulted on the preparation of this report.

Contact Name:

Maureen Gatt, Finance Director, Neighbourhoods and Adult Services, RMBC (ext: 2288, e-mail Maureen.gatt@rotherham.gov.uk)

Appendix A**Housing Revenue Account - Draft Budget Operating Statement 2011/12**

Narrative	Full-year Budget 2011/12 A	Forecast Outturn 2011/12 B	Variance to Budget C	%age Variance to Budget
<u>Expenditure</u>				
Contributions to Housing Repairs Account	14,658,093	14,658,093	0	
Supervision and Management	16,405,258	16,274,747	-130,511	-0.796%
ALMO Management Fee	1,892,055	1,892,055	0	
Rents, Rates, Taxes etc.	73,519	73,681	162	0.220%
Negative Subsidy repaid to Government	16,162,214	16,162,214	0	
Provision for Bad Debts	500,000	500,000	0	
Cost of capital Charge	11,596,589	11,596,589	0	
Depreciation of Fixed Assets	13,120,398	13,120,398	0	
Debt Management Costs	225,913	225,913	0	
<u>Expenditure</u>	<u>74,634,039</u>	<u>74,503,690</u>	<u>-130,349</u>	<u>-0.175%</u>
<u>Income</u>				
Dwelling Rents	-62,904,116	-62,839,408	64,708	-0.103%
Non-dwelling Rents	-793,930	-786,789	7,141	-0.899%
Charges for Services and facilities	-3,027,928	-3,224,551	-196,623	6.494%
Other fees and charges	-176,000	-183,220	-7,220	4.102%
HRA Subsidy receivable (Major Repairs Allowance)	-13,120,398	-13,120,398	0	
<u>Income</u>	<u>-80,022,372</u>	<u>-80,154,366</u>	<u>-131,994</u>	<u>-0.165%</u>
<u>Net Cost of Services</u>	<u>-5,388,333</u>	<u>-5,650,676</u>	<u>-262,343</u>	<u>-4.869%</u>
Interest received	-25,000	-25,000	0	
<u>Net Operating Expenditure</u>	<u>-5,413,333</u>	<u>-5,675,676</u>	<u>-262,343</u>	<u>-4.846%</u>
Appropriations:				
Revenue Contributions to Capital Outlay	800,000	800,000	0	
Transfer to Reserves	4,613,333	4,875,676	262,343	5.687%
<u>Surplus/Deficit for the year</u>	<u>0</u>	<u>0</u>	<u>0</u>	

Document is Restricted

Document is Restricted