

## ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods</b>
2.	<b>Date:</b>	<b>12<sup>th</sup> December 2011</b>
3.	<b>Title:</b>	<b>Housing Investment Programme (HIP) 2011/12</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods and Adult Services</b>

### 5. Summary

This report presents progress to date on the 2011/12 Capital Programme, together with a forecast outturn position to the end of the financial year based upon activity as at the end of October 2011.

Slippage from 2010/11 is incorporated into the forecast outturn position for 2011/12 and the Budget has been revised to reflect an increase in resources available as the funds not drawn down in 2010/11 have been carried forward into 2011/12.

Based upon activity to date there is a forecast under spend of £577k against the revised budget of £23.700m. The under spend will be carried forward into 2012/13 to meet the costs of schemes slipping into next year.

### 6. Recommendations

- That Cabinet Member receives and notes the revised budget position and the latest financial forecast.
- That forecast savings and slippage on schemes within Capital Works to Properties are utilised to offset forecast increased spend on other schemes within the same category.

## 7. Proposals and Details

### 7.1 Background

7.1.1 This budget report is based upon actual expenditure and commitments at the end of October 2011 (P07) which has been forecast to the end of the financial year to give a projected outturn position compared to budget.

7.1.2 The report will demonstrate two key points:

- Resources not drawn down in 2010/11 have now been carried forward as additional resources to meet increased spend in year which has arisen due to slippage in 2010/11.
- There is a forecast under spend of £577k against the revised budget position.

### 7.1.3 Carry Forward of Resources

The P04 (July) monitoring report which was presented to Cabinet Member on the 19<sup>th</sup> September 2011 identified that at the end of 2010/11 there had been substantial slippage on the HCA New Build and Private Sector Regeneration schemes expenditure due to the severely inclement weather during November and December 2010.

This led to 2010/11 planned spend slipping into the 2011/12 financial year, which resulted in a forecast over spend against the base budget in that year.

However, the report also identified that the resources not drawn down in 2010/11 would still be available to be carried forward into 2011/12.

This budget monitoring report incorporates the carried forward resources to present a revised budget position of £23.700m which can be seen at Appendix A.

7.1.4 The P07 monitoring position is forecasting total outturn of £23.123m against the revised budget of £23.700m as demonstrated within the table below.

	<b>Revised Budget £000's</b>	<b>P07 Forecast £000's</b>	<b>Variance £000's</b>
Refurbishments	4,786	4,264	-522
Other capital works	4,862	4,807	-55
<b>Total capital works to properties</b>	<b>9,648</b>	<b>9,071</b>	<b>-577</b>
Fair access to all	3,339	3,339	0
Regeneration / Neighbourhood Renewal	4,012	4,012	0
Other public sector	6,701	6,701	0
<b>Total revised capital programme</b>	<b>23,700</b>	<b>23,123</b>	<b>-577</b>

The balance of this report will provide an overview of progress to date on the main spending heads of the HIP Programme.

## **7.2 Details**

### **7.2.1 Total Capital Works to Properties**

It can be seen from Appendix A and the table above that the total forecast spend on capital works to properties is £9.071m compared to a budget of £9.648m, an under spend of £577k. This can be analysed as follows:-

#### Refurbishments

A total of £4.786m has been budgeted in 2011/12 to undertake refurbishment works on properties, and based upon activity to date, the forecast outturn is £4.264m, an under spend of £522k.

This is a substantial change to the P04 forecast which was projecting an overspend of £67k. The change in forecast is due to:

- A high level of refusals on internal refurbishments
- Savings on specification as not all work required (e.g. full rewires)
- Slippage on external works

This has resulted in total saving of £252k on refurbishments.

In addition, £270k savings have been identified against the window replacement budget, a slight increase in the position reported at P04, as no further window replacement schemes have been identified.

The previous budget monitoring report highlighted that some of the earlier schemes of work had been delayed getting to site due to asbestos sampling and the quality of data being presented to the contractors.

This position has improved substantially and to date:

- 2 internal refurbishment schemes are completed (114 dwellings) and 1 is ongoing (73 dwellings) predominantly in East Herringthorpe
- 3 external refurbishment schemes are complete (85 dwellings) with a further 2 in progress (106 dwellings) in the Swinton area
- Roofing work at Maltby (30 dwellings) is now complete
- Windows to 33 properties at Rotherham North is now complete with a further 103 still ongoing in Rother Valley South.

#### Other Capital Works

Appendix A of the report identifies that the forecast outturn for other capital works is £4.807m which when compared to budget of £4.862m shows an under spend of £55k. Whilst this is a minor change compared to the P04

forecast of a £67k under spend, there has been significant movement within the individual schemes of works as shown in the table below:-

	<b>Budget £000's</b>	<b>P04 Forecast £000's</b>	<b>P07 Forecast £000's</b>
Empty Homes	1,500	1,500	1,890
Central Heating	500	500	781
Electrical Board & Bond	60	159	164
Asbestos	0	0	285
Environmentals	500	500	273
EPC Improvements	405	285	0
Flat Door Replacements	500	500	140
District Heating	400	400	272
Safer Homes (Communal Doors)	300	254	300
Community Centres	150	150	155
Lift Replacement	80	80	80
Communal Aerial	10	10	10
Asbestos Removal	82	82	82
One-off Properties	300	300	300
EPC Surveys	75	75	75
	<b>4,862</b>	<b>4,795</b>	<b>4,807</b>

The paragraphs below highlight the main changes as follows:-

### Empty Homes

The previous monitoring report identified a potential £235k overspend on works to void properties due to an increase in the number of major voids together with a high average value of works.

The current forecast overspend is £390k which is an increase of £155k from the previous forecast. This has arisen due to a further increase in the actual number of voids received. Based upon activity to date it is anticipated that a total of 193 voids will be dealt with compared to the 150 budgeted for.

Due to the responsive nature of empty homes it is difficult to make accurate forecasts of the actual number in year and this forecast is considered to be "prudent".

Monitoring continues on a weekly basis, if turnover on voids reduces there will be a reduction in the forecast spend.

Savings elsewhere within the Capital Programme can be utilised to meet the increased forecast spend on this budget head.

### Central Heating

The Central Heating budget is forecasting to outturn at £781k, an increase of £281k above budget.

This is due to the issue of a scheme of essential work to repair / replace burners in Buderus boilers. The estimated value is £280k and the increased costs can be met from the reduced Flat Door Replacement scheme as detailed below.

### Electrical Board & Bond

Urgent remedial electrical work has been identified from earlier fixed wire testing which has resulted in an increase in the forecast outturn to £164k, an increase of £104k over budget. The increased cost of these essential works can be met from slipping low priority EPC works into 2012/13.

### Asbestos

Following approval of the Asbestos report through delegated powers on the 31<sup>st</sup> October 2011, a budget line of £285k has now been incorporated into the budget and replaces the EPC improvements budget which had been identified as low priority and has been slipped into 2012/13.

### Environmentals

The previous report identified that work was ongoing to identify schemes of works to be met from this budget head.

To date, schemes with a value of £273k have been identified. Works of this nature have a long lead-in period and in light of the approaching winter period it is considered that any additional works identified at this stage of the year will fall into next financial year. This has resulted in savings of £227k in 2011/12.

### Flat Door Replacements

The P04 Monitoring report identified that this scheme of work was low priority and that an assessment of works required in relation to fire assessment issues was underway.

As a result of the assessment it is estimated that work with a value of £140k is required in this financial year, thus resulting in savings of £360k in 2011/12 against the budget position. Other lower priority works will be slipped into 2012/13.

The savings will be used to meet the cost of the Buderus boilers scheme identified above and to meet (in part) increased forecast spend on empty homes.

Across the other schemes identified under “other capital work” schemes are progressing with forecast outturn in line with budget.

Overall it can be seen that there is a net forecast under spend of £577k on Capital Works to Properties and that increased spending requirements on highlighted schemes can be met through savings and managed slippage elsewhere in the Programme. Resources not drawn down in 2011/12 due to the underspend will be carried forward into 2012/13.

In addition to progress on schemes within the Programme of works, the previous monitoring report highlighted the fact that Morrison’s had issued an Early Warning Notice against the contract to meet the costs of the workforce being unproductive due to delays in getting schemes to site. Whilst a sum of £226k has since been attributable to this notice it is anticipated that an increase in turnover for the contractor forecast due to increased voids on both capital and revenue will mitigate this claim.

### **7.2.2 Fair Access to All Disabled Adaptations**

It can be seen at Appendix A 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.

Both budgets are currently forecasting to outturn on budget and to date 449 jobs have been received (compared to 381 at this point last year), of which 291 are now completed.

### **7.2.3 Regeneration / Neighbourhood Renewal – Private and Public Sector**

Appendix A of the report identifies that the regeneration budget has been revised to include resources brought forward from 2010/11. The forecast spend based upon activity to P07 is £4.012m which is in line with the revised budget.

This compares to a forecast outturn of £4.418m at P04.

The main changes to the forecast are as follows:-

#### Dinnington Transformation Plan

The original budget sum of £304k was to meet the costs of acquiring two properties as part of this gateway scheme for street scene enhancements. In light of the protracted negotiations over these properties the plan has been amended to acquire one property only in this financial year at an estimated cost of £155k. The scheme budget has been revised to £155k to reflect this position.

### Canklow Phase 1 and 2

As reported at P04 this is a large site designated for clearance and approved by Cabinet Member in 2009.

The forecast spend of £1.006m at P04 was based upon the acquisition of 22 properties within phase 2 with additional acquisitions scheduled for 2012/13.

As with the Dinnington project, protracted negotiations for the acquisition of properties has led to a revision in the forecast with the latest forecast of spend of £915k in this year with the balance slipping into 2012/13. The budget has been adjusted to reflect this fact.

As at the end of October 6 properties have been acquired.

### Bellows Road Service Centre Clearance

This is a redevelopment scheme for the Rawmarsh High Street Shopping Centre.

Negotiations between the main contractor and Tesco have been protracted which has led to a reassessment of the site. As a result the £380k forecast spend at P04 has been reduced to £120k with the balance of the funding to be slipped into next year. Budgets have been amended to reflect this position.

## **7.2.4 Other Public Sector – New Build**

Appendix A of the report identifies that the revised estimate which includes resources brought forward from 2010/11 for New Build is £6.701m which is in line with the current forecast outturn. This compares to a forecast out-turn of £6.086m at P04, an increase in forecast costs of £615k.

This is as a result of:

- Increased remedial costs re: land drainage and deep piling of foundations
- Increased costs due to asbestos / red shell remedial works

These costs can be met from the New Build funding stream which was secured in earlier years.

As at the end of October Phases 1 to 3 - 127 properties have been completed with Phase 4, Whitehall Road – 5 properties due to complete at the end of November, thus protecting the New Build funding stream.

### Summary

Overall the revised HIP forecast to the end of 2011/12 is an under spend of £577k against the revised budget. Whilst there have been substantial

changes to forecast spend within individual schemes; increased costs can be off-set by savings and planned slippage.

## 8. Finance

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

### FUNDING POSITION

SOURCE	BASE PROGRAMME £m	RESOURCES B/FWD / ADJUSTMENTS £m	TOTAL FUNDING £m
New Build Grant	2.359	-0.159	2.200
New Build Bonus	0	0.458	0.458
Regional Housing Board	0.495	-0.043	0.452
General Fund Contribution	0.760	0	0.760
Major Repairs Allowance	12.263	0	12.263
Capital Receipts Assumed by NIS	0.939	0.009	948
Revenue Contribution by Capital Outlay (RCCO)	0.800	0	0.800
Disabled Facilities Grant	0.979	0	0.979
Prudential Borrowing	2.049	2.086	4.135
CERT – New Build	0.322	0.044	0.366
Capital Receipts - RTBs	0.339	0	0.339
<b>Total Funding Available</b>	<b>£21.305</b>	<b>£2.395</b>	<b>£23.700</b>

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, plus additional funding of £458k available this year from New Homes Bonus fund to support the Canklow development.

This results in an overall level of resources of £23.700m as shown in the revised budget as Appendix A.

## 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 if the number of empty homes continues to rise.  
**Mitigation** – weekly monitoring.



- 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 23<sup>rd</sup> February 2011.

Reports to Cabinet Member for Safe and Attractive Neighbourhoods 6<sup>th</sup> June and 19<sup>th</sup> September 2011.

### **Contact Name:**

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