ROTHERHAM BOROUGH COUNCIL - REPORT TO CABINET MEMBER FOR SAFE AND ATTRACTIVE NEIGHBOURHOODS

1.0	**Meeting:**	**Cabinet Member for Safe and Attractive Neighbourhoods**
2.0	**Date:**	**19 March 2012**
3.0	**Title:**	**Housing Investment Programme (HIP) 2011/12**
4.0	**Directorate:**	**Neighbourhoods and Adult Services**

5.0 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 January 2012.

Based upon activity to date there is a forecast under spend of £1.214m 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.

In addition, the government has now announced the final debt settlement figure of £15.188m payable by Rotherham as part of the HRA self-financing initiative. This sum will be funded by additional borrowing in line with government guidelines. This sum is in addition to the current forecast spend within the approved HIP budget.

6.0 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.

7.0 Proposals and Details

7.1 Background

7.1.1 This budget report is based upon actual expenditure and commitments at the end of January 2012 (P10) which has been forecast to the end of the financial year to give a projected outturn position compared to budget.

7.1.2 The P10 monitoring position is forecasting a total outturn of £22.486m against the revised budget of £23.700m as demonstrated within the table below.

	Revised Budget £000's	**P10 Forecast £000's**	**Variance £000's**
Refurbishments	4,786	4,533	-253
Other capital works	4,862	4,800	-62
Total capital works to properties	**9,648**	**9,333**	**-315**
Fair access to all	3,339	3,339	0
Regeneration / Neighbourhood Renewal	4,012	3,194	-818
Other public sector	6,701	6,620	-81
Total revised capital programme	**23,700**	**22,486**	**-1,214**

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 £9.333m compared to a budget of £9.648m, an under spend of £315k. This is a substantial change to the P07 forecast which was projecting an under spend of £522k. The change in the forecast is due to:-

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 £4.533m, an under spend of £253k.

The previous report identified the fact that there is a high level of refusals by tenants for internal works. This, together with savings on the window replacements budget of £270K made up the substantial forecast savings previously reported.

Works which were originally scheduled to be undertaken in 2012/13 have now been accelerated into the current year in order to utilise savings and slippage elsewhere within the programme. This has allowed us to carry out some works for our tenants earlier than previously anticipated.

The accelerated work has reduced the forecast under spend from £522k down to £253k.

The status of the refurbishment works at the end of January can be summarised as follows:

- 1 internal refurbishment scheme is complete (55 dwellings) and 5 (314 dwellings) are ongoing. Of these 146 dwellings have been completed
- 5 external refurbishment schemes are complete (151 dwellings) with a further 2 schemes (128 dwellings) in progress in the Swinton area
- Roofing work at Maltby (30 dwellings) is now complete
- Windows to 33 properties at Rotherham North and 75 properties in Rother Valley South have been completed; a further 59 properties are in progress in Rother Valley South.

Other Capital Works

Appendix A of the report identifies that the forecast outturn for other capital works is £4.800m which when compared to budget of £4.862m shows an under spend of £62k. Whilst this is a minor change compared to the P07 forecast of a £55k under spend, there has been significant movement within the individual schemes of works as shown in the table below:-

	Budget £000's	**P07 Forecast £000's**	**P10 Forecast £000's**
Empty Homes	1,500	1,890	2,173
Central Heating	500	781	765
Electrical Board & Bond	60	164	166
Asbestos	0	285	185
Environmentals	500	273	326
EPC Improvements	405	0	0
Flat Door Replacements	500	140	148
District Heating	400	272	273
Safer Homes (Communal Doors)	300	300	170
Community Centres	150	155	0
Lift Replacement	80	80	80
Communal Aerial	10	10	11
Asbestos Removal	82	82	82
One-off Properties	300	300	336
EPC Surveys	75	75	85
	4,862	**4,807**	**4,800**

The paragraphs below highlight the main changes as follows:-

Empty Homes

The previous monitoring report identified a potential £390k 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 £673k which is an increase of £283k from the previous forecast. This has arisen due to a further increase in the number of major voids being completed.
Considerable work has been ongoing with both external contractors and overall the back-log of voids with contractors has reduced substantially. On 31 January 2012, Willmott Dixon had 8 and Morrison had 74 voids at various stages of completion. All other properties issued to them had been completed.

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 £765k, an increase of £265k above budget. This is £16k lower than reported at P07.

This is due to the issue of a scheme of essential work to repair / replace burners in Buderas boilers (£84k) and the requirement to replace other boilers which are uneconomic to repair. 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 £166k, an increase of £106k over budget. The increased cost of these essential works can be met from slipping low priority EPC works into 2012/13.

Safer Homes (Replacement Communal Doors)

A scheme with a value of £170k has been identified and issued to contractors. In view of the proximity to year end and the lead times to acquire the doors it is unlikely that more doors can be fitted this year resulting in a saving of £130k against budget to be utilised elsewhere in the capital programme. Outstanding works will be slipped into 2012/13.

Community Centre Improvements

Work currently identified to improve community centres is minor and of a revenue nature. Capital work programmes are currently being reviewed with a view to commencing in 2012/13. This has resulted in slippage of £150k on this budget head.

Asbestos

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

Based on the expenditure on testing to P10, the year end forecast has been reduced to £185k resulting in a saving of £100k against the position reported at P07. This has been allocated to voids.

Environmentals

Schemes with a value of £273k had been identified and issued at P07. The costings for these have been refined by the contractor and a further scheme, Ridgeway Parking Bays, has been added to the programme resulting in a revised forecast of £326k; an increase of £54k over the position reported at P07.

Flat Door Replacements

As a result of the re-assessment and re-prioritisation of work on doors, at P07, the forecast was reduced to £141k resulting in a saving of £360k against budget. The position has not changed significantly since P07. 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.

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

Overall it can be seen that there is a net forecast under spend of £315k 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 under spend 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. The budget holder is forecasting to out turn in line with budget provision.

7.2.3 Regeneration / Neighbourhood Renewal – Private and Public Sector

The forecast spend based upon activity to P10 is £3.193m which is £818k lower than the revised budget and P07.

The main changes to the forecast are as follows:-

Maltby Transformational Change

The Maltby Transformational Scheme has been ongoing since 2006 with the ultimate objective to regenerate the area through private developers.

This year's budget was established to acquire two properties in order that existing tenants could be re-housed thus freeing up existing properties for demolition and redevelopment. Acquisition costs have proved prohibitive and the tenants will now be relocated within existing stock.

This has led to a reduction in the forecast out-turn down to £70k to meet existing demolition costs and other site works.

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 was amended to acquire one property only in this financial year at an estimated cost of £155k and the budget was revised to £155k to reflect this position.

The latest position is that negotiations are unlikely to be concluded for either of the two properties. The forecast has therefore been reduced to £30k to cover legal fees and related issues.

Canklow Phase 1 & 2

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

The revised budget spend of £915k at P07 was based upon the acquisition of 22 properties within phase 2 with additional acquisitions scheduled for 2012/13.

As with the Maltby and Dinnington projects, protracted negotiations for the acquisition of properties has led to a revision in the forecast with the latest forecast spend of £515k in this year with the balance slipping into 2012/13. The budget has been adjusted to reflect this fact.

As at the end of January six 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 £120k forecast spend at P07 has been reduced to £80k with the balance of the funding to be slipped into next year. Budgets have been amended to reflect this position.

Ship Inn

This property was acquired for demolition to redevelop and enhance the canal area. Demolition costs have escalated to £95k as the property is close to a highway and needs to be demolished by hand. The forecast has been increased to reflect this.

Occupation Road

This is a new scheme to remodel a garage site which is causing management issues and ASB. The development proposals have been delayed and the forecast has been reduced to £5k to reflect this.

Non-Trad investment

The majority of essential structural works on non-traditional properties was carried out in earlier years. Current work is predominantly thermal cladding thus resulting in substantially lower costs and reduced urgency. This is reflected in the reduced forecast spend in year, and future years budget provision will be reduced accordingly.

Capitalised salaries

A sum of £235k has been included within the forecast out-turn position for capitalised salaries. These costs will be allocated to individual schemes at the end of the financial year.

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. The current forecast is £6.620m, resulting in a saving of £81k.

This is as a result of:

- the removal of contingencies as the final accounts are agreed with contractors as projects are completed
- the agreement of variations and fees for changes to specifications

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

As at the end of January all properties have been completed and handed over.

Summary

Overall the revised HIP forecast to the end of 2011/12 is an under spend of £1.214m 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.

In addition to the foregoing, it should be noted that the government has now announced the debt settlement figure for Rotherham under the HRA self-financing initiative. This figure is £15.188m and it will be treated as capital expenditure within the HIP. The settlement will be funded by borrowing. Both transactions will be included in the capital out-turn report at the end of the year.

8.0 Finance

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

FUNDING POSITION

SOURCE	Adjusted Budget £m	Forecast Out-turn £m	Variance £m
New Build Grant	2.200	2.200	0
New Build Bonus	0.458	0.458	0
Regional Housing Board	0.452	0.778	0.326
General Fund Contribution	0.760	0.643	-0.117
Major Repairs Allowance	12.263	11.583	-0.680
Capital Receipts Assumed by NIS	0.948	0.170	-0.778
Revenue Contribution by Capital Outlay (RCCO)	0.800	0.800	0
Disabled Facilities Grant	0.979	1.096	0.117
Prudential Borrowing	4.135	4.058	-0.077
CERT – New Build	0.366	0.361	0.005
Capital Receipts - RTBs	0.339	0.339	0
Total Funding Available	**£23.700**	**22.486**	**-1.214**

It can be seen that, in light of the savings/slippage within the programme, the forecast funding requirements have been reduced to match forecast spend.

The main variances to funding are as follows:

- Regional Housing Board – increase of £326k.

This funding stream has been increased to meet the cost of capitalised salaries of £253k which will be distributed across schemes at the end of the financial year, together with minor changes to scheme costs.

- General Fund Contribution – decrease of £117k.

DCLG have recently awarded an additional allocation of Disabled Facility Grant which underpins the Private Sector Aids and Adaptations. The increase in government funding has resulted in a reduction of the contribution which the Council has to make.

- Major Repairs Allowance (MRA) – reduction of £680k.

It can be seen that the forecast level of MRA to be used to fund Public Sector works to properties has fallen. This is due to the slippage and savings in expenditure identified elsewhere in this report.

MRA funding not used in 2011/12 will be carried into 2012/13.

- Capital Receipts – reduction of £778k.

Due to the forecast reduction in spend within the Private Sector Regeneration Schemes and the New Build Programme, the forecast capital receipts required has reduced by £778k.

These receipts will be carried forward into 2012/13 to meet the costs of on-going works within the regeneration programme.

9.0 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.

10.0 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

11.0 Background Papers and Consultation

Reports to Cabinet Member for Safe and Attractive Neighbourhoods 6 June and 12 December 2011.

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