

## ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET MEMBER

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods</b>
2.	<b>Date:</b>	<b>2nd July 2012</b>
3.	<b>Title:</b>	<b>Housing Investment Programme 2011/12 Indicative Out-turn.</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods and Adult Services</b>

### 5.0 Summary

This report represents the indicative out-turn position for the 2011/12 Capital Programme.

As at the end of 2011/12, the final indicative spend on the HIP was £36.408m compared to a budget provision of £38.052m, an underspend of £1.644m.

The report will provide details of savings and slippage on the individual schemes of work with the overall programme, and highlights the fact that the resources not drawn down in 2011/12 will be carried forward into next year.

### 6.0 Recommendations

That Cabinet Member receives and notes the indicative 2011/12 out-turn position

## 7.0 Proposals and Details

7.1.1 This budget report is based upon the indicative out-turn position for the Housing Investment Programme (HIP) 2011/12.

7.1.2 The indicative out-turn position, which is subject to external audit, is total spend of £36.408m against the revised budget of £38.052m which has resulted in an underspend of £1.644m as demonstrated within the table below.

	<b>Revised Budget £,000s</b>	<b>Out-turn 2011/12 £,000s</b>	<b>Variance £,000s</b>
Refurbishments	4,786	4,210	-576
Other Capital Works	4,862	4,708	-154
<b>Total Capital Works to properties</b>	<b>9,648</b>	<b>8,918</b>	<b>-730</b>
Fair Access to All	3,339	3,102	-237
Regeneration/Neighbourhood Renewal	3,257	2,583	-674
Other Public Sector	6,620	6,617	-3
<b>Total Revised Capital Programme</b>	<b>22,864</b>	<b>21,220</b>	<b>1,644</b>
HRA Self-Financing Settlement	15,188	15,188	0
<b>Total Overall Spend</b>	<b>38,052</b>	<b>36,408</b>	<b>-1,644</b>

The balance of this report will provide an overview on the out-turn position 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 out-turn position on capital works to properties is £8.918m compared to the budget of £9.648m, an underspend of £730k.

This is a substantial change to the P10 forecast which was projecting an underspend of £315k. The change, at out-turn can be analysed as follows:-

#### Refurbishments

A total of £4.786m was budgeted in 2011/12 to undertake refurbishment works on properties and the indicative out-turn position is spend of £4.210m, an underspend of £576k. This is a change to the forecast out-turn position at P10, which was projecting an underspend of £253k.

The underspend from the P10 forecast is due to:

- An accounting adjustment of £81k which represents performance profit on capital works delivered through the external contracts. This element has been charged to the revenue element of the repairs and maintenance contract, thus resulting in savings within capital.
- The previous report identified that there has been a high level of refusals by tenants for internal refurbishment works. During the year any savings arising through refusals has been utilised to bring forward works scheduled to be undertaken during 2012/13. Whilst this has allowed us to carry out some works for our tenants, the accelerated works also experienced a high level of refusals thus generating

additional savings. These savings, together with minor savings on window replacements total £242k.

The actual refurbishment works completed during 2011/12 was as follows:

- Internal refurbishments completed to 401 properties.
- Roofing works to 30 properties.
- External refurbishment work completed on 297 properties.
- Replacement/improvement works to windows in 167 properties.

### Other Capital Works

Appendix A of the report identifies that a total of £4.862m was budgeted in 2011/12 to deliver other capital works to properties and that the indicative out-turn position is spend of £4.708m and underspend of £154k.

When this is compared to the forecast out-turn position at P10, there is a minimal change of £92k. However, as can be seen within the table below there has been substantial movement within individual schemes of work.

	<b>Budget £,000s</b>	<b>P10 Forecast £,000s</b>	<b>Out-turn 2011/12 £,000s</b>
Empty Homes	1,500	2,173	2,154
Central Heating	500	765	1,110
Electrical Board and Bond	60	166	57
Asbestos	0	185	171
Environmentals	500	326	369
EPC Improvements	405	0	0
Flat Door Replacements	500	148	139
District Heating	400	273	180
Safer Homes (Communal Doors	300	170	109
Community Centres	150	0	0
Lift Replacement	80	80	0
Communal Aerial	10	11	11
Asbestos Removal	82	82	0
One off Properties	300	336	321
EPC Surveys	75	85	87
	<b>4,862</b>	<b>4,800</b>	<b>4,708</b>

The paragraphs below highlight the main changes as follows:-

### Empty Homes

The previous report identified a potential overspend of £673k against the budget provision of £1.5m for capital (major) voids.

The indicative out-turn position is total spend of £2.154m, an overspend of £654k which is marginally below the P10 forecast.

At out-turn 185 major voids had been completed compared to an estimated turnover of 150. The increase in the numbers of major voids together with substantial increase in the average price of voids work accounts for the variance to budget.

The forecast overspend was identified early in the financial year and savings identified elsewhere within the Capital Programme were identified to meet the overspend.

### **Central Heating**

The previous report identified a forecast out-turn on the central heating budget of £765k against a budget provision of £500k, an overspend of £265k.

The forecast increased out-turn at that time was due to the issue of essential work to repair/replace burners in Buderus boilers and the requirement to replace other boilers which are uneconomical to repair.

Since that report, an additional requirement was identified to replace existing ISA boilers which are generating substantial repair costs within the revenue programme.

In anticipation of savings elsewhere within the Programme, ISA boiler works, originally scheduled to commence in 2012/13 were brought forward.

This resulted in an indicative out-turn of £1.110m, as shown at appendix A, an increase of £345k from the P10 forecast. The increased costs can be met from savings on District Heating, lift replacement, asbestos and other minor savings.

Overall 320 number boilers/central heating schemes were replaced in 2011/12.

### **Electrical Board and Bond**

The final indicative out-turn position on this budget head was £57k which was broadly in line with the original budget.

As at P10 this budget was forecasting to overspend by £106k due to an increase in works identified. However, an element of these works were revenue-type repairs which have been charged to the repairs and maintenance budget thus bringing spend into line with budget position.

### **District Heating**

The out-turn position on this budget head was £180k compared to the original budget provision of £400k.

Final out-turn was £93k lower than the P10 forecast. This was due to savings on ongoing schemes and together with savings on a contingency sum for unforeseen major repairs work which was not required in year.

The savings identified on this budget head have been utilised to meet increase spend on central heating boilers.

### **Safer Homes – Communal Doors**

The previous report identified that, due to the proximity to year-end, and the lead-in period for replacement doors to meet fire and health and safety standards, a schedule with an overall value of £170k had been issued to

contractors in this financial year. This represented a substantial saving on budget.

Since that report, the contractor has only achieved £109k of actual work and the remaining works within the schedule will be carried forward into 2012/13.

As a result, the out-turn position on this budget head was £109k; the additional savings in year have been utilised to meet the increased central heating costs.

### **Lift Replacements**

Due to the lengthy lead-in period, the planned lift replacement at Beeverleigh Flats has been deferred into 2012/13. Savings of 80k generated in this financial year will be used to fund the increased spend on central heating. Overall savings on the HIP Programme, as identified elsewhere within the report will be carried forward into 2012/13 and an appropriate amount ear-marked to fund the deferred lift replacement.

### **Asbestos Removal**

Asbestos removal costs have been charged directly to the individual capital schemes in 2011/12. This has resulted in savings of £80k on this budget head.

### **Summary**

Overall it can be seen that there is a saving of £154k on Other Works To Properties which, together with the £576k savings on refurbishment works results in an overall underspend of £730k on total Capital Works to Properties.

Resources not drawn down in 2011/12 due to the savings identified will be carried forward into subsequent years.

In addition to progress on schemes within the programme of works, the previous report highlighted the fact that Morrison 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.

This position was totally mitigated during 2011/12 and, as a result, the Early Warning Notice was withdrawn without any penalty costs being incurred.

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

It can be seen at Appendix A that the overall spend on aids and adaptations in 2011/12 was £3.102m compared to budget provision of £3.339m, an overall underspend of £237k.

This can be analysed further as follows:-

- Aids and Adaptations. Private Sector. Indicative Out-turn £1.821m compared to a budget of £1.739m . This resulted in a slight overspend of £82k as officers responded to a demand led service and the need to ensure that all Disabled Facilities Grant (DFGs) applications are dealt within a statutory timeframe. During 2011/12 365 major

adaptations, 566 minor works and 1,922 minor fixings were completed from the private sector budget

- Aids and Adaptations – Public Sector. Indicative Out-turn £1.281m compared to a budget of £1.600m an underspend of £319k. The underspend arose as internal resources were shifted to target the private sector DFGs requirement to deliver works within statutory timescales.
- During 2011/12 399 major and 420 minor adaptations were completed, together with 996 minor fixings.

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

Overall, the indicative out-turn position for spend during 2011/12 on regeneration and neighbourhood renewal was £2.583m compared to a revised budget provision of £3.257m, an underspend of £674k.

This position can be analysed over public and private sector spend as follows:-

#### **Private Sector**

Based upon the forecast out-turn at P10, the budget provision for private sector regeneration work was reduced from £1.682m to £927k.

As can be seen at Appendix A the actual spend was £1.076m an overspend of £150k against the revised budget. This was due to the allocation of capitalised salaries across the various schemes.

At the end of 2011/12 the overall progress on the schemes was as follows:-

#### **Maltby Transformational Change**

Demolition and site preparation works completed in line with the master plan to regenerate the area through private developers.

#### **Dinnington Transformational Change**

Negotiations still ongoing to acquire two properties as part of land/site assembly in line with the master plan to regenerate the area through private developers. Budget provision has been made within the 2012/13 HIP to continue work at this site.

#### **Canklow Phase 1 and 2**

In total 8 properties were acquired in 2011/12 as part of the site clearance. Work will continue into 2012/13 and 2013/14 in line with future years' HIP allocation.

#### **Bellows Road Service Centre Clearance**

As reported previously works for the redevelopment of the Rawmarsh High Street Shopping Centre have stalled. Costs incurred in 2011/12 relate to the decanting of other occupants in the Centre, plus security and associated

costs. Provision has been made within 2012/13 and 2013/14 for major development works.

### **Ship Inn**

Now demolished to facilitate the development of the canal area.

### **Public Sector**

Total spend on public sector regeneration works during 2011/12 was £1.506m compared to the budget provision of £2.330m, an underspend of £824k, which, when compared to the P10 forecast is an increase of £436k

This is due primarily to delays in the start of non traditional properties schemes due to asbestos issues, and adverse weather conditions which prevented external rendering of properties. In total 90 non traditional properties were completed during 2011/12 , and work commenced on a further 65. Of the work in progress, 36 were completed by May of the current year. Budget provision has been made in 2012/13 to continue work on these schemes.

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

As reported at P10, all new build works were completed at the end of December, and final out-turn on this budget head is £6.617m which is in line with the revised budget of £6.620m.

Overall, during 2011/12 132 new build properties were delivered and have subsequently been let.

#### **7.2.5 Self-Financing Debt Settlement**

The final Debt settlement figure for RMBC as part of the HRA self-financing initiative was an allocation of additional debt of £15.188m. This sum has been included within the final out-turn position for spend in 2011/12 as shown at Appendix A and, as a funding stream as shown in the funding statement at paragraph 8.1.

#### **7.2.6 Summary**

Overall the HIP indicative out-turn position for 2011/12 is spend of £36.408m compared to a budget provision of £38.052m, an underspend of £1.644m

This is an increase of £430k when compared to the forecast position reported to cabinet in February.

Savings and slippage identified within this report, are primarily across schemes funded through the Major Repairs Allowance (MRA). These resources will be carried forward into future years.

## **8.0 Finance**

**8.1** The table below identifies the funding available to meet the costs of delivering the HIP in 2011/12

<b>Source</b>	<b>Adjusted Budget £m</b>	<b>Out-turn £m</b>	<b>Variance £m</b>
New Build Grant	2.200	2.200	0
New Build Bonus	0.458	0.458	0
Regional Housing Board	0.525	0.709	0.257
General Fund Contributions	0.643	0.707	0.064
Major Repairs Allowance	12.263	10.464	-1.799
Capital Receipts/Contributions Assumed by NIS	0.119	0.037	-0.154
Growth Programme	0	0.076	0.076
RCCO	0.800	1.050	0.250
Disabled Facilities Grant	1.096	1.101	0.005
Prudential Borrowing	4.059	4.039	-0.017
CERT – New Build	0.362	0.379	0.013
Capital Receipts RTBs	0.339	0	-0.339
Borrowing Self-Financing	15.188	15.188	0
<b>Total Funding Available</b>	<b>38.052</b>	<b>36.408</b>	<b>-1.644</b>

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**

This funding stream has been increased to meet the cost of spend on private sector regeneration schemes utilising funds available from previous years.

### **General Fund Contribution**

Paragraph 7.2 identifies an overspend on the private sector aids and adaptations budget which has resulted in the need to increase the borrowing requirement.

### **Major Repairs Allowance (MRA)**

It can be seen that the £10.464m of MRA applied in year is substantial below the original budget of £12.263m.

This is as a result of the savings and slippage within public sector spending as identified elsewhere within this report.

The £1.799m un-utilised MRA will be carried forward into 2012/13.

### **Capital Receipts/Contributions**

As a result of the increases in the drawdown of RHB monies, the majority of the capital receipts generated through the sale of land in 2011/12, will be carried forward into 2012/13 value £432k.



## **Revenue Contribution to Capital Outlay (RCCO)**

RCCO is the application of revenue monies to fund capital spending. The original RCCO provision made within the 2011/12 revenue budget was £800k. However, due to savings within the 2011/12 HRA, the RCCO has been increased to £1.050m.

As a result, the RTB capital receipts generated in 2011/12 will not be used to fund capital expenditure in 2011/12, but will be carried forward into 2012/13 to be utilised to increase resources available for Disabled Facilities Grants – Aids and Adaptations.

## **Capital Receipts RTB**

The preceding paragraph identifies that RTB receipts generated in 2011/12 will be carried forward into 2012/13. The actual receipts generated in year totalled £259k, slightly below the £339k budgeted sum.

## **9.0 Risks and Uncertainties**

The 2011/12 Indicative Out-turn position will be subject to external audit Policy.

## **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 Health Communities
- Improving the environment

## **11.0 Background Papers and Consultation**

Dave Richmond, Director of Housing and Neighbourhoods,  
Stuart Booth, Director of Financial Services and Budget Holders have been consulted during the preparation of this report.

Reports to Cabinet Member for Safe and Attractive Neighbourhoods 6 June, 12 December, 2011 and February 2012.

Year-end Working Papers.

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