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| Report of: | Head of Housing and Waste Management |
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| Key Decision: | No |
| Report Track: | Cabinet: 29/01/15 |

CABINET
29 JANUARY 2015
REVIEW OF THE HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME
2014-15

1 Purpose of Report

- 1.1 To review in accordance with the Council's agreed Capital Expenditure Control Procedures and Financial Regulations, the 2014-15 Housing Revenue Account (HRA) Capital Programme in the light of current expenditure and other estimated changes in expenditure and available resources.

2 Recommendations

- 2.1 That the position regarding the estimated availability of Housing Revenue Account Capital resources set out in Appendix 1 be noted.
- 2.2 That the position regarding actual and estimated expenditure in respect of the 2014-15 Housing Revenue Account Capital Programme as set out in Appendix 2 be noted and approval be given to incur £120,000 of additional scheme costs in respect of the following schemes:-
- (i) Central Heating Up-grading Programme - £50,000
 - (ii) Void Properties (Decent Homes) - £50,000
 - (iii) Asbestos Testing and Removal - £20,000
- 2.3 That the position regarding uncommitted Housing Revenue Account Capital Resources be noted and that £3,017,658 of uncommitted resources are carried forward to 2015-16.
- 2.4 That the following targets in respect of dwelling improvements within the 2014-15 "Place" Priority Delivery Plan are revised:-
- (i) Central Heating Up-grades - 350

| | | | |
|-------|---|---|------|
| (ii) | Kitchen Replacements | - | 65 |
| (iii) | Electrical Up-grading | - | 580 |
| (iv) | Double Glazing and Window Refurbishment | - | 1090 |

3 Key Issues and Reasons for Recommendation

- 3.1 This report presents the quarter three review of the 2014-15 HRA Capital Programme.
- 3.2 Estimated resources for 2014-15 are now forecast to be £14,501,418 as set out in Appendix 1. This compares to the estimate of £17,610,418 when the programme was last reviewed on 20 November 2014. The reasons for the £3,109,000 reduction in resources are set out in Appendix 3. The reduction primarily relates to a rephasing of the £3.022 borrowing to later years as advised by the Head of Finance reflecting the prevailing conditions in relation to Treasury Management.
- 3.3 Actual expenditure at 31 December 2014 totalled £6,121,547 and represents 53.4% of the previously agreed expenditure target.
- 3.4 Estimated expenditure for 2014-15 is now forecast to be £11,483,760. This compares to the estimate of £11,460,290 when the programme was reviewed on 20 November 2014. The reasons for this net increase of £23,470 are set out in Appendix 4. Approval is sought for £120,000 of additional expenditure in respect of three schemes.
- 3.5 Following the financing of the estimated 2014-15 HRA Capital Programme it is now anticipated that £3,017,658 of uncommitted resources will be available. This compares to the estimate of £6,150,128 when the programme was reviewed on 20 November 2014, a decrease of £3,132,470. The £3,017,658 of uncommitted resources will be carried forward to assist in financing the HRA Capital Programme for 2015-16 and future years.
- 3.6 As a result of the expenditure variations and other factors set out within the report it is necessary to amend certain dwelling outputs within the 2014-15 "Place" Priority Delivery Plan.

4 Relationship to Corporate Priorities

- 4.1 The implementation of the 2014-15 HRA Capital Programme contributes to the service aim to "maintain and improve the facilities and energy efficiency of the Council's housing stock" which forms part of the 2014-15 "Place" Priority Delivery Plan. Specific targets for dwelling improvements are again included within the Priority Delivery Plan as set out in paragraph 5.5.

5 Report Detail

- 5.1 The 2014-15 HRA Capital Programme was determined by Council on 12 February 2014 and was subsequently reviewed by Cabinet on 17 July and 20 November 2014.
- 5.2 The programme has been reviewed again at the end of the third quarter. A revised estimate of 2014-15 capital resource availability is presented as Appendix 1, whilst details of actual and estimated expenditure are presented as Appendix 2.
- 5.3 The changes since the last report considered by Cabinet on 20 November 2014 in relation to both estimated available resources and estimated expenditure is summarised below:

Estimated Position 20 November 2014

| | | £ |
|---|--|-------------------|
| Resources available | | 17,610,418 |
| Less Estimated expenditure | | 11,460,290 |
| Resources carried forward (November 2014) | | (A) 6,150,128 (+) |

Net Changes in Resources

| | | | £ |
|-------|--|-----|-------------------|
| (i) | Revenue Contribution to Capital Outlay | (+) | 50,000 |
| (ii) | Energy Efficiency Obligation Monies | (-) | 137,000 |
| (iii) | Rephasing of borrowing | (-) | 3,022,000 |
| | | | (B) 3,109,000 (-) |

Net Changes in Expenditure

| | | | £ |
|-------|--|-----|----------------|
| (i) | Budget savings (Appendix 4) | (+) | 135,890 |
| (ii) | Additional scheme costs (Appendix 4) | (-) | 120,000 |
| (iii) | Additional expenditure brought forward 2015-2016 to 2014-2015 (Appendix 4) | (-) | 192,690 |
| (iv) | Reprogramming of expenditure from 2014-15 to 2015-16 (Appendix 4) | (+) | 153,330 |
| | | | (C) 23,470 (+) |
| | Resources carried forward (29 January 2015) (A)+(B)-(C) | | 3,017,658 |

- 5.4 Whilst actual expenditure of £6,121,547 (%) appears low against the previously agreed expenditure target of £11,460,290 it does not fully reflect the work that has been undertaken on site.
- 5.5 Details of the progress in achieving the target outputs (in terms of dwelling improvements) which will result from the implementation of the 2014-15 HRA Capital Programme are set out in the table below. As a result of the expenditure variations and other factors it is necessary to amend certain dwelling outputs as set out in the 2014-15 “Place” Priority Delivery Plan.

| | Scheme | Target Outputs (30 September, 2014) | Target Outputs (31 December, 2014) | Actual Outputs (31 December, 2014) | % |
|-------|---|---|--|---------------------------------------|------|
| (i) | External and Environmental Works | 830 | 830 | 510 | 61.4 |
| (ii) | Central Heating | 255 | 350 ^{*1} | 245 | 70.0 |
| (iii) | Replacement of Kitchens | 90 | 65 ^{*2} | 44 | 67.7 |
| (iv) | Replacement of Bathrooms | 310 | 310 | 227 | 73.2 |
| (v) | Electrical Upgrading | 510 | 580 ^{*3} | 375 | 64.7 |
| (vi) | Double Glazing and Window Refurbishment | 1020 | 1090 ^{*4} | 887 | 81.4 |

Notes

- *1 Increase in the number of central heating up-grades as a result of additional expenditure and a reduction in the number of full heating replacements and a corresponding increase in the number of boiler only replacements.
- *2 Decrease in the number of kitchen replacements as a result of reduced expenditure to reflect the reduction in kitchens which require replacement on estates included in the 2014-15 programme.
- *3 Increase in the number of properties which require full rewires and a corresponding increase in the number of partial electrical upgrades.
- *4 Increase in the number of window refurbishments as a result of expenditure brought forward from 2015-16.

6 Implications

6.1 Financial

The financial implications are set out throughout the report

6.2 Legal

The legal implications are set out throughout the report.

6.3 Human Resources

None.

6.4 Section 17 (Crime Prevention)

The External and Environmental works programme includes improvements to areas of communal open space which has positive implications for the prevention of crime and anti-social behaviour

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

There are a number of risks associated with the management of the HRA Capital Programme. The Council's agreed Capital Expenditure Control Procedures seek to minimise these risks and include the provision of quarterly monitoring reports to Cabinet.

6.8 Equality & Diversity

This report presents a review of the agreed 2014-15 HRA Capital Programme and as such does not require a full Equality Impact Assessment as these were undertaken (as part of the HRA Business Plan) when the agreed programme was determined.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: HRA Capital Resources 2014-15

Appendix 2: HRA Capital Expenditure 2014-15

Appendix 3: 2014-15 HRA Capital Programme – Resource Variations

Appendix 4: 2014-15 HRA Capital Programme – Expenditure Variations

Previous Consideration

| | | |
|--|---------|--|
| Housing Revenue Account Capital Programmes 2014-15 to 2016-17 | Cabinet | 30 January 2014 (agreed by Council 12 February 2014) |
| Housing Revenue Account Capital Programmes 2013-14 and 2014-15 | Cabinet | 17 July 2014 |
| Review of the Housing Revenue Account Capital Programme 2014-15 | Cabinet | 20 November 2014 |

Background Papers

ITEM NO. 9.7

Appendix 1

HOUSING REVENUE ACCOUNT CAPITAL RESOURCES 2014-2015

| | February 2014 £ | July 2014 £ | September 2014 £ | December 2014 £ | Variance £ |
|--|--------------------------------|----------------------------|---------------------------------|--------------------------------|-----------------------|
| Resources B/F | 3,929,024 | 3,875,108 | 3,875,108 | 3,875,108 | 0 |
| Borrowing | 3,022,000 | 3,022,000 | 3,022,000 | 0 | (3,022,000) |
| RTB Sales (Allowable Attributable Debt) | 300,000 | 300,000 | 300,000 | 300,000 | 0 |
| Capital Receipts Sale of Land | 50,000 | 50,000 | 50,000 | 50,000 | 0 |
| Revenue Contributions to Capital Outlay | 4,541,000 | 4,541,000 | 4,541,000 | 4,591,000 | 50,000 |
| Major Repairs Allowance | 3,203,000 | 3,053,000 | 3,053,000 | 3,053,000 | 0 |
| Energy Efficiency Obligation Monies | 1,299,000 | 1,550,520 | 1,337,310 | 1,200,310 | (137,000) |
| Transfer from Reserves | | | | | |
| (i) IT Reserve | 440,000 | 440,000 | 440,000 | 440,000 | 0 |
| (ii) Social Alarms Reserve | 0 | 0 | 120,000 | 120,000 | 0 |
| Renewal Heat Premium Payment Grant | 26,000 | 26,000 | 26,000 | 26,000 | 0 |
| Affordable Housing Grant | 176,000 | 66,000 | 846,000 | 846,000 | 0 |
| Resources Available | 16,546,024 | 16,923,628 | 17,610,418 | 14,501,418 | (3,109,000) |
| Less Committed Expenditure (HRA Schemes) | 12,966,000 | 13,544,290 | 11,460,290 | 11,460,290 | 23,470 |
| Resources Carried Forward | 3,580,024 | 3,379,338 | 6,150,128 | 3,017,658 | (3,132,470) |

ITEM NO. 9.8

APPENDIX 2

HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2014-2015

| Scheme Detail | 2014-15 Programme Feb 14 £ | 2014-15 Programme Jul 14 £ | 2014-15 Programme Sept 14 £ | 2014-15 Programme Actual Dec 14 £ | 2014-15 Programme Dec 14 £ | 2014-15 Variance £ |
|---------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|-------------------------------------|--------------------------|
| <u>SUMMARY – HOUSING</u> | | | | | | |
| Enabling Role | 3,500,000 | 3,941,890 | 1,442,890 | 123,059 | 1,482,000 | 39,110 |
| Mandatory Expenditure | 496,000 | 499,910 | 499,910 | 295,543 | 494,910 | (5,000) |
| Improvements | 3,058,000 | 3,159,850 | 3,159,850 | 1,622,913 | 3,156,850 | (3,000) |
| Enhancements | 5,912,000 | 5,942,640 | 6,357,640 | 4,080,032 | 6,350,000 | (7,640) |
| TOTAL | 12,966,000 | 13,544,290 | 11,460,290 | 6,121,547 | 11,483,760 | 23,470 |

ITEM NO. 9.9

| Scheme Detail | 2014-15 Programme Feb 14 £ | 2014-15 Programme Jul 14 £ | 2014-15 Programme Sept 14 £ | 2014-15 Programme Actual Dec 14 | 2014-15 Programme Dec 14 £ | 2014-15 Variance £ |
|--|-------------------------------------|-------------------------------------|--------------------------------------|--|-------------------------------------|--------------------------|
| <u>ENABLING ROLE</u> | | | | | | |
| Demolition of Garages | 20,000 | 20,000 | 20,000 | 0 | 0 | (20,000) |
| Redevelopment of PRC Dwellings (Reema Flats Moss Road Estate) | 100,000 | 177,890 | 177,890 | 118,531 | 150,000 | (27,890) |
| Repurchase of Vacant former Council Dwellings | 840,000 | 764,000 | 500,000 | 4,528 | 587,000 | 87,000 |
| Housing Management System | 0 | 440,000 | 440,000 | 0 | 440,000 | 0 |
| Provision of Additional Council Houses | 2,540,000 | 2,540,000 | 305,000 | 0 | 305,000 | 0 |
| TOTAL | 3,500,000 | 3,941,890 | 1,442,890 | 123,059 | 1,482,000 | 39,110 |

ITEM NO. 9.10

| Scheme Detail | 2014-15 Programme Feb 14 £ | 2014-15 Programme Jul 14 £ | 2014-15 Programme Sept 14 £ | 2014-15 Programme Actual Dec 14 | 2014-15 Programme Dec 14 £ | 2014-15 Variance £ |
|---|---|---|--|--|---|-----------------------------------|
| <u>MANDATORY EXPENDITURE</u> | | | | | | |
| Disabled Facilities Works – Council Dwellings | 491,000 | 494,910 | 494,910 | 295,543 | 494,910 | 0 |
| Right to Compensation – Tenants improvements | 5,000 | 5,000 | 5,000 | 0 | 0 | (5,000) |
| TOTAL | 496,000 | 499,910 | 499,910 | 295,543 | 494,910 | (5,000) |

| Scheme Detail | 2014-15 Programme Feb 14 £ | 2014-15 Programme Jul 14 £ | 2014-15 Programme Sept 14 £ | 2014-15 Programme Actual Dec 14 | 2014-15 Programme Dec 14 £ | 2014-15 Variance £ |
|---|---|---|--|--|---|-----------------------------------|
| <u>IMPROVEMENTS</u> | | | | | | |
| Replacement of Kitchens | 463,000 | 463,000 | 463,000 | 187,805 | 360,000 | (103,000) |
| Bathroom Replacement | 1,203,000 | 1,203,000 | 1,203,000 | 681,302 | 1,203,000 | 0 |
| Central Heating Upgrades | 892,000 | 933,850 | 933,850 | 571,455 | 983,850 | 50,000 |
| Void Properties – Decent Homes | 500,000 | 500,000 | 500,000 | 182,351 | 550,000 | 50,000 |
| Structural Reinstatement of PRC Dwellings | 0 | 60,000 | 60,000 | 0 | 60,000 | 0 |
| TOTAL | 3,058,000 | 3,159,850 | 3,159,850 | 1,622,913 | 3,156,850 | (3,000) |

ITEM NO. 9.11

| Scheme Detail | 2014-15 Programme Feb 14 £ | 2014-15 Programme Jul 14 £ | 2014-15 Programme Sept 14 £ | 2014-15 Programme Actual Dec 14 | 2014-15 Programme Dec 14 £ | 2014-15 Variance £ |
|---|---|---|--|--|---|-----------------------------------|
| <u>ENHANCEMENTS</u> | | | | | | |
| Upgrading of Electrical Systems | 597,000 | 645,310 | 645,310 | 346,313 | 597,000 | (48,310) |
| External and Environmental Works | 3,599,000 | 3,659,000 | 3,829,000 | 2,502,408 | 3,829,000 | 0 |
| Asbestos Testing and Removal | 75,000 | 75,000 | 100,000 | 86,980 | 120,000 | 20,000 |
| Contingency for Unforeseen Works | 100,000 | 100,000 | 76,000 | 0 | 76,000 | 0 |
| Replacement of Housing Service Vehicles | 209,000 | 245,020 | 245,020 | 39,890 | 230,000 | (15,020) |
| Provision of Double Glazing | 1,332,000 | 1,164,310 | 1,164,310 | 993,986 | 1,270,000 | 105,690 |
| Replacement of Fire Alarms (Sheltered) | 0 | 40,000 | 40,000 | 0 | 40,000 | 0 |
| Replacement of Social Alarms | 0 | 0 | 120,000 | 108,456 | 120,000 | 0 |
| Provision of Dropped Kerbs | 0 | 14,000 | 114,000 | 0 | 44,000 | (70,000) |
| Resurfacing of Service Roads | 0 | 0 | 24,000 | 0 | 24,000 | 0 |
| Replacement of Door Entry Systems | 0 | 0 | 0 | 1,999 | 0 | 0 |
| TOTAL | 5,912,000 | 5,942,640 | 6,357,640 | 4,080,032 | 6,350,000 | (7,640) |

2014-15 HRA CAPITAL PROGRAMME – RESOURCE VARIATIONS

1. Additional Resources

| | <u>Resource</u> | <u>Increase</u> | <u>Reason</u> |
|-----|---|------------------------|---|
| 1.1 | Revenue contributions to capital outlay | £50,000 | Additional RCCO from estimated savings on the Gas maintenance budget to increase the 2014-15 Central Heating Upgrade Programme. |
| | | £50,000 | |

2. Reduction in Resources

| | <u>Resource</u> | <u>Reduction</u> | <u>Reason</u> |
|-----|-------------------------------------|-------------------------|---|
| 2.1 | Energy Efficiency Obligation Monies | £137,000 | Estimated reduction in resources during 2014-15 as a result of re-programming the final receipt of monies to 2015-16 in accordance with British Gas payment procedures. |
| | | £137,000 | |

3. Rephasing in Resources

| | <u>Resource</u> | <u>Rephasing</u> | <u>Reason</u> |
|-----|------------------------|-------------------------|---|
| 3.1 | Borrowing | £3,022,000 | Borrowing has been rephased to a later year in accordance with expenditure financing requirements and anticipated stability in interest rates. Any rephasing will ultimately depend on prevailing interest rates however subject to present conditions remaining the delay in borrowing will reduce the capital financing costs to the HRA in 2014-15 and 2015-16.. |
| | | £3,022,000 | |

2014-15 HRA CAPITAL PROGRAMME – EXPENDITURE VARIATIONS1. Budget Savings

| | <u>Scheme</u> | <u>Budget Saving</u> | <u>Reason</u> |
|-----|--|----------------------|--|
| 1.1 | Redevelopment of PRC Dwelling | £27,890 | Estimated budget savings on Homeless and Disturbance payments in respect of the Moss Road Estate, Reema Flats Redevelopment scheme. |
| 1.2 | Right to Compensation (Tenants Improvements) | £5,000 | Estimated budget savings as a result of an absence of claims for tenant's improvements under the Right to Compensation scheme. |
| 1.3 | Replacement of Kitchens | £103,000 | Reduction in the number of dwelling which require new kitchens on the estates included in the 2014-15 Kitchen Replacement programme. |
| | | £135,890 | |

2. Additional Scheme Costs

| | <u>Scheme</u> | <u>Additional Scheme Cost</u> | <u>Reason</u> |
|-----|--------------------------------------|-------------------------------|---|
| 2.1 | Central Heating Up-grading programme | £50,000 | Additional expenditure to increase the 2014-15 programme as a result of budget savings transferred from the Gas Maintenance budget. |
| 2.2 | Void Properties (Decent Homes) | £50,000 | Additional expenditure as a result of an increase in the number of void properties requiring Decent Homes works. |
| 2.3 | Asbestos Testing and Removal | £20,000 | Additional need for expenditure on Asbestos Testing and removal works. |
| | | £120,000 | |

3. Expenditure Brought Forward 2015-16 to 2014-15

| | <u>Scheme</u> | <u>Additional Scheme Cost</u> | <u>Reason</u> |
|-----|--------------------------------------|-----------------------------------|--|
| 3.1 | Re-purchase of Vacant Council Houses | £87,000 | Additional house purchase now expected during 2014-15. |
| 3.2 | Provision of Double Glazing | £105,690 | Window refurbishment programme proceeding faster than initially anticipated. |
| | | <hr/> £192,690 <hr/> | |

4. Re-programming of Expenditure 2014-15 to 2015-16

| | <u>Scheme</u> | <u>Slippage in scheme costs</u> | <u>Reason</u> |
|-----|---|-------------------------------------|---|
| 4.1 | Demolition of Garages | £20,000 | Re-programming of garage demolition budget to 2015-16 to meet the cost of demolishing the garages agreed by Cabinet on 18 December, 2014 following termination of garage tenancies. |
| 4.2 | Up-grading of Electrical Systems | £48,310 | Re-programming of expenditure to provide additional external lights to certain properties to accord with the electrical up-grading programme. |
| 4.3 | Replacement of Housing Service Vehicles | £15,020 | Delay in receiving a vehicle with automatic transition during 2014-15. |
| 4.4 | Provision of Dropped Kerbs | £70,000 | Re-programming of expenditure to 2015-16 as a result of reduced demand during the winter months. |
| | | <hr/> £153,330 <hr/> | |