

**CANNOCK CHASE COUNCIL**

**CABINET**

**20 OCTOBER, 2011**

**JOINT REPORT OF THE HEAD OF HOUSING AND THE HEAD OF FINANCIAL MANAGEMENT**

**RESPONSIBLE PORTFOLIO LEADER: HOUSING**

**REVIEW OF THE 2011-12 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

**KEY DECISION –NO**

**1. Purpose of Report**

- 1.1 To review in accordance with the Council's agreed Capital Expenditure Control procedures and Financial Regulations, the 2011-12 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 with regard to actual (as at 31 August, 2011) and estimated expenditure in respect of the 2011-12 Housing Revenue Account Capital Programme be noted and approval be given to incur £95,000 of additional scheme costs (met through the virement of existing resources) in respect of the provision of second doors to bungalows.
- 2.2 That the current position regarding the estimated availability of HRA Capital resources and revised application of funding is noted.

**3. Summary (inc. brief overview of relevant background history)**

- 3.1 The 2011-12 HRA Capital Programme was determined by Council on 16 February, 2011 and subsequently reviewed by Cabinet on 21 July, 2011.
- 3.2 Estimated resources for 2011-12 are now forecast to be £6,115,412. This compares to the estimate of £5,981,412 when the programme was last reviewed on 21 July, 2011. The reasons this net £134,000 increase in resources are set out in Annex 3.
- 3.3 Actual expenditure at 31 August, 2011 totalled £1,535,922 and represents 26.7% of the previously agreed expenditure target.
- 3.4 Estimated expenditure for 2011-12 is now forecast to be £6,028,090. This compares to the estimate of £5,746,090 when the programme was last reviewed on 21 July, 2011. The reasons for this net increase of £282,000 are set out in Annex 4.
- 3.5 Following the financing of the estimated 2011-12 HRA Capital Programme it is now estimated that £87,322 of uncommitted resources will be available. This compares to £235,322 when the programme was last reviewed on 21 July, 2011, a decrease of £148,000.

**4. Key Issues and Implications**

- 4.1 A revised estimate of the Capital resources which are expected to be available in 2011-12 is presented as Annex 1, whilst details of actual and estimated expenditure (as at 31 August, 2011) is presented as part of Annex 2.
- 4.2 The changes since the last report considered by Cabinet on 21 July, 2011 in relation to both estimated available resources and estimated expenditure are summarised below:-

Estimated Position Reported  
21 July, 2011

	£	£
Available Resources		5,981,412
<u>Less Estimated Expenditure</u>		<u>5,746,090</u>
Uncommitted Resources (July, 2011)	(A)	235,322 (+)

Net Changes in Resources

(i) Revenue Contribution to Capital outlay (Annex 3)	192,000 (+)	
(ii) Energy Efficiency Commitment Monies (Annex 3)	22,000 (+)	
(iii) Transfer of resources to the General Fund Capital Programme (Elizabeth Road Redevelopment Scheme) (Annex 3)	80,000 (-)	
(iv) Prudential Borrowing	3,000,000(+)	
(i) Major Repairs Allowance	3,000,000(-)	(B) 134,000(+)

Net Changes in Expenditure

(i) Budget Savings (Annex 4)	105,000 (+)	
(ii) Additional Authorised Expenditure (Annex 4)	292,000 (-)	
(iii) Increase in Scheme Costs (Annex 4)	95,000 (-)	
		(C) 282,000 (-)
Uncommitted Resources (October, 2011)		<hr/>
(A) + (B) + (C)		87,322 (+) <hr/>

- 4.3 Whilst actual expenditure of £1,535,922 (26.7% of the previously agreed target) appears low, it relates to only four months of contract payments and does not therefore fully reflect the work that has been undertaken on site.

- 4.4 Details of the progress in achieving the target outputs (in terms of dwelling improvements) which will result from the implementation of the 2011-12 HRA Capital Programme are presented below:-

<u>Scheme</u>	<u>Target Outputs</u> (Number of dwellings)	<u>Actual Outputs</u> (Number of Dwellings)	<u>%</u>
(a) External Envelope Works	660	230	35%
(b) Central Heating			
(i) System Replacement	30	23	77%
(ii) Boiler and Appliance Renewal	340	111	33%
(c) Replacement of Kitchens	320	136	43%
(d) Electrical Up-grading	660	200	30%
(e) Disabled Facilities Works	110	30	27%
(f) Second Doors to Bungalows	70	40	57%

- 4.5 The 2011-12 resources statement has been revised with corresponding adjustments between Prudential Borrowing and the Major Repairs Allowance further details are contained in the Financial Implications section of the detailed Report.

**5. Conclusion(s) and Reason(s) for the Recommendation(s)**

- 5.1 This report presents a review of the 2011-12 HRA Capital Programme in accordance with the Council's agreed Capital Expenditure Control Procedures and Financial Regulations.

**6. Other Options Considered**

- 6.1 There are no other options in respect of this report.

**7. Report Author Details**

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**SCHEDULE OF ADDITIONAL INFORMATION**

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**Section 1**

**Contribution to Council Priorities**

The implementation of the 2011-12 HRA Capital Programme has been identified as a key action within the agreed 2011-12 "Place" Priority Delivery Plan.

**Section 2**

**Contribution to Promoting Community Engagement**

The current position in respect of the 2011-12 HRA Capital Programme has been discussed with the Chase Tenants' and Residents' Federation.

**Section 3**

**Financial Implications**

The financial implications have been referred to throughout the report.

A review of the funding strategy for the HRA has been undertaken to ensure the balance between HRA and General Fund Capital Financing Requirement is maintained.

The Audit Commission report to Audit and Governance Committee (27 September 2011) on the 2010-11 Statement of Accounts referred to the ongoing anomaly whereby the Council makes an internal transfer between the HRA and General fund to ensure the true cost of borrowing is reflected in the respective accounts.

In accordance with the General Fund Revenue Budget 2010-11 to 2012-13 and Treasury Management Report submitted to Cabinet in February 2010 it was envisaged that the replacement of internal borrowing with external borrowing would be addressed by 31 March 2012. Prudential borrowing of £3,000,000 is therefore being carried out this financial year, in order to provide adequate resources to maintain the decent homes standard of the Council stock, and finally address the issues as raised in paragraph 3.9 of the General Fund Revenue Budget report dated February 2010.

**Section 4**

**Legal Implications**

The legal implications are set out throughout the report.

**Section 5**

**Human Resource Implications**

There are no human resource implications arising from this report.

**Section 6**

**Section 17 (Crime Prevention)**

The provision of replacement doors (with improved security) to certain dwellings (as part of the external envelope works programme) results in positive implications for crime prevention.

**Section 7**

**Human Rights Act Implications**

There are no identified implications in respect of the Human Rights Act, 1998 arising from this report.

**Section 8**

**Data Protection Act Implications**

There are no identified implications in respect of the Data Protection Act arising from this report.

**Section 9**

**Risk Management Implications**

Inadequate management of the HRA Capital Programme has been identified in the Council's risk register. The potential problems include:-

- (a) Uncertainties regarding the generation of capital resources, particularly capital receipts from the sale of Council dwellings under the RTB.
- (b) Potential delays regarding the size of the receipt and the financial year when capital receipts from agreed land sales will be received.
- (c) Potential delays in implementing agreed schemes on site as a result of tenant refusals, delays in utility suppliers providing the necessary connections, inclement weather conditions and skill shortages in the building industry.

As a result:-

- (a) Expenditure in respect of the agreed HRA Capital Programme could exceed estimated resources, thus placing the Council beyond its legal powers.  
  
or
- (b) The agreed expenditure targets may not be met as a result of slippage in respect of agreed schemes.

The score rating for the gross risk is 20 which falls within the high risk category. However, the Council's agreed Capital Expenditure Control Procedures seek to minimise the risks identified above, through regular monitoring of both available housing capital resources and actual and forecast expenditure, which include quarterly reports to Council. It is considered that these actions reduce the risk score to 4, placing it within the tolerable risk category

**Section 10**

**Equality and Diversity Implications**

The implementation of a number of the schemes included within the 2011-12 HRA Capital Programme provide specific assistance to people with disabilities and this has positive equality and diversity implications. These include:-

- (a) Specific budgets to provide disabled facilities works to Council dwellings and second doors to Council bungalows.
- (b) The provision of specialised smoke alarms for people with hearing difficulties as part of the electrical upgrading works.
- (c) The provision of kitchens with low worktops to facilitate access by people in wheelchairs as part of the kitchen replacement programme.

**Section 11**

**List of Background Papers**

None

**Section 12**

**Report History**

General Fund Revenue Budget 2010-11 to 2012-13	Cabinet	11 February 2010
Treasury Management Strategy	Cabinet	11 February 2010
Second Doors to Council Owned Bungalows	Cabinet	17 September, 2009
Housing Revenue Account Capital Resources and Housing Revenue Account Capital Expenditure Requirements 2011-12	Cabinet	3 February, 2011
(Note: The 2011-12 HRA Capital Programme subsequently determined by Council on 16 Feb. 2011)		
Housing Revenue Account Capital Programmes 2010-11 and 2011-12	Cabinet	21 July, 2011
Purchase of Housing Service Vehicles	Cabinet	21 July, 2011
Moss Road Estate Regeneration Strategy – Establishment of a Structural Reinstatement Design Budget	Cabinet	15 September, 2011
Moss Road Estate Regeneration Strategy – Re-housing and Compensation	Cabinet	15 September, 2011
Elizabeth Road Re-development Scheme	Cabinet	15 September, 2011

**Annexes**

- Annex 1: HRA Capital Resources 2011-12
- Annex 2: HRA Capital Expenditure 2011-12
- Annex 3: 2011-12 HRA Capital Programme – Resource Variations
- Annex 4: 2011-12 HRA Capital Programme – Expenditure Variations





Housing Revenue Account Capital Resources – 2011-12

	Feb 11 £	Jul 11 £	Oct 11 £	Variance £
<b><u>AVAILABLE HOUSING RESOURCES</u></b>				
<b><u>Resources Brought Forward</u></b>	<b>489,701</b>	<b>926,412</b>	<b>926,412</b>	<b>0</b>
<b><u>New Resources</u></b>				
Prudential Borrowing			3,000,000	3,000,000
Capital Receipts – Sale of Council Houses (Net)	173,000	173,000	173,000	0
Capital Receipts – Sale of Land (Net)	50,000	50,000	50,000	0
Contribution from South Staffs PCT – DFG Works	0	25,000	25,000	0
Revenue Contributions	1,650,000	1,650,000	1,842,000	192,000
Major Repairs Allowance	3,255,000	3,255,000	255,000	(3,000,000)
Energy Efficiency Commitment	75,000	75,000	97,000	22,000
<b>Resources Available</b>	<b>5,692,701</b>	<b>6,154,412</b>	<b>6,368,412</b>	<b>214,000</b>
<b><u>Less Contributions to the General Fund Capital Programme</u></b>				
Strategic Housing Priorities	(173,000)	(173,000)	(173,000)	0
Elizabeth Road Area Redevelopment			(80,000)	(80,000)
<b>Total Resources Available</b>	<b>5,519,701</b>	<b>5,981,412</b>	<b>6,115,412</b>	<b>134,000</b>
Less Committed Expenditure	5,488,000	5,746,090	6,028,090	282,000
<b>Resources Carried Forward</b>	<b>31,701</b>	<b>235,322</b>	<b>87,322</b>	<b>(148,000)</b>



Housing Revenue Account Capital Programme Expenditure Quarter 1 2011-12

Code	Scheme Detail	2011-12 Programme Feb 11 £	2011-12 Programme Jun 11 £	2011-12 Programme Oct 11 £	2011-12 Actual Expenditure Aug 11 £	2011-12 Variance £
	<b><u>SUMMARY HOUSING</u></b>					
	Enabling Role	20,000	30,790	130,790	23,340	100,000
	Mandatory Expenditure	505,000	613,900	613,900	122,368	0
	Improvements	2,858,000	2,858,000	2,803,000	688,980	(55,000)
	Enhancements	2,105,000	2,243,400	2,480,400	701,234	237,000
	<b>TOTAL</b>	<b>5,488,000</b>	<b>5,746,090</b>	<b>6,028,090</b>	<b>1,535,922</b>	<b>282,000</b>

Code	Scheme Detail	2011-12 Programme Feb 11 £	2011-12 Programme Jun 11 £	2011-12 Programme Oct 11 £	2011-12 Actual Expend Aug £	2011-12 Variance £
	<b><u>ENABLING ROLE</u></b>					
C705	Demolition of Garages	20,000	30,790	30,790	23,340	0
	Redevelopment of PRC Dwellings (Reema Flats)	0	0	100,000	0	100,000
	<b>TOTAL</b>	<b>20,000</b>	<b>30,790</b>	<b>130,790</b>	<b>23,340</b>	<b>100,000</b>

Code	Scheme Detail	2011-12 Programme Feb 11 £	2011-12 Programme Jun 11 £	2011-12 Programme Oct 11 £	2011-12 Actual Expend Aug £	2011-12 Variance £
	<b><u>MANDATORY EXPENDITURE</u></b>					
C029	Disabled Facilities Works – Council Dwellings	500,000	608,900	608,900	122,368	0
C031	Right to Compensation – Tenants Improvements	5,000	5,000	5,000	0	0
	<b>TOTAL</b>	<b>505,000</b>	<b>613,900</b>	<b>613,900</b>	<b>122,368</b>	<b>0</b>

Code	Scheme Detail	2011-12 Programme Feb 11	2011-12 Programme Jun 11	2011-12 Programme Oct 11	2011-12 Actual Expenditure Aug 11	2011-12 Variance
		£	£	£	£	£
	<b><u>IMPROVEMENTS</u></b>					
C680	Replacement of kitchens	1,505,000	1,455,000	1,400,000	393,270	(55,000)
C699	Central Heating Programmes - (Including the replacement of existing boilers and heating appliances)	1,203,000	1,253,000	1,233,000	257,303	(20,000)
C695	Void Properties – Decent Homes	150,000	150,000	150,000	38,407	0
	Structural Reinstatement of PRC Dwellings	0	0	20,000	0	20,000
	<b>TOTAL</b>	<b>2,858,000</b>	<b>2,858,500</b>	<b>2,803,000</b>	<b>688,980</b>	<b>(55,000)</b>

Code	Scheme Detail	2011-12 Programme Feb 11 £	2011-12 Programme Jun 11 £	2011-12 Programme Oct 11 £	2011-12 Actual Expenditure Aug 11 £	2011-12 Variance £
	<b><u>ENHANCEMENTS</u></b>					
C692	Upgrading of Electrical Systems	446,000	446,000	446,000	122,184	0
C681	External Envelope Works	1,561,000	1,528,400	1,528,400	453,434	0
C437	Asbestos Testing and removal	0	150,000	120,000	36,553	(30,000)
C580	Second Doors to Bungalows	98,000	98,000	193,000	89,063	95,000
	Replacement of Housing Service Vehicles	0	0	172,000	0	172,000
C720	Lift Refurbishment Grace Moor Court	0	21,000	21,000		0
	<b>TOTAL</b>	<b>2,105,000</b>	<b>2,243,400</b>	<b>2,480,400</b>	<b>701,234</b>	<b>237,000</b>

## ANNEX 3

### 2011-12 HRA CAPITAL PROGRAMME – RESOURCE VARIATIONS

#### 1. Increased Resources

	<u>Resource</u>	<u>Increase</u>	<u>Reason</u>
1.1	Revenue Contribution to Capital Outlay (RCCO)	£192,000	Additional RCCO as agreed by Cabinet for:-  (i) Purchase of Replacement Housing Service Vehicles. (172,000 – Cabinet 21 July, 2011).  (ii) Establishment of a design budget for the Structural Reinstatement of the Reema Houses on the Moss Road Estate (£20,000 – Cabinet 15 September, 2011).
1.2	Energy Commitment Monies	Efficiency £22,000	Additional energy efficiency commitment monies from British Gas following the claim for eligible works undertaken in 2010-11.
1.3	Prudential Borrowing	£3,000,000	Additional Prudential borrowing to replace the Major Repairs Allowance
	<b>Total</b>	£3,214,000	

#### 2. Decreased Resources

	<u>Resource</u>	<u>Decrease</u>	<u>Reason</u>
2.1	Major Repairs Allowance (MRA)	3,000,000	Reduction in MRA due to prudential borrowing
2.2	Transfer of Resources to the General Fund Capital Programme (Elizabeth Road Redevelopment Scheme)	£80,000	Transfer of resources to the General Fund Capital Programme to meet part of the resource deficit for land assembly in respect of the Elizabeth Road Redevelopment Scheme. Agreed by Cabinet 15 September, 2011.
	<b>Total</b>	£3,080,000	





## ANNEX 4

### 2011-12 HRA CAPITAL PROGRAMME – EXPENDITURE VARIATIONS

#### 1. Budget Savings

	<u>Scheme</u>	<u>Estimated Budget Savings</u>	<u>Reason</u>
1.1	Replacement of Kitchens	£55,000	Estimated efficiency savings resulting from the implementation of works via a single kitchen replacement team.
1.2	Central Heating Programme	£20,000	Estimated efficiency savings in respect of boiler and appliance replacement.
1.3	Asbestos Testing and Removal	£30,000	Estimated reduction in the need for Asbestos Testing and Removal Works during 2011-12.
	<b>Total</b>	<u>£105,000</u>	

#### 2. Additional Authorised Expenditure

2.1	Purchase of Replacement Housing Service Vehicles	£172,000	Replacement of housing maintenance vehicles which have reached the end of their life (Agreed by Cabinet 21 July, 2011).
2.2	Structural Reinstatement of Reema Houses, Moss Road Estate	£20,000	Establishment of 2011-12 design budget to enable a Structural Engineer to commence a structural reinstatement scheme for the Council's Reema dwellings on the Moss Road Estate, Chadsmoor (Agreed by Cabinet 15 September, 2011). To commence during the current financial year
	Home Loss and Disturbance Allowances for Reema Flats, Moss Road Estate	£100,000	Establishment of a 2011-12 Home Loss and Disturbance Allowance budget to enable the re-housing of the existing Reema flat tenants on the Moss Road Estate to commence during the current financial year. (Agreed by Cabinet 15 September, 2011).
	<b>Total</b>	<u>292,000</u>	

3. Increase in Scheme Costs

	<u>Scheme</u>	<u>Estimated Additional Expenditure</u>	<u>Reason</u>
3.1	Second Doors to Bungalows	£95,000	*see below
	<b>Total</b>	<hr/> £95,000 <hr/>	

\*Cabinet on 17 September, 2009 agreed to introduce a second doors to Bungalow Programme, when the 2010-11 HRA Capital Programme was reviewed as part of the budget process. A budget of £198,000 for the programme was subsequently agreed by Council on 24 February, 2010 profiled as follows:

<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
£100,000	£98,000	£198,000

The agreed budget was based on the results of a 2008 questionnaire survey of tenants who live in bungalows with one door. As a result of this survey it was estimated that 177 doors would need to be provided at an average cost of £1,120 per bungalow.

Having seen the work which is being carried out the number of tenants who wish to have a second door installed has increased to 211. The average cost has also increased to £1,390 as a result of additional works in respect of steps and handrails.

As a result of these factors the total estimated cost of the scheme is now £293,000, an increase of £95,000.

It is the Council's policy to ensure that all its bungalows have two doors. In cases where tenants refuse a second door, this will be subsequently provided when the bungalow becomes void.

As a result, the additional £95,000 expenditure in 2011-12 will be compensated by savings in void costs in future years.