

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Council: 15 December 2010

Subject: HRA Capital Programme 2010/2011 Budgetary Control Report to 31 October 2010 (Period 7)

1. Purpose

- 1.1** The purpose of this report is to advise the Council on the progress of the HRA Capital Programme 2010/2011, and to request approval for budget virement. Budgetary control statements for the HRA Capital Programme are also presented to the Housing, Environment and Economic Development Committee to allow the Committee to monitor performance.

2. Background

- 2.1** Council agreed the 2010/2011 HRA Capital Programme at its meeting on 24 February 2010. This report details expenditure against the various budget headings up to 31 October 2010.

3. Main Issues

- 3.1** The estimated expenditure on the Capital Programme, with matched estimated resources, is £20.592m (see Appendix A).
- 3.2** Also shown on Appendix A is the projected expenditure on the Capital Programme, with matched projected resources, amounting to £16.556m.
- 3.3** Members will note that the Borrowing Requirement has reduced from £17.092m to £14.726m and the estimated receipts from other capital sales have reduced from £0.900m to £0.230m.
- 3.4** Accordingly the projected spend with matched projected resources is now £16.556m and an explanation of the reduced projected spend is detailed in paragraph 3.10.
- 3.5** A summary of the expenditure to 31 October 2010 on each main budget heading is attached at Appendix B. Expenditure to 31 October 2010 totals £6.305m.
- 3.6** Members will note that the actual spend to 31 October 2010 is compared to the phased capital budget at 31 October 2010 amounting to £7.296m, resulting in an underspend of £0.991m.
- 3.7** Details of the actual expenditure and phased budget to 31 October

2010 on each detailed budget heading are attached at Appendix C.

3.8 The HRA Capital Monitoring report for the period ended 31 October 2010 was also presented to the Housing, Environment and Economic Development Committee at its meeting on 8 December 2010 and explanations of variances over £100,000 were provided within that report.

3.9 A detailed exercise reviewing the projected outturn on the HRA Capital Programme to 31 March 2011 has now been completed and the details are attached at appendix D. Members will note that a total spend of £16.556m is being predicted against the original budget of £20.592m, resulting in a predicted underspend of £4.036m.

3.10 An explanation of variances over £100,000 is given below;

- i) Multi-Storey Comprehensive Area Renewal - Projected Underspend £1,235,000

The procurement of the project on the Public Contracts portal has resulted in an extended tendering period as time was taken up with the evaluation of the pre-qualification questionnaires. This evaluation process has extended into the planned contract time which is set at 32 weeks. Moreover, the Council has received extremely competitive tenders, principally as a result of the current economic climate. The Council is also benefiting from the economies of scale of completing two blocks at the same time.

Of the total underspend of £1.235m, it is estimated that £0.562m is a budget saving due to competitive pricing and £0.673m is budget slippage, the expenditure for which will be incurred during the next financial year.

- ii) Supporting Regeneration Activity - Projected Underspend £305,000

Delays have arisen with regard to the demolition work at Salisbury Place/North Mountblow, where difficulties have arisen in identifying the required regeneration funding. It is anticipated that this expenditure will be incurred during the next financial year.

- iii) Environmental Improvements - Projected Underspend £151,000

This underspending has arisen due to an over provision in the budget and is therefore regarded as a budget saving.

- iv) Structural Works - Projected Underspend £860,000

The project at South Drumry is running behind schedule for the following reasons;

The repair work is proving to be more complex and demanding than originally anticipated, with the room available for safe, simultaneous working extremely limited. This has also meant that the works overall are taking longer than originally planned.

Whilst the houses are unoccupied, the opportunity has been taken to carry out a substantial amount of additional work to meet SHQS to minimise future disturbance. Work has included the installation of new electrics, new plumbing, new heating, new kitchens and new bathrooms.

Of the total underspend of £0.860m, it is estimated that £0.470m is a budget saving due to competitive pricing and £0.390m is budget slippage, the expenditure for which will be incurred during the next financial year.

- v) Re-roofing/Gutter Improvements - Projected Underspend £188,000

This underspending is the result of extremely competitive pricing and is therefore regarded as a budget saving.

- vi) Standard Delivery Plan Investment - Projected Underspend £146,000

This underspending has arisen due to an over provision in the budget and is therefore regarded as a budget saving.

- vii) External Render Projects - Projected Underspend £455,000

Delays have arisen due to issues with owner occupiers and when these issues have been resolved it is anticipated that the expenditure will be incurred during the next financial year.

- viii) Electrical Wiring/Heating Improvements - Projected Overspend (£300,000)

This overspending has arisen due to an under provision in the original budget.

- ix) Lift Upgrades - Projected Underspend - £160,000

This underspending has arisen due to competitive prices being received and as such represents a budget saving.

- x) House Sales, Capitalised Salaries and Central Support - Projected Underspend £530,000

This underspending has arisen due to an over provision in the budget and is therefore regarded as a budget saving.

xi) Contingency Allowance - Projected Underspend £300,000

The Contingency budget has not been required this year and consequently there is a budget saving of £300,000.

- 3.11** It is estimated that of the total underspend of £4.036m, around £2.353m is a budget saving with the balance of £1.683m being slippage, the expenditure for which will be incurred during the next financial year.
- 3.12** Members should note that the Council only borrows for expenditure incurred on the HRA Capital Programme and therefore the projected underspend on the HRA Capital Programme will result in a reduced borrowing requirement (as detailed in Appendix A) and consequently reduced loan charges being incurred by the Housing Revenue Account in the course of this financial year.
- 3.13** Members' approval to the revised budgets as detailed in Appendix D under the "Revised 2010/2011 Budget" column is therefore required in terms of the Council's Financial Regulations, Section C Control of Expenditure, Paragraph 2.
- 3.14** As per the Council's Financial Regulations the approval of the Head of Finance and ICT has been obtained to the budget virement as detailed in Appendix D.

4. People Implications

- 4.1** There are no implications.

5. Financial Implications

- 5.1** The Council has spent £6.305m to the 31 October 2010 against a phased budget of £7.296m resulting in an underspend of £0.991m.
- 5.2** A detailed exercise reviewing the projected outturn on the HRA Capital Programme to 31 March 2011 has now been completed and Members will note that a total spend of £16.556m is being projected against the original budget of £20.592m, resulting in a predicted underspend of £4.036m.
- 5.3** An underspend on the HRA Capital Programme will have a favourable impact upon the HRA Loan Charges as funds are only borrowed when the money is expended and the projected borrowing requirement has now reduced to £14.726m (see Appendix A).

6. Risk Analysis

- 6.1** The present variance should be viewed in the knowledge that there are a number of variable factors which could arise between now and 31 March 2011 which could affect the year end spend.
- 6.2** The review of the projected outturn has demonstrated that the forward planning of the HRA Capital Programme requires to be improved to ensure that an accelerated spend is achieved with a view to meeting the Scottish Housing Quality Standard (SHQS) by the target date of 2015.
- 6.3** Accordingly a report will be submitted to a future meeting of the Housing, Environment and Economic Development Committee outlining proposals for an improved forward planning regime to better deliver the spending priorities required to meet the SHQS.

7. Equalities Impact

- 7.1** No significant issues were identified in a screening for potential equality impact of this report.

8. Conclusions and Recommendations

- 8.1** The report identifies an underspend against the phased budget as at 31 October 2010 of £0.991m.
- 8.2** Members are asked to :
- i) note the contents of this report, and
 - ii) approve the budget virement as referred to in paragraph 3.13 and detailed in Appendix D.

Elaine Melrose

Executive Director of Housing, Environmental and Economic Development

Date: 29 November 2010

Person to Contact: James Pow - Manager of Finance, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737535, e-mail: jim.pow@west-dunbarton.gov.uk

Appendices: Appendix A - Capital Programme Resources
Appendix B - Summary of Expenditure to 31 Oct. 2010
Appendix C - Details of Expenditure to 31 Oct. 2010
Appendix D - Details of Requested Budget Virement

Background Papers: None

Wards Affected: All