



Meeting of the Cabinet

Wednesday, 11th February, 2015 at 6.00pm

In Committee Room 2 at the Council House, Priory Road, Dudley

Agenda - Public Session

(Meeting open to the public and press)


1. Apologies for absence.
2. To report any changes in representation of opposition group members.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meeting on 4th December, 2014 as a correct record.

Budget, Strategic, Policy and Performance Issues

5. Annual Audit Letter 2013/14.
6. Deployment of Resources: Housing Revenue Account and Public Sector Housing Capital (Key Decision).
7. Capital Programme Monitoring (Key Decision).

Service Related Corporate Issues

8. To consider any questions from Members to the Chair where two clear days notice has been given to the Director of Corporate Resources (Council Procedure Rule 11.8).
9. To report on any issues arising from Scrutiny Committees.



Strategic Director of Resources and Transformation

Dated: 3rd February, 2015

Distribution:

Members of the Cabinet:

Councillor P Lowe (Leader - Chair)

Councillor S Turner (Deputy Leader)

Councillors K Ahmed, H Bills, D Branwood, T Crumpton, J Foster, R Harris, G Partridge and D Sparks

Opposition Group Members nominated to attend meetings of the Cabinet:

Conservative Group:

Councillors P Harley, R James, P Miller, D Vickers and M Wood

UKIP Group:

Councillors P Brothwood and S Etheridge

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- Elected Members can submit apologies by contacting the officer named below. The appointment of any Substitute Member(s) should be notified to Democratic Services at least one hour before the meeting starts.
- The Democratic Services contact officer for this meeting is Steve Griffiths, Telephone 01384 815235 or E-mail steve.griffiths@dudley.gov.uk

Minutes of the meeting of the Cabinet

Thursday, 4th December, 2014 at 6.00 p.m.
in Committee Room 2 at the Council House, Dudley

Present:

Councillor P Lowe - Leader of the Council (in the Chair)
Councillors K. Ahmed, H. Bills, D. Branwood, T. Crumpton, J. Foster,
R. Harris, G. Partridge and S. Turner

Opposition Group Members nominated to attend meetings of the
Cabinet:-

Councillors P. Harley, L. Jones, I. Kettle, P. Miller and M. Wood
(Conservative Group); Councillors P. Brothwood and S. Etheridge
(UKIP Group)

Officers:-

J. Polychronakis (Chief Executive), A. Pope-Smith (Director of Adult,
Community and Housing Services), P. Tart (Director of Corporate
Resources), K. Jackson (Interim Director of Public Health), I. Newman
(Treasurer), P. Coyne (Assistant Director, Economic Regeneration and
Transportation), T. Reilly (Assistant Director, Human Resources and
Organisational Development), R. Sanders (Assistant Principal Officer,
Democratic Services) and other officers.

42. **Apologies for Absence**

Apologies for absence from the meeting were received on behalf of
Councillors R. James, D. Sparks and D. Vickers.

43. **Changes in representation of Opposition Group Members**

Councillors I. Kettle and L. Jones were serving in place of Councillors R.
James and D. Vickers, respectively, for this meeting of the Cabinet only.

44. **Declarations of Interest**

No declarations of interest, in accordance with the Members' Code of
Conduct, were made in respect of any matter to be considered at this
meeting.

45. **Minutes**

Resolved

That the minutes of the meeting of the Cabinet held on 29th October, 2014 be approved as a correct record and signed, subject to the deletion of the words "as Cabinet Member for Finance" in the second and third paragraphs of the preamble to minute 35.

46. **Corporate Quarterly Performance Management Report**

The Cabinet considered a report of the Chief Executive under cover of which was submitted the second Corporate Quarterly Performance Management Report for 2014/15, relating to performance for the period 1st July to 30th September, 2014.

Resolved

That the contents of the report submitted to the meeting and the Corporate Quarterly Performance Management Report for the second quarter of 2014/15, be noted.

47. **Public Consultation on the Contaminated Land Inspection Strategy and Cost Recovery Policy for Dudley**

The Cabinet considered a report of the Director of the Urban Environment seeking approval for the draft Contaminated Land Inspection Strategy and Cost Recovery Policy for Dudley Borough to be used as a basis for a statutory public consultation commencing on 12th December, 2014 for a period of five weeks.

Resolved

That the Contaminated Land Inspection Strategy and the Cost Recovery Policy documentation, as placed on the Committee Management Information System and in hard copy in the Members' Room, be approved as a basis for public consultation commencing on 12th December, 2014 for a period of five weeks.

(This was a Key Decision with the Cabinet named as Decision Taker)

48. **Public Consultation on the Dudley Area Action Plan "Preferred Options" stage document**

The Cabinet considered a report of the Director of the Urban Environment seeking approval for the Preferred Options stage of the Dudley Area Action Plan document to be used as a basis for public consultation commencing in January, 2015 for a period of six weeks.

In the discussion, the Leader gave a commitment to cross party working, where possible, in the regeneration of Dudley Town Centre.

Resolved

That the Dudley Area Action Plan Issues and Options document, as placed on the Committee Management Information System and in hard copy in the Members' Room, be approved as a basis for public consultation commencing on 16th January, 2015 for a period of six weeks.

(This was a Key Decision with the Cabinet named as Decision Taker)

49. **Exclusion of the public and press**

Resolved

That the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information relating to any individuals as defined under Part I of Schedule 12A of the Local Government Act, 1972 (as amended).

50. **Update of Senior Management and Corporate Restructure Implementation**

The Cabinet considered a report of the Chief Executive on this matter.

Resolved

- (1) That the update on voluntary redundancies and recruitment, as set out in the report now submitted, be noted.
- (2) That the updated implementation plan, which includes an indicative timetable including a report back to the Cabinet on 25th February, 2015, to consider the proposals indicated in paragraph 13 of the report submitted to the meeting, be approved.

The meeting ended at 6.13 p.m.

LEADER OF THE COUNCIL

Meeting of the Cabinet – 11th February, 2015

Joint Report of the Chief Executive and the Chief Officer (Finance and Legal Services)

Annual Audit Letter 2013/14

Purpose of Report

1. To consider the External Auditor's Annual Audit Letter for 2013/14.

Background

2. Grant Thornton, the Council's external auditors, have produced an Annual Audit Letter. Representatives of Grant Thornton will be in attendance at this meeting to present the Letter and to discuss key messages, conclusions and significant issues with Members.
3. The Audit Commission's Code of Audit Practice requires that the external auditors prepare an Annual Audit Letter (the Letter) and issue it to the Council. The purpose of the Letter is to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from auditors' work, which the external auditor considers should be brought to the attention of the Council. The Letter is intended to cover the work carried out by the external auditors since the previous Letter was issued, in this case October 2013.
4. At the meeting of the Audit and Standards Committee on 18th September 2014, Grant Thornton produced their Audit Findings Report. The report considered the auditor's findings in relation to the Council's Financial Statements and Value for Money conclusion for 2013/14 and the auditor issued an unqualified opinion. The Annual Audit Letter was received and noted by the Audit and Standards Committee at its meeting on 9th December, 2014.
5. The Letter has been published, placed on the Council website, and paper copies made available at a charge of £1.00, as previously agreed.

Finance

6. The report deals with a number of financial affairs of the Council. No additional resources are required as a direct consequence of the Letter.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

8. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

9. It is recommended that the Cabinet:-
 - Note the views of the Auditor.
 - Comment on matters in the Annual Audit Letter.



.....
Sarah Norman
Chief Executive



.....
Iain Newman
Chief Officer
(Finance and Legal Services)

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List of Background Papers

Annual Audit Letter 2013/14

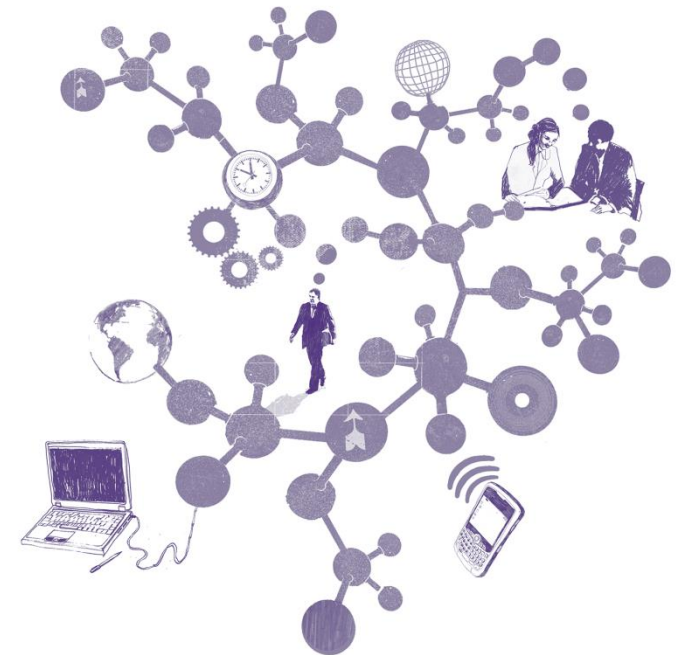
The Annual Audit Letter for Dudley Metropolitan Borough Council

Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Dudley Metropolitan Borough Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	<p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p> <p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 18 September 2014 to the Audit and Standards Committee. The key messages reported were:</p> <ul style="list-style-type: none">• The standard of the draft accounts and supporting working papers provided by the Council were good• We did not identify any adjustments affecting the Council's reported financial position. However we made a number of adjustments to improve the presentation of the financial statements• We were satisfied that the overall approach taken by the Council to assessing provisions in respect of National Domestic Rates (NDR) is reasonable. We received confirmation in the Letter of Representation (LoR) to support the Council's view that it is not possible to arrive at a reliable estimate to the value of potential appeals not yet lodged. <p>The key recommendations arising from our financial statements audit are detailed in Appendix A.</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>We reported our findings arising from the work in our Audit Findings Report, his included a red, amber and green (RAG) rating against a number of themes. We are pleased to report that the majority of these have been rated as green. One area, Strategic financial planning, was rated Amber, signifying that a residual risk exists. This reflects the magnitude of the financial challenge that the Council is facing as it strives to continue making cost savings in an environment of significant reductions in local government funding.</p>

Key messages

Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
Certification of grant claims and returns	We have certified the Pooling of Housing Capital Receipts grant claim, which were certified without amendment. Our certification work on the Council's Housing Benefit Subsidy claim is currently underway. We expect to certify this claim by the Department of Work and Pension's deadline of 30 November.
Audit fee	Our fee for 2013/14 was £179,657, excluding VAT but including an additional £1,470 in relation to extra work required on business rate balances which was not included in our original fee letter and audit plan. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

Rec No.	Recommendation	Priority	Management response	Implementation date and responsibility
1	The Council should ensure that all journals contain an appropriate description.	Deficiency	Agreed. All Accountancy staff will be reminded about the importance of appropriate descriptions.	With immediate effect. Head of Accountancy.
2	The Council should review all land and building assets contained within its asset register to ensure it has the rights (e.g. title deeds) to those assets.	Deficiency	Agreed. All assets in the register will be reviewed to check that the Council has rights to the assets.	March 2015. Head of Property Services
3	The Council should take account of recent claim and settlements patterns when considering the estimate process for the 2014/15 provision.	Deficiency	Agreed. The review will take into account recent claim and settlement patterns when considering the estimate for the 2014/15 unequal pay provision.	March 2015 Head of Accountancy
4	The Council should consider a de minimus policy for smaller transactions at year end.	Deficiency	Agreed. This will be considered as part of our Closedown plan for the 2014/15 accounts.	Autumn 2014 Group Accountant Corporate Finance.
5	The Council should ensure that all capitalised staff costs are supported by timesheets.	Deficiency	Agreed. Supporting documents will be provided for the 2014/15 accounts.	March 2015 Housing Finance Manager
6	The Council should ensure it periodically reviews its accumulated absence accounts to ensure the assumptions remain up-to-date and valid.	Deficiency	Agreed. This will be considered as part of our Closedown plan for the 2014/15 accounts.	Autumn 2014 Group Accountant Corporate Finance.
7	The Council should review its approach to the revaluation of land and buildings in 2014/15.	Deficiency	Agreed. We will review our approach to valuation for 2014-15 accounts against the Accounting Code of Practice.	March 2015. Head of Property Services

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee*1	178,177	179,657
Grant certification fee*2	32,500	21,227
Total fees	210,677	200,884

1) There is an additional fee of £1,470 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for Metropolitan District Councils and is subject to agreement by the Audit Commission

2) New scale fee set by the Audit Commission. Revised to reflect there is no longer a requirement to certify Teachers Pensions, NDR 3 and the council tax element of the HB and Council Tax Grant.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	April 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014



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Cabinet – 11th February 2015

Joint Report of the Strategic Director of Environment, Economy and Housing and the Chief Officer, Finance and Legal Services

Deployment of resources: Housing Revenue Account and Public Sector Housing Capital

Purpose of Report

1. The purpose of this report is:
 - To set a rent increase for council homes.
 - To review rents for garages, garage plots and access agreements.
 - To set charges for sundry services.
 - To set the Housing Revenue Account (HRA) budget for 2015/16 in the light of the latest government announcements on housing finance and our latest spending and resource assumptions.
 - To set a revised HRA budget for 2014/15.
 - To revise the capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock for 2015/16 to 2018/19 and set a new budget for 2019/20.
 - To set a revised capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock for 2014/15.
 - To approve the Medium Term Financial Strategy and 30 Year Business Plan for the HRA.

Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing¹. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

Rent increase

3. The self-financing system introduced in April 2012 for Housing assumed that rent increases would be in line with government guidance at the time relating to social housing rents. It is proposed that the next rent year will

¹ The Housing General Fund deals with private sector issues, such as general housing advice, and is included in another report on this agenda. The separation of expenditure and income between the HRA and the General Fund complies with government guidance.

start on 6th April 2015 and that there will be no increase to current rent levels. We have considered this carefully in the light of future affordability, the continuing financial viability of the HRA and the impact on our tenants.

4. Officers met with the interim Housing Board on 26 November 2014 and 15 January 2015, and with the Board of the Dudley Federation of Tenants' and Residents' Associations (DFTRA) on 13 January 2015 to discuss proposals for rent levels in 2015/16 and the priorities in the HRA budget, including the capital programme.
5. In addition to the rents discussed above, we currently apply service charges in certain properties in respect of items such as furniture and overnight support. It is proposed that service charges for furniture be increased by 1.2% in line with inflation and that service charges for overnight support in certain sheltered schemes be maintained at their current levels as a review of the service is currently taking place.
6. We also apply service charges to 344 properties in sheltered housing schemes in respect of heating and lighting. These charges vary according to the scheme and the size of the properties and may be offset against the winter fuel payment received by tenants, plus any cold weather payments. Housing Benefit will also cover these charges where applicable. It is proposed that these charges be increased by 1.2% to reflect general inflation.
7. The Council currently provides, within its general housing stock, a number of units of furnished accommodation for which a charge of £24.26 per week is made. It also provides six units of accommodation for homeless people in Lye for which management charges and service charges are applied (a two-bedroom flat and five one-bedroom flats). There are three houses for which garden maintenance charges are made. It is proposed that all of these charges be increased by 1.2% in line with inflation.
8. The Council offers laundry tokens for sale for the use of tenants at five high rise blocks (two in Brierley Hill and three in Dudley). It is proposed that charges are increased from £2.20 to £2.30 per token.
9. It is proposed that pitch licences at Oak Lane be maintained at their current level, in line with the proposal for general rents, and that weekly charging for water be increased by 1.2% to £6.32 per week.
10. The Council currently charges an administration fee of £2 per week to its leaseholders, to cover the costs of managing the properties. It is proposed that there is no increase in the overall level of the fee as this currently covers the cost of the service.
11. It is proposed that the charge of £50 (plus VAT) per leasehold information pack, introduced from 1 January 2015 to cover the costs of compiling information relating to the sale of council flats, be maintained at the current level.

12. The Council currently charges private residents who are in receipt of Telecare services (provision of an alarm service, and also standalone equipment such as pill dispensing service and GPS tracking watches) £13.00 per month, and also charges Housing Association tenants varying amounts for this service. It is proposed to increase these charges by 1.2% to £13.10 per month from 1 April 2015. Income generated will be used to increase investment in and development of the service.

Garage rents, garage plots and access agreements

13. It was agreed by Cabinet in February 2008 that inflationary increases for garages, garage plots and access agreements be made every three years, with the next increase to take effect from 2017/18. It is therefore proposed that these rents and charges remain at current levels for 2015/16.

Proposed HRA budget 2015/16

14. The proposed HRA budget for 2015/16 (together with a proposed revised budget for 2014/15) is attached as **Appendix 1**. This budget is based on recent trends and our latest assessment of government policy on housing finance.

The key elements of the self-financing system that now operates in relation to local authority housing are:

- Abolition of the HRA Subsidy system and retention of all rental income.
 - A one-off allocation of housing debt based on an affordability calculation.
 - A cap on new borrowing above a set maximum level.
 - Transfer of investment, borrowing and inflation risks to housing authorities.
 - Continued compliance with central government rent policy.
15. The current budget for 2014/15 (approved by Cabinet in October 2014) shows a surplus on the HRA of £2.835m at 31st March 2015. The proposed revised budget for 2014/15 shows a surplus at the same date of £0.074m. This variance reflects the redirection of additional savings on running costs and of general balances to support an increased Revenue Contribution to Capital Expenditure in 2014/15. This will support the capital programme and facilitate a planned acceleration of spending on major improvement works for existing stock. The balance of unapplied capital receipts will remain to support the planned new build programme and other major improvement works in future years. The revised budget also includes £0.170m in relation to transfers of land between the General Fund and the HRA, relating to Griffin Street, Holloway Hall Chambers and the former archives at Mount Pleasant (Roseville).

16. The proposed HRA budget for 2015/16 takes account of the proposed rent freeze on the 6th April 2015 (paragraph 3).
17. The proposed HRA budget for 2015/16 includes a budget for housing management of £16.1m. This covers the day to day management of properties including income collection, tenancy enforcement, support for vulnerable tenants and lettings and void management.
18. The proposed HRA budget for 2015/16 includes a budget for repairs and maintenance of £25.4m. This reflects:
 - Undertaking responsive repairs and routine void works;
 - Undertaking all required cyclical statutory responsibilities such as annual servicing of gas appliances, warden call equipment and alarms and periodic testing of water hygiene, lift servicing and inspections;
 - Maintaining the current level of cyclical maintenance such as painting of communal areas.
19. The proposed HRA budget for 2015/16 includes a budget for interest payments of £17.8m. This covers the payments that are due on the debt taken on as part of the self-financing settlement and additional borrowing under the Local Growth Fund.

Public sector housing capital budget 2015/16 to 2019/20

20. We must have a long-term rolling programme of investment to maintain the condition of council owned homes, to improve living standards and provide affordable homes for residents. A proposed £211m public sector capital budget for 2015/16 to 2019/20 and a revised budget for 2014/15 are attached as **Appendix 2**. Explanations of the budgets are attached as **Appendix 3**.
21. The proposed £211m rolling five year capital investment programme follows the general principles approved in the current programme and reflects the priorities of the Council Plan and the views of members and residents who participated in the Take Control and Get Involved Conference in October 2014. The impact of a rent freeze for 2015/16 as outlined in paragraph 3 has been addressed predominantly through slowing down existing investment programmes, although investment continues to target the following priorities:
 - Continuing investment to keep homes in good order by addressing investment in key building components such as roofs, electrics, kitchens and bathrooms;
 - Improving fuel poverty, energy efficiency and combating climate change;
 - Providing investment at affordable levels for communal facilities such as high rise lift replacement, community safety and environmental programmes, and social care programmes such as providing adaptations for persons with disabilities
 - Providing new social housing homes within the borough

- Investing in empty homes to ensure that as many of the Council's homes as possible are available for occupation.
22. Whilst the detail of the proposed programmes is included within **Appendix 3**, notable stock investment over the five year period from 2015/16 to 2019/20 is as follows:
- Continued investment in Adaptations for persons with disabilities with £13.4m over the next five years maintaining waiting times at current levels and providing over 2,000 major adaptations (level access showers, stairlifts, vertical lifts and ramps) and around 6,500 minor adaptations such as handrails and grab rails;
 - £17.1m investment over 5 years improving the efficiency of central heating and providing more affordable heating in 4,675 homes, helping to reduce fuel poverty;
 - £6.7m investment in electrical installations, including £2.9m on upgrading high rise lifts;
 - £23.3m over 5 years replacing windows and external doors with modern, energy efficient units, with all homes being fully double glazed by the end of the 5 year programme;
 - £14.9m on replacement roofs;
 - £4.7m on community improvements on estates;
 - £11.2m over 5 years on 3,500 internal improvements such as plastering, replacement floors and kitchens and bathrooms;
 - Undertaking £61.7m of improvements in empty properties to ensure that they can be re-let;
 - £38.8m will continue to provide new council housing;
 - £0.8m is also proposed to undertake necessary improvements over 3 years at the Leys Depot, Brierley Hill.
23. Approval is sought to continue discussions with government agencies such as the Homes and Communities Agency (HCA), Energy Service Providers and similar organisations and to bid for, enter into negotiations and / or seek tenders as appropriate to progress increasing resources to supplement the housing capital programme. This may be used, for example, to progress carbon saving and / or power generating schemes to improve fuel poverty across the borough. Resources may be sought under the Energy Company Obligations (ECO) or Renewable Heat Incentives (RHI) or any other energy based funding initiatives.
24. It is proposed that any additional resources obtained under paragraph 23 be added to the Capital Programme accordingly and the Strategic Director of Resources and Transformation and the Strategic Director of Environment, Economy and Housing be approved to enter into any such grant or funding agreements necessary to deliver the schemes.
25. To ensure effective utilisation of all resources that become available, Cabinet is requested to authorise the Strategic Director of Environment, Economy and Housing, in consultation with the Cabinet Member for

Housing and Community Safety, to manage the five year programme so as to use all the resources that become available and commit expenditure to that amount and to report progress and actions to the Cabinet. In doing this, Cabinet is requested to confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing grants) should continue to be used for the improvement of council homes.

26. To facilitate implementation of the programme, the Cabinet is requested to authorise the Strategic Director of Environment Economy and Housing to prepare specifications and undertake procurement in accordance with Standing Orders and Financial Regulations. Cabinet is also asked to agree that the Strategic Director of Environment Economy and Housing be authorised to enter into and award contracts on their behalf.

Medium Term Financial Strategy / Thirty Year Business Plan for Landlord Housing

27. With the abolition of the HRA Subsidy system and the introduction of self-financing for housing authorities from April 2012, the Council now has an increased level of autonomy and flexibility regarding housing finance. The HRA budget is no longer dependent on annual Government settlements, although the rent increase will still be determined annually. It is therefore possible to set indicative budgets for a longer period and to develop a longer-term financial and business strategy.
28. Although the HRA enjoys some increased flexibility, the HRA ring-fence remains in force, and the Council is also expected to have regard to the Government's national rent policy. Under the self-financing settlement, Dudley has taken on a significant increase in housing debt, which must be serviced. The medium term financial strategy and thirty-year business plan is provided at Appendix 4, which sets out the context of the HRA for the next five years and summarises the overarching financial strategy and risks that will apply to the HRA over the longer term.

Finance

29. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March 2016. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March 2016 and therefore complies with the requirements of the Act.

Law

30. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in

Part IV of the Local Government and Housing Act 1989) and introduce self-financing.

Equality Impact

31. Section 149 of the Equalities Act 2010 requires public authorities, including the Council, to
- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
 - advance equality of opportunity between people who share a characteristic and those who don't.
 - foster good relations between people who share a characteristic and those who don't.

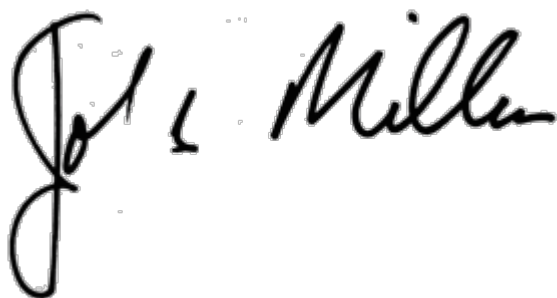
The Duty covers the following protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure (e.g. capital expenditure on adaptations) are intended to promote independence and improve quality of life for protected groups.

Recommendations

32. It is recommended that Cabinet:
- a) approve the maintenance of rents for HRA dwellings at current levels from 6th April 2015 (paragraph 3);
 - b) approve an increase of 1.2% in service charges (paragraph 5 and 7);
 - c) approve an increase of 1.2% in heating and lighting charges for sheltered housing from an average weekly charge of £14.43 to an average weekly charge of £14.60 (paragraph 6);
 - d) approve an increase from £2.20 to £2.30 for laundry tokens (paragraph 8);
 - e) approve the maintenance of the current charge for pitch licences at Oak Lane as outlined in paragraph 9
 - f) approve an increase of 1.2% in water charges at Oak Lane to £6.25 per week (paragraph 9);
 - g) approve maintaining the leaseholders' administration fee and the charge for the leasehold information pack at current levels as outlined in paragraphs 10 and 11;
 - h) approve an increase of 1.2% (10p per month) for private Telecare clients as outlined in paragraph 12;
 - i) recommend that Council approve the revised HRA budget for 2014/15 and the HRA budget for 2015/16 outlined in Appendix 1;

- j) recommend that Council approve the public sector housing revised capital budget for 2014/15 and the capital budget for 2015/16 to 2019/20 attached as Appendix 2;
- k) recommend that Council authorise the Strategic Director of Environment Economy and Housing and the Strategic Director of Resources and Transformation to bid for and enter into funding arrangements for additional resources to supplement investment in the public sector housing stock as outlined in paragraphs 23 and 24 and that expenditure funded from such resources be added to the Capital Programme;
- l) recommend that Council authorise the Strategic Director of Environment Economy and Housing , in consultation with the Cabinet Member for Housing, to manage and allocate resources to the capital programme as outlined in paragraph 25;
- m) recommend that Council confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing) should continue to be used for the improvement of council homes (paragraph 25);
- n) authorise the Strategic Director of Environment Economy and Services to procure and enter into contracts for the delivery of the capital programme, as outlined in paragraph 26;
- o) receive the HRA medium term financial strategy and thirty year business plan attached as Appendix 4.




.....
John Millar
Strategic Director of
Economy Environment
and Housing

.....
Iain Newman
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List of Background Papers:

Appendix 1

Proposed HRA Budget

	2014/15 current budget Oct 2014 £000	2014/15 proposed revised budget £000	2015/16 proposed original budget £000
<u>Income</u>			
Dwelling rents	-89,892	-89,946	-89,281
Non-dwelling rents	-728	-728	-733
Charges for services and facilities	-245	-244	-244
Contributions towards expenditure	-225	-250	-300
Interest on balances	-20	-14	-1
Total income	-91,110	-91,182	-90,559
<u>Expenditure</u>			
Responsive and cyclical repairs	25,173	25,173	25,371
Management	15,278	14,933	16,128
Transfer to Major Repairs Reserve	22,176	22,176	22,457
Acquisition / Disposal of Land / Properties	0	170	0
Interest payable	17,760	17,760	17,764
Revenue contribution to capital expenditure	11,812	14,830	7,150
Discretionary Housing Payments	375	375	375
Other expenditure	1,314	1,304	1,248
Total expenditure	93,888	96,721	90,493
Surplus/deficit for the year	2,778	5,539	-66
Surplus brought forward	-5,613	-5,613	-74
Surplus carried forward	-2,835	-74	-140

Appendix 2

Proposed capital programme 2014/15 to 2019/20

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Adaptations	2,713	2,739	2,617	2,666	2,676	2,684
Central heating	4,031	4,093	3,205	3,264	3,277	3,286
Community Improvements	275	577	481	490	492	2,629
Electrical Installations	1,648	1,539	1,143	1,164	1,497	1,336
External Improvement Programme	8,758	9,321	6,890	7,626	7,660	6,805
Insulation	3,935	577	353	359	360	526
Minor Works	3,720	3,875	3,646	4,809	3,164	2,892
Internal Improvement Programme	3,429	2,414	2,170	2,211	2,220	2,191
New Council Housing	1,818	8,028	16,566	4,570	5,462	4,163
Tenants Association	66	62	62	64	64	65
Accommodation and Property	0	107	214	490	0	0
Void Property Improvements	12,891	13,482	11,863	12,065	12,124	12,159
Efficiency Saving	0	-375	-405	-405	-405	-405
Grand Total	43,284	46,439	48,805	39,373	38,591	38,331

Resources

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Borrowing	0	1,500	4,700	0	0	0
Major repairs reserve	22,319	22,457	22,744	23,029	23,475	23,804
Revenue contribution to capital	15,080	7,150	9,700	10,505	10,870	11,201
Usable capital receipts	4,869	15,162	12,170	6,361	4,781	3,872
Less usable capital receipts transferred to support private sector housing capital	-484	-496	-509	-522	-535	-546
Other (grants)	1,500	666	0	0	0	0
Grand Total	43,284	46,439	48,805	39,373	38,591	38,331

Appendix 3

Detail of the proposed provisional five year housing capital programme 2015/16 to 2019/20

Adaptations

At current levels of referrals the budget would maintain existing waiting times and would provide around 400 larger adaptations (level access showers, stair lifts, vertical lifts, ramps and a limited numbers of extensions and conversions) in each year. In addition the budget will provide for around 1,300 minor adaptations per annum for grab rails, handrails and the like. The budget for adaptations to void properties is maintained at around £100,000 per annum and will also assist in reducing waiting times and make best use of adapting suitable available properties.

£13.4m over 5 years

Central Heating

Improving energy efficiency and reducing fuel poverty is a major priority for the Council, with the added benefit of also reducing carbon emissions and addressing climate change. The Central Heating programme delivers new and improved central heating systems to Council owned homes, providing modern efficient heating to unheated homes and replacing inefficient and costly systems to ensure heating homes is as affordable as possible for tenants.

Around 4,300 homes over the 5 years will have a replacement boiler or system upgrade. An estimated 3,800 of these will be addressed in a programme that will replace older, more inefficient boilers and also install additional radiators to partially heated homes and the budget will also deal with an estimated 700 gas boilers and systems that cannot be repaired when they break down.

The electric night storage heating replacement programme for houses that already have a gas supply will be completed by the end of 2014/15, but there will be around 178 homes left that have refused gas heating and over 400 houses that do not have a gas supply. One-off storage heating systems that require replacement, or previous refusals, will be replaced with a modern gas system where possible.

Budgetary provision has been made to provide heating for all tenants in unheated homes who wish to receive heating, and for installing heating in all unheated properties when they become empty. Despite encouraging residents in unheated homes to have central heating installed, there are expected to be around 450 unheated homes in the borough at the end of March 2015 and it is estimated that due to continued tenant refusal around 75 homes will remain unheated at the end of the five year programme.

£17.1m over 5 years

Community Improvements

This programme continues the work commenced in previous years dealing with local environmental schemes and community safety schemes for improvements and refurbishment of Housing (HRA) assets.

The programme will continue to address local community safety and environmental projects with around £400,000 investment each year prioritised in consultation with the Housing Board.

Provision is also made to address improvements to communal entrances in flatted developments following major improvements such as lift and communal lighting works. A further provision of £2m is made in 2019/20 to address wider estate based improvements.

£4.7m over 5 years

Electrical Installations

The budget will continue to address electrical works in domestic dwellings and communal areas.

The programme of periodic electrical inspections will continue with necessary electrical works being undertaken to ensure that electrical installations do not fail the Decent Homes Standard. Around £1.2m is proposed to address necessary electrical works although the majority of homes, including empty properties, will only require partial electrical rewires and upgrades.

The programme will also continue with a £1.2m programme rewiring of communal areas in high and low rise flats and emergency wiring in low rise flats (over 3 stories).

Provision is also made to continue the programme of major upgrades and improvements to lifts in high rise flatted developments at Chapel St, with £2.9m of expenditure over the 5 years.

Over £1.4m budgetary provision is made over 5 years to continue a programme of door entry replacement and improvements in low rise flats, and upgrades to warden call equipment to allow the provision of the essential Homecall service for vulnerable residents of the community.

£6.7m over 5 years

External Improvement Programme

The programme continues to address necessary improvements and planned maintenance to the external façade of Council owned homes, predominantly replacement windows and re-roofing.

Over the five years the budget will fund a £22m programme replacing an estimated 10,000 windows each year with modern double glazed windows, and £1.3m replacing external doors that are in significant need of replacement.

Over 5 years £15m is proposed to be invested in re-roofing homes to ensure that they remain sound and watertight. This work is either replacement of roof coverings such as tiles or slates and/or replacement and/or upgrade of the structural timbers as necessary. The budget will also continue work on a planned programme to replace flat roof coverings on flatted developments with modern energy efficient materials. The budget will also be used for planned improvement works associated with roofing such as fascias and soffits.

£38.3m over 5 years

Insulation and Energy Efficiency

The programme predominantly provides resources for measures of draught stripping, increased levels of loft insulation and other targeted carbon emission and energy efficiency programmes. Works will improve the SAP (Standard Assessment Procedure) rating of the housing stock (which measures how energy efficient the housing stock is) and improve fuel poverty by reducing energy bills.

Over £1.5m has also been made to address external re-rendering with insulated materials from 2015/16 onwards.

This programme will be supplemented by any Government agency or Energy Service Providers' funding that can be secured by Dudley under ECO (Energy Company Obligations) or other such 'green deal' opportunities.

Total budget: £2.2m over the 5 years 2015/16 to 2019/20, plus any additional energy related resources received.

Internal Improvements

This programme is proposed to continue to address necessary internal improvements to homes, prioritising those properties where the kitchen and bathrooms fall into non-decency due to their age and where they are also in poor condition. Necessary re-plastering and replacement floors will also be undertaken. Each year around 700 internal improvements will be carried out.

£11.2m over 5 years

Minor Works

This budget is used to deal with structural and urgent repairs, and health and safety issues that arise throughout the year. Works already identified include dealing with:

- Works arising from Fire Risk Assessments to flatted developments, with a programme commencing of upgrading fire doors to low rise flats;
- Repairs to common areas such as paving and paths;

- Dwelling related structural, subsidence and demolition works;
- Works that are required as a result of high rise structural inspections and periodic surveys to flatted developments (structural repairs, balconies);
- Refuse chute replacement to flatted developments.
- Improvements to sheltered accommodation

£18.4m over 5 years

New Build

October 29th Cabinet approved £40.6m expenditure on a number of new build schemes and the capital programme remains unchanged. Schemes already commenced and on site include:

- Norfolk Rd, Wollaston and The Walk, Sedgley (14 apartments suitable for persons with living disabilities and 3 two bedroom houses) ,
- The conversion of the former Wrens Nest Estate Office into 2 1 bedroom apartments
- The conversion of Holloway Chambers, Dudley into 2 1 bedroom town centre apartments.

Planning permission has been applied for the conversion of Arcal Lodge Sedgley into 8 bungalows and 6 apartments, and for the conversion of the former archives at Roseville into 15 two storey houses / apartments and a new build 3 bedroom detached house, with works due to commence in 2015.

Feasibility and design work is ongoing for other projects, notably:

- the former Guest Hospital, Dudley
- Middlepark Road, Russells Hall;
- a number of smaller housing infill and garage sites across the borough including the redevelopment of 14 to 24 Beech Road, Kingswinford

£38.8m over 5 years, based on estimated capital receipts

Tenant and Residents' Association

The budget is allocated in each of the five years to community improvement schemes identified by Tenants' and Residents' Associations, and prioritised in consultation with the Dudley Federation of Tenants' and Residents' Associations. Budgets are expected to fund around 40 projects each year.

£0.3m over 5 years

Void Property Improvements

This budget is used to fund improvement works to empty properties where the work is of a capital nature to ensure that they are re-let in a reasonable state of repair and have modern facilities for kitchens and bathrooms in accordance with the Decent Homes Standard.

£61.7m over 5 years

Accommodation and Property

A provision of £810,000 over 3 years is proposed to undertake necessary roof and structural improvements at the Leys Depot, Brierley Hill. Whilst the extent and nature of the works is yet to be fully ascertained, most expenditure is planned in 2017/18.

£0.8m provision over 3 years

Appendix 4

Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) and Thirty Year Business Planning Strategy for Landlord Housing

Purpose

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) has set out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties. It relates specifically to the Housing Revenue Account (HRA) and the capital programme for improvement of the Council's own housing stock.
2. The MTFS(LH) should be read in conjunction with the Council's overall Medium Term Financial Strategy (MTFS). The underlying principles set out in the overall document apply equally to the MTFS(LH).
3. In the context of the introduction of Self-Financing for public sector housing, the abolition of the HRA subsidy system, the increased autonomy and flexibility that housing authorities will have to manage their stock and, in Dudley's case, the increased debt taken on, a Thirty Year Business Plan is being developed. This will take into account issues including investment need, treasury management strategy, financial projections and tenants' engagement.

Background

4. The previous financial strategy for landlord housing focussed on the period up to 2010/11 and was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving a range of stakeholders and culminated in a decision by the Council in April 2005. The key elements of this financial strategy were:
 - delivery of the Government's Decent Homes Standard by 2010 and maintenance of that standard in later years;
 - support to the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
 - identifying ongoing savings and efficiency gains, through the use of partnerships where appropriate;
 - the prudent management of reserves and other balances;
 - compliance with government policy on rent restructuring;
 - honouring the outcome of the Housing Stock Options Appraisal and the view of the majority of tenants and other stakeholders that the housing stock should remain under direct council control.
5. This strategy showed that, on the basis of financial trends and government policy known at the time, it would be possible to deliver the Decent Homes

Standard and other priorities for council housing by 2010, and this was achieved on time.

6. The new financial strategy for landlord housing takes into account the delivery of the Decent Homes Standard and the new opportunities and challenges arising from the introduction of the self-financing system. This is the subject of an ongoing consultation process that includes tenants and residents. The key elements of this new financial strategy, which will cover a rolling five year period, are:
 - maintain the Decent Homes Standard;
 - Improve the energy efficiency of the housing stock and address fuel poverty;
 - invest in housing stock and minimise the number of void properties;
 - review the suitability of the housing stock and explore the feasibility of new build to increase stock and / or replace properties that are in poor condition or that do not meet modern requirements;
 - support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
 - identify ongoing savings and efficiency gains, through the use of partnerships where appropriate;
 - continue to undertake prudent management of reserves and other balances;
 - have regard to government rent policy for social housing.

The proposed budget 2015/16 and the MTF5(LH)

7. The Decent Homes Standard was delivered by the end of 2010. Resources remain to be required to maintain this standard, and deal with properties where the age of the fittings mean that a replacement is required, and non-decent properties as they become void. The rolling five-year capital programme includes resources to maintain the Decent Homes Standard.
8. A new stock condition survey was commissioned and undertaken during late 2013 to validate and support existing stock investment information. The detailed output of this is being evaluated, but has initially identified a five year investment need to 2018/19 of circa £200m and a 30 year capital investment of circa £750m. In addition there is an estimated demand for around £600m over 30 years required to address ongoing responsive repairs, statutory servicing (e.g. gas appliances) and cyclical maintenance. Further work is ongoing to develop a more detailed 5 and 30 year financial plans that will also consider the financial implications and need delivering other wider housing issues in addition to basic stock 'bricks and mortar' investment such as new build housing, conversions, adapting properties for vulnerable persons and persons with disabilities and estate based improvements to ensure sustainable communities are maintained together with other contingent major repairs. .

9. This forecast has been based on recent financial trends and our current assessment of the Government's housing finance policy and, like any forecast, should be regarded with caution (risks to the forecast are considered later). In view of our commitment to stock retention and maintenance of the Decent Homes Standard, it is proposed that we continue when necessary to give consideration to the following:
- ongoing review of spending and resource forecasts;
 - further efficiency and other savings, including those achievable from use of partnerships;
 - addition to and replacement of the housing stock via new build programmes;
 - the level of housing debt;
 - service charges².
10. The volume of responsive repairs has generally decreased since the backlog of routine repairs was eliminated in recent years. The increase in capital investment over the last few years together with efficiencies in the way repairs and capital works are delivered have resulted in significant cost savings.
11. A proposed rolling five-year capital programme has been developed as a continuation of the existing programme to maintain current standards and improvements following the achievement of the Decent Homes standard.
12. Resources have been identified to continue the new council house programme, with £40.6m identified up to 2019/20 from estimated Right to Buy One for One replacement capital receipts, Local Growth Fund approved borrowing and HRA resources. Right to Buy expenditure targets forecast £3.3m expenditure by March 2016, a further £7.4m by March 2017 and £5.4m by March 2018. Resources have been allocated to future years assuming that government rules will continue as they are currently. Local Growth Fund schemes are to be committed to new housing by March 2017.
13. The table below summarises the 30 year financial business plan (based on the PriceWaterhouse Coopers self-financing 30 year model, and detailed in the HRA Estimates 2014-15 detailed 30 year financial plan). This is updated annually and will take into account changes in policy. It reflects our current approach of stock retention, maintenance of the Decent Homes Standard, investment in the maintenance and improvement of our stock, and regard to national rent policy.

² Government subsidy calculations assume charges over and above the rent for special services to flats and for supported housing – the HRA is financially disadvantaged as a result of not applying these charges.

	Years 1 -5	Years 6 - 10	Years 11 - 15	Years 16 - 20	Years 21 - 25	Years 26 - 30
	£m	£m	£m	£m	£m	£m
Income						
Dwelling rents	-461,182	-506,049	-558,719	-616,871	-681,075	-751,962
Other	-6,508	-7,011	-7,741	-8,546	-9,436	-10,418
Total Income	-467,690	-513,060	-566,460	-625,417	-690,511	-762,380
Expenditure						
Management and maintenance (net of retained surpluses)	213,945	233,290	257,325	284,267	313,835	346,610
Depreciation and transfer to Major Repairs Reserve	115,487	126,317	139,464	153,980	170,006	187,700
Revenue Contributions to Capital / Debt Repayment	48,576	61,400	76,300	93,800	113,300	134,700
Interest Payments	89,682	92,052	93,370	93,370	93,370	93,370
Total Expenditure	467,690	513,060	566,459	625,417	690,511	762,380
Balance	0	0	0	0	0	0

Risks to the financial forecast

14. The main risks to the financial forecast are considered below:

Risk	Impact
Inflation higher than forecast	<p>While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through the rent increase applied.</p> <p>If cost inflation is lower than general inflation as used to determine the rent increase, this will have a positive budgetary impact.</p> <p>However, if cost inflation is higher than general inflation as used to determine the rent increase, this will have a negative budgetary impact.</p>

Income levels not achieved

Rent loss from void properties

We have seen over recent years an increase in void properties owing mainly to greater tenant mobility and this has resulted in an increased rent loss of up to 3% of total rent available, although this is now starting to reduce as the impact of recent investment in void property works is beginning to have an effect.

We are however seeing an increase in the number of hard-to-let properties, for instance two-bedroom high rise flats and some three-bedroom houses.

We have allowed in our forecasts for a rent loss of 2.7% of total rent available.

The cost for each 1% void loss is around £1m per annum.

Rent loss from non-payment of arrears

As part of the Government's proposed welfare reforms, it is proposed that many tenants will in future start to receive Universal Credit direct and will therefore be responsible for paying their own rent. Currently, tenants in receipt of benefit have their rent paid as a transfer from Benefits. This is likely to lead to an increase in arrears and potentially in bad debts.

Around 2,600 tenants of working age in receipt of benefits have already been affected by benefit restrictions from April 2013 as they were deemed to be under-occupying their property.

We estimate that around £1.8m rent, which was previously paid directly via Benefits, is now being collected from tenants as a result of the new underoccupancy rules.

We have seen an increase in arrears during 2013/14 and 2014/15.

The impact of Universal Credit on rent collection rates is difficult to assess at this stage, but initial estimates from the pilot projects suggest that the collection rate may fall from the current 98% to

	<p>80% - 90%. The management cost of collecting rents is also expected to rise as more payments are made direct by tenants rather than via transfer from the Benefits system.</p> <p>There have been a number of delays to the Universal Credit programme, with only a small number of claimants, very few of whom currently have housing needs, having been transferred to the new system.</p> <p>Dudley is in the first tranche of the next roll-out of Universal Credit to new, single claimants nationally, starting in March 2015. This will include claimants with housing needs, but as yet will not include any existing claimants, couples or families. It is therefore expected that numbers will be fairly low at least for the first few months.</p> <p>At the moment the timescale for transfer of more claimants remains uncertain, as does the government's approach to the ICT systems that will be adopted when Universal Credit is rolled out more widely than the current pilot schemes.</p>
<p>Change in rent policy</p>	<p>The national formula setting / advising the maximum rent increase for social landlords is now September CPI plus 1%. "Convergence" has also ended from 2014/15 i.e. one year early, and more flexibility is available for social landlords around charging market rents for more affluent tenants.</p> <p>A rent increase of less than the national formula – as we are proposing for this year - means that our annual resources for management, maintenance, interest payments and improvement / new build works will be lower than originally forecast.</p> <p>We have carefully considered the impact of the proposed rent freeze both on the 2015/16 and on future years' budgets and are confident that this is affordable in the context of our longer term financial planning. This will also benefit our tenants, particularly those who are working and not eligible for full housing benefit.</p>

	<p>Recent government guidance on the changes to social rent policy makes it clear that while housing associations are expected to comply with the policy, housing authorities are expected to have regard to it.</p>
Interest rates higher than forecast	<p>Our debt on housing properties is around £464m following the introduction of self-financing. Hence, interest rate risk is much more significant than it was under the subsidy system.</p> <p>Risk will be mitigated by borrowing at fixed rates and spreading repayment dates to minimise refinancing risk.</p>
Reduction in property values in the borough	<p>Any reduction in property values will reduce the value of usable capital receipts.</p>
Reduction in land sales and capital receipts	<p>We have seen as a result of the general economic situation a diminution in the value received for sale of housing land. We also expect that with a new council house building programme we are likely to be disposing of fewer housing sites.</p> <p>A specific risk applies in relation to £700k of the anticipated receipt for North Priory which is payable as Kickstart grant by the Homes and Communities Agency (HCA) to our developer partners on the successful completion of Phase 1 of the project. This will then be passed on to the Council. We are actively monitoring our developer partners' progress in claiming this grant.</p>
Reinvigoration of Right to Buy	<p>The Government has increased the cap on Right to Buy (RTB) discount from £26,000 to £77,000 per property, and in future years this will continue to increase by inflation annually. The maximum discount for houses has also been increased during 2014/15 from 60% to 70%. The changes have already resulted in increased sales during the last quarter of 2012/13 and in 2013/14.</p> <p>However, because the value of the maximum discount has increased and there has been a</p>

	<p>reduction in the average value of the properties sold, increased sales will not necessarily result in a proportionally greater value of capital receipt income.</p> <p>We are starting to see from the autumn of 2014 a slowing down of Right to Buy completions, which may be connected to the more stringent rules that mortgage lenders are applying. As yet, it is too early to tell whether this will continue.</p> <p>New regulations have replaced the capital receipts pooling arrangements and require councils to build replacement homes for all extra homes sold under Right to Buy. The current arrangements apply up to and including 2016/17. There is a risk to future new build investment should funding arrangements change to our disadvantage from 2017/18.</p>
Suitability of stock	<p>Some of our stock is old and not particularly suited to modern styles of living. In addition, changes to the benefit system mean that some of our properties are less attractive than they were previously (e.g. two-bed high rise flats or three-bed maisonettes). We are already experiencing difficulty in letting such properties, which will lead to a loss in rental income and also potentially an increase in security costs and an increase in anti-social behaviour.</p>
Availability of borrowing	<p>The HRA is currently at the government's borrowing cap, so all capital expenditure on housing stock must be funded from annual revenue (mainly dwelling rent income) or capital receipts from house or land sales. Our strategy is to invest our annual rental income into maintaining and improving our stock, and building new homes as resources permit. In the short to medium term we are not planning to repay any debt, as our priority is improving and extending our stock. However, this restricts the size of any redevelopment / new build scheme as we are not able under current rules to borrow on the strength of future rental income.</p> <p>We have been successful in our bid under the Local Growth Fund to increase our borrowing cap</p>

	by £1.5m in 2015/16 and a further £4.7m in 2016/17, which will contribute to our new build programme. However, this has set us another challenging target for new build and, like the Right to Buy replacement target, also requires a contribution from other HRA resources.
Unforeseen costs or costs greater than estimated	<p>Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year in which they arise or from any balances available in that year.</p> <p>Calculations indicate that any costs to the HRA arising from Single Status can be met within proposed budgets.</p> <p>We anticipate that any Equal Pay settlement costs would be capitalised through a government dispensation.</p>

Prudential indicators

15. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code which specifically requires us to set a number of prudential indicators. The full range of prudential indicators are to be set as part of another report on this agenda. Those indicators that relate to HRA capital expenditure are set out below:

	Latest budget 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
Ratio of financing costs to net revenue stream: HRA	43.8%	44.4%	44.2%	43.9%
Estimated incremental impact of capital investment decisions on HRA weekly rents	N/A	N/A	N/A	N/A
Capital expenditure: HRA	£43.3m	£46.4m	£48.8m	£39.4m
Capital Financing Requirement: HRA	£464.1m	£465.6m	£470.3m	£470.3m

16. The ratio of financing costs to net revenue stream shows the costs of servicing housing debt as a percentage of total HRA income. This is a measure of the affordability of debt.
17. The forecast debt charges resulting from anticipated borrowing are fully reflected in the Housing Revenue Account budget at Appendix 1 of the report.
18. The HRA Capital Financing Requirement is a measure of the share of the Council's overall portfolio of debt and investments that results from public sector housing capital expenditure. The limit on the HRA CFR imposed on implementation of self-financing is £464.1m. Additional borrowing under the Local Growth Fund is available in 2015/6 and 2016/17 and this will increase the HRA CFR limit. The debt charges resulting from this new borrowing will be funded by the rental stream from the additional homes provided.

Partnerships

19. Housing Services is continuing to deliver on its partnership working and currently has a number of such arrangements, for example:
 - Funding partnerships with energy service providers to increase resources under the Government's ECO (Energy Company Obligations) - which replaced CESP from spring 2013 - to deliver energy efficient whole house measures to combat climate change and CO2 emissions in Council Homes.
 - Strategic partnerships that are being delivered in accordance with the principles of Sir John Egan's report 'Rethinking Construction'. Through innovative payment mechanisms, incentivising good performance and modern methods of collaborative working, partnerships are delivering improved services at a measurably lower cost and have allowed valuable and limited resources to be re-invested in the housing stock (e.g. gas servicing, maintenance and repairs).
 - A strategic partner is also planned to assist in the delivery of new build homes and procurement work has commenced.
20. Procurement consortia (e.g. the LHC Framework) and other partnership arrangements will also continue to be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.

Meeting of the Cabinet – 11th February 2015

Joint Report of the Chief Executive and Chief Officer, Finance and Legal Services

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.
4. To propose the Council’s Minimum Revenue Provision (MRP) Policy for 2015/16.

Background

5. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	2014/15	2015/16	2016/17
	£’000	£’000	£’000
Public Sector Housing	43,278	47,267	54,275
Other Adult, Community & Housing	5,900	4,901	550
Urban Environment	26,894	21,013	5,873
Children’s Services	14,900	14,443	161
Corporate Resources	2,597	1,414	1,266
Total spend	93,569	89,038	62,125
Revenue	15,321	15,802	13,690
Major Repairs Reserve (Housing)	22,176	22,457	22,744
Capital receipts	17,459	15,766	19,509
Grants and contributions (inc. Lottery)	25,367	12,473	94
Capital Financing Requirement*	13,246	22,540	6,088
Total funding	93,569	89,038	62,125

*This will be funded internally from the Council’s cashflow resources as far as possible, rather than from external debt.

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced. There is a report on the proposed Public Sector Housing capital programme elsewhere on this agenda.

6. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2014/15 Programme are given in Appendix A. It is proposed that the current position be noted, and that budgets be amended to reflect the reported variances. An update on progress with the Council's most significant capital schemes is shown in Appendix B.

Urban Environment

Colley Gate Toucan Crossing

7. The Council has received grant funding of £40,000 from the DEFRA Air Quality Fund to provide a toucan crossing in Colley Gate, Halesowen to assist traffic flow along Colley Gate with the intention of reducing congestion & improving air quality in the area. It is proposed that the allocation be noted and the project included in the Capital Programme.

Wordsley Park Garage

8. In line with current budgeted efficiency savings, it is proposed to consolidate the two existing Brierley Hill Green Care teams into one depot at Wordsley Park. In doing so cost savings can be realised through reduced lease, service, and maintenance costs. The cost to build a new fully secured vehicle garage and storage facilities within Wordsley Park to accommodate the consolidation would be around £195,000. These costs can be funded via prudential borrowing, which can be repaid from the annual revenue savings generated. It is proposed that the project be approved and included in the Capital Programme.

CCTV

9. Security provision at the Blowers Green and Lister Road depots has recently been reviewed and it is proposed that the current arrangements are changed in order to make annual revenue savings whilst ensuring robust out of hours security monitoring at the site. The proposal is for the installation of a monitored CCTV system linked to a call centre that is allied with the local police. Initial capital costs of the scheme are £41,000. These costs can be funded via prudential borrowing, which can be repaid from the savings generated. It is proposed that the project be approved and included in the Capital Programme.

Highways Maintenance Block allocations 2015/16 – 2017/18

10. The Department for Transport has recently announced the above. Dudley's allocations are as follows:

2015/16	£3,036,000
2016/17	£2,783,000
2017/18	£2,699,000

The distribution of these allocations between roads, structures and street lighting will be determined in due course in accordance with agreed procedures, in consultation with the Cabinet Member for Transportation. It is proposed that the allocations be included in the Capital Programme.

Children's Services

Universal Infant Free School Meals - Capital Funding Bid

11. The Council has been successful in its bid to the Department for Education (DfE) for funding to install a new kitchen at Netherton Church of England Primary School to enable the school to successfully deliver the Universal Infant Free School meal requirement. In order that recipient schools are not compromised in their ability to achieve value for money in negotiations with suppliers, the DfE will not be making public the funding amounts per school at this time.

It is proposed that the funding allocation be noted and the project included in the Capital Programme.

Corporate Resources

Energy Efficiency

12. Following the appointment of the Council's Energy Manager in September 2014, a number of initiatives have been identified that will reduce the amount of gas, electricity and water that the Council uses. Many of these projects will require initial capital investment to deliver long-term savings. Examples of projects that have been identified, for which capital funding is being sought include:

- efficient lighting (e.g. LED);
- roof insulation;
- Bore holes and associated infrastructure (for supplying cheap water);
- Upgraded air handling systems;
- Upgraded heating systems and controls.

In addition to delivering direct financial savings resulting from decreased use of gas, electric and water, additional savings will be achieved as the Council will have fewer carbon emissions on which to pay taxes.

The estimated cost of the initial projects of £140,000 can be met from available directorate revenue resources. It is proposed that these be approved and included in the Capital Programme, and that the Director of Corporate Resources be authorised to include further projects subject to establishing value for money and the availability of funding.

Urgent Amendment to the Capital Programme

Autism Innovation Grant

13. The Council has been allocated £18,500 to support work on implementing Think Autism, the recent update to the 2010 Adult Autism Strategy for England. The funding is intended to be used to purchase new electrical equipment or IT developments, or for making environments used by people with autism such as public buildings more autism friendly.

In order to enable the funding to be spent in accordance with the allocation letter, a decision (ref. DCR/21/2014) was made by the Leader of the Council in consultation with the Chief Officer, Finance and Legal Services on 18th December 2014 that the allocation be noted and the related spend be included in the Capital Programme.

Homer Hill Park

14. As part of the Homer Hill Park Master Plan, the construction of five new paths in or around the perimeter of Homer Hill Park are considered essential enhancements that will extend the existing footpath network to enable the majority of the park to be easily accessed via a surfaced pedestrian route. This is primarily for the benefit of the local community and elderly residents of The Limes, the new Extracare facility, which is due to open in March 2015.

The cost to construct five new pathways is estimated to be £70,000, of which the construction of the first four pathways would cost £34,000. This can be funded by proceeds from the sale of 5 Chase Road, Lower Gornal (the former Crematorium Lodge) and will allow this key project to be implemented. If further funding opportunities become available in the future, then the final fifth perimeter path could be added at a later date.

In order to enable the works to be undertaken as soon as practically possible whilst weather conditions allow, a decision (ref. DUE/02/2015) was made by the Leader of the Council in consultation with the Chief Officer, Finance and Legal Services on 5th January 2015 that the construction of five pathways in Homer Hill Park be included in the Capital Programme.

Post Completion Review of Capital Projects

15. The Post Completion Reviews required by Contract standing orders have now been undertaken for the following schemes, with copies of the proformas summarising the reviews attached at Appendix C.

Urban Environment

Brierley Hill Local Sustainable Transport Fund (LSTF) - Active Travel
Partnership Infrastructure Works

Children's Services

Leasowes High School – Re-roofing
Dingle Community School – Boiler Replacement
Maidensbridge Primary School – Boiler Replacement
The Ridge Primary School – Window Replacement
Withymoor Primary School – Boiler Replacement

It is proposed that these be noted.

The CIPFA Prudential Code for Capital Finance in Local Authorities

16. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
17. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix D.

Minimum Revenue Provision (MRP) Policy Statement

18. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.)
19. In line with the current policy, it is proposed that the Council agrees the following MRP Policy for 2015/16 as follows. This is unchanged from the 2014/15 Policy.
 - For unsupported borrowing to fund capital expenditure incurred from 1st April 2008 onwards, MRP be calculated on the basis of equal instalments or annuity as appropriate over the initial estimated life of the assets - the "Asset Life" method. And in respect of "PFI" schemes and other Finance Leases etc., MRP be calculated on a basis equivalent to the principal element of the unitary/lease payments. This would also apply to such expenditure incurred before 1st April 2008 but only subsequently included on the Balance Sheet as a result of changes to accounting arrangements. *(This means that such borrowing and other credit arrangements will be repaid over the life of the assets for which it was incurred, matching the costs with the benefits received.)*
 - For all supported borrowing, and unsupported borrowing to fund capital expenditure incurred before 1st April 2008, MRP be calculated on the basis of the previous regulations - the "Regulatory Method". *(This means that supported borrowing will mainly be repaid to match the support received from the Government, and that unsupported borrowing will be repaid as was anticipated when it was incurred, avoiding any change to the net impact on annual revenue budgets.)*

Finance

20. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

21. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Equality Impact

22. These proposals comply with the Council's policy on Equality and Diversity.
23. With regard to Children and Young People:
 - The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

24. That the result of the Post Completion Review of relevant capital projects, as set out in Appendix C be noted.
25. That the Council be recommended:
- That current progress with the 2014/15 Capital Programme, as set out in Appendix A be noted, and that budgets be amended to reflect the reported variances.
 - That the grant funding for a toucan crossing in Colley Gate, Halesowen be noted and the project included in the Capital Programme, as set out in paragraph 7.
 - That the Wordsley Park Garage project be approved and included in the Capital Programme, as set out in paragraph 8.
 - That the CCTV project at Blowers Green and Lister Road depots be approved and included in the Capital Programme, as set out in paragraph 9.
 - That the Highways Maintenance Block allocations 2015/16 – 2017/18 be included in the Capital Programme, as set out in paragraph 10.
 - That the funding to install a new kitchen at Netherton Church of England Primary School be noted and the project included in the Capital Programme, as set out in paragraph 11.
 - That the initial Energy Efficiency projects be approved and included in the Capital Programme, and that the Director of Corporate Resources be authorised to include further projects subject to establishing value for money and the availability of funding, as set out in paragraph 12.
 - That the Urgent Amendments to the Capital Programme, as set out in paragraphs 13-14, be noted.
 - That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix D, be agreed.
 - That the Minimum Revenue Provision (MRP) Policy for 2014/15 be approved as set out in paragraph 19.



Sarah Norman
Chief Executive



Iain Newman
Chief Officer, Finance and Legal Services

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List of Background Papers

Relevant resource allocation notifications.

CIPFA Prudential Code for Capital Finance in Local Authorities.

2014/15 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st Dec £'000	Forecast £'000	Variance £'000	Comments
Public Sector Housing	43,278	31,449	43,278		
Other Adult, Community & Housing	5,900	4,050	5,900		
Urban Environment	26,894	15,540	26,544	-350	See note 1
Children's Services	14,900	6,974	14,900		
Corporate Resources	2,597	1,468	2,677	+80	See note 2
TOTAL	93,569	59,481	93,299	-270	

Note 1: Scope of works on Better Bus Area project reduced, and significant savings achieved through value engineering.

Note 2: Favourable price obtained for purchase of new franking machines, saving £10,000; extra capital costs of £90,000 on Transforming our Workplace, offset by savings on revenue element of project.

Progress with Major Capital Schemes

Adult, Community and Housing

New Council Housing

A contract has been awarded and work has now commenced on site at Norfolk Road in Wollaston, The Walk in Sedgley, the conversion of the former Wren's Nest Estate Office and two apartments at Holloway Chambers in Dudley.

The conversion of the former care home at Arcal Lodge, Sedgley is out to tender. Conversion of the former Archives building at Roseville is due to be submitted to planning late January / early February, and a local consultation event is planned for early February with works planned to commence summer 2015.

A number of smaller housing infill and garage sites across the borough are also being progressed through feasibility stage and site investigations; ecological and topographical reports are being prepared for the schemes currently in design stage.

Urban Environment

Street Lighting

The Street Lighting Central Management System (CMS) was fully commissioned and operational in April 2013 and conversion of the street lighting stock continues. As at 14th January 2015 20,200 of the Council's 32,000 street lights can now be controlled via the CMS system remotely to help save energy; 13,100 of these can be dimmed. Spend is forecast to be within budget and completion of the scheme is expected during financial year 2015/16.

Better Bus Area

The scheme which involves the construction of a new signal controlled pedestrian crossing on the A4036 Pedmore Road, and the creation of additional road space and signal controls to facilitate bus priority measures at the junction of the Boulevard with Mill St, Brierley Hill was granted planning permission in March 2014. The Pedmore Road pedestrian crossing was completed in December 2014 and the Boulevard bus priority element is programmed for completion in January 2015. Spend is forecast to be within budget.

Mary Stevens Park

The design team have finished detailed designs for the first two contracts for the Gates and bandstand restoration and the cafe building; tenders are to be awarded mid February. The Heritage Ranger has worked with the Friends group to develop a web site and promotion through social networking. A new 6 monthly events programme for the summer months is being developed. Volunteer recruitment is underway. Spend is forecast to be within budget.

Castle Hill

New Access Road: Phase 1a was completed during October 2012. Phase 1b (link road and roundabout) was completed April 2013.

Phase 2 onwards: This comprises the secondary route, recreational route, car parking and Visitor Hub.

Planning permission was granted on 12th March 2013. Work commenced onsite for the initial phase of the secondary route on 23rd September 2013 and was completed February 2014. Work commenced on the lower level car parks on 4th December 2013, and completed March 2014. Work to upper level car park commenced April 2014, and was completed July 2014.

Three phases of landscape works have been completed to construct footpath links, planting to the car parks and the creation of the overflow car park. The contract for the Recreational route linking the Black Country Living Museum and the Dudley Canal Trust started in October 2014 and completed in March 2015. The work to create the new entrance into the Zoo is commenced in November 2014 for completion in April 2015. The new visitor hub building also commenced in November for completion in April 2015

Spend is forecast to be within budget.

Dudley Marketplace and Town Centre

The first phase of the overall Dudley Market Place Public Realm scheme, which is Castle Street/New Street, is substantially complete and was opened to full access on 10th August. The Earl of Dudley Statue work is still outstanding and will be progressed when we have reviewed the detailed costs shortly to be returned from the contractor. The Market Place (second phase) has now started and the market stalls are planned to be occupied by the market traders at the beginning of March. The project is due to complete on programme. Spend is forecast to be within budget.

Coronation Gardens

Detailed design is complete and tenders are being sought for the work, which is due to be on site between April and September. Spend is forecast to be within budget

Children's Services

DGfL3

Dudley Grid for Learning (DGfL3) includes a programme of ICT equipment upgrade and renewal across financial years 2013/14 & 2014/15. The Refresh of ICT infrastructure and classroom equipment has now been completed across the school estate with the exception of two schools; these schools have chosen to take their refresh at a later stage. The programme of associated expenditure is on schedule to be completed in 2014/15 with the exception of the two schools.

Post 16 Facility for Pens Meadow School

The programme for design and procurement of the project is on track and the projected capital spend is in line with Education Funding Agency requirements.

Schools Basic Need projects

The first phase of projects funded from Basic Need capital grant are progressing well. Projects at the Brook and Woodside Primary Schools were completed during the summer with both schools now being able to admit up to 60 children in each year group. Projects at Kates Hill and Gig Mill are on site and are due to be completed by Easter 2015. The project at Sledmere Primary is on site and is on target to be completed during August 2015.

<p>Title of Scheme: Brierley Hill Local Sustainable Transport Fund (LSTF) Project – Brierley Hill Active Travel Partnership Infrastructure Works</p>
<p>Date of Cabinet approval : Included in Capital Monitoring Report to Cabinet in September 2011. The project was funded through a combination of Department for Transport LSTF grant, LTP3 Integrated Transport Block and Section 106 funding. (i.e. inclusion in Capital Programme)</p>
<p>Original Budget: £260,000 Planned Completion date: 31/03/2014</p>
<p>Outturn Cost : £260,000 Actual completion date: 31/03/2014</p>
<p>Variation from Original Budget: None – LSTF grant is fully spent. Delay: None</p>
<p>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Cabinet):</p> <p>Not Applicable</p>
<p>Original Objectives of Scheme (please indicate when and to whom these were reported):</p> <p>The overall scheme objective was to promote and improve active travel accessibility to and within the centre of Brierley Hill. This capital element of the scheme involved the development and delivery of new and improved active travel corridors for walking and cycling, linking the surrounding communities with the centre's retail and employment sectors.</p>
<p>Have these Objectives been met? (If "No" please provide explanation):</p> <p>Yes</p>

Signed by: **John Millar** (Director) Date: 25th November 2014

Title of Scheme: Leasowes High School – Re-roofing project.

Date of Executive / Cabinet approval: 20/06/2013

(i.e. inclusion in Capital Programme) This project was funded from the Capital Maintenance Grant approved by Cabinet on the above date.

Budget at Tender Stage: £300,000

Planned Completion date: 30/05/2014

Outturn Cost: £306,000

Actual completion date: 23/05/2014

Variation from Budget at Tender Stage: £6,000

Delay: Not applicable.

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):

The contingency (an allowance included within tender for any unforeseen circumstances whilst on site) was slightly overspent due to more extensive work required to the existing roofing deck than originally envisaged. The Cost variation was approved and reported at regular intervals through PIT (Project Implementation Team).

Original Objectives of Scheme (please indicate when and to whom these were reported):

The project was prioritised through the Council's AMP (Asset Management Plan) Scoring Matrix mechanism that targets capital resources where they will have the greatest impact on raising educational Standards and improving the overall quality of school buildings. Also, the School's Governing body and Senior Management Team highlighted the project as a priority in the School's Building Development Plan.

Following a meeting of the AMP Consultation Group held on 8th May 2013 the unanimous decision by the group was to recommend that the Directorate proceed with the Re-roofing Scheme at Leasowes High School. The Director of Children's Services agreed to the project at Directorate Strategic Leadership Team (DSLTL) on 16th April 2013.

The completed project has offered a permanent solution to the roof failure and has provided a school environment that is equipped for 21st century teaching and learning.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: Pauline Sharratt..... (Acting Director)

Date: 12th November 2014

Title of Scheme: Dingle Community School – Boiler Replacement Scheme.

Date of Executive / Cabinet approval: 20/06/2013

(i.e. inclusion in Capital Programme) This project was funded from the Capital Maintenance Grant approved by Cabinet on the above date.

Budget at Tender Stage: £ 237,000

Planned Completion date: 31/10/2014

Outturn Cost: £234,000

Actual completion date: 03/11/2014

Variation from Budget at Tender Stage: - £ 3,000

Delay: 1 working day.

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):

The unspent contingency (an allowance included within tender for any unforeseen circumstances whilst on site) will be released back to the Capital Maintenance Grant budget. Cost variations were reported at regular intervals through PIT (Project Implementation Team) throughout the duration of the project.

Original Objectives of Scheme (please indicate when and to whom these were reported):

The project was prioritised through the Council's AMP (Asset Management Plan) Scoring Matrix mechanism that targets capital resources where they will have the greatest impact on raising educational Standards and improving the overall quality of school buildings. Also, the School's Governing body and Senior Management Team highlighted the project as a priority in the School's Building Development Plan.

Following a meeting of the AMP Consultation Group held on 8th May 2013 the unanimous decision by the group was to recommend that the Directorate proceed with the boiler replacement scheme at Dingle Community School. The Director of Children's Services agreed to the project at Directorate Strategic Leadership Team (DSLTL) on 16th April 2013.

The new energy efficient heating system will improve the school's energy performance rating reducing carbon and utility costs. The school's overall condition backlog has also been reduced.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: Pauline Sharratt..... (Acting Director)

Date: 12th November 2014

Title of Scheme: Maidensbridge Primary School – Boiler Replacement Scheme.

Date of Executive / Cabinet approval: 20/06/2013

(i.e. inclusion in Capital Programme) This project was funded from the Capital Maintenance Grant approved by Cabinet on the above date.

Budget at Tender Stage: £ 161,000

Planned Completion date: 03/11/2014

Outturn Cost: £ 159,000

Actual completion date: 03/11/2014

Variation from Budget at Tender Stage: - £ 2,000

Delay: *None.*

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):

The unspent contingency (an allowance included within tender for any unforeseen circumstances whilst on site) will be released back to the Capital Maintenance Grant budget. Cost variations were reported at regular intervals through PIT (Project Implementation Team) throughout the duration of the project.

Original Objectives of Scheme (please indicate when and to whom these were reported):

The project was prioritised through the Council's AMP (Asset Management Plan) Scoring Matrix mechanism that targets capital resources where they will have the greatest impact on raising educational Standards and improving the overall quality of school buildings. Also, the School's Governing body and Senior Management Team highlighted the project as a priority in the School's Building Development Plan.

Following a meeting of the AMP Consultation Group held on 8th May 2013 the unanimous decision by the group was to recommend that the Directorate proceed with the boiler replacement scheme at Maidensbridge Primary School. The Director of Children's Services agreed to the project at Directorate Strategic Leadership Team (DSLTL) on 16th April 2013.

The new energy efficient heating system will improve the school's energy performance rating reducing carbon and utility costs. The school's overall condition backlog has also been reduced.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: Pauline Sharratt..... (Acting Director)

Date: 12th November 2014

Title of Scheme: The Ridge Primary School – Window Replacement Project.

Date of Executive / Cabinet approval: 20/06/2013

(i.e. inclusion in Capital Programme) This project was identified as part of the Capital Maintenance Programme 2013/2104 and funded from the Capital Maintenance Grant 2013/2014. Cabinet approval was given on the above date.

Budget at Tender Stage: £ 201,000

Planned Completion date: 29/08/2014

Outturn Cost: £ 201,000

Actual completion date: 29/08/2014

Variation from Budget at Tender Stage: None.

Delay: None.

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):

Not applicable.

Original Objectives of Scheme (please indicate when and to whom these were reported):

The project was prioritised through the Council's AMP (Asset Management Plan) Scoring Matrix mechanism that targets capital resources where they will have the greatest impact on raising educational Standards and improving the overall quality of school buildings. Also, the School's Governing body and Senior Management Team highlighted the project as a priority in the School's Building Development Plan.

Following a meeting of the AMP Consultation Group held on 8th May 2013 the unanimous decision by the group was to recommend that the Directorate proceed with a window replacement scheme at The Ridge Primary School. The Director of Children's Services agreed to the project at Directorate Strategic Leadership Team (DSLTL) on 16th April 2013.

The new windows have assisted in providing a stimulating learning environment for pupils and staff, whilst improving security and energy efficiency of the school premises.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: Pauline Sharratt..... (Acting Director)

Date: 12th November 2014

Title of Scheme: Withymoor Primary School – Boiler Replacement Scheme.

Date of Cabinet approval: 13/03/2014

(i.e. inclusion in Capital Programme) This project was funded from the Capital Maintenance Grant approved by Cabinet on the above date.

Budget at Tender Stage: £ 167,000

Planned Completion date: 01/09/2014

Outturn Cost: £ 179,000

Actual completion date: 24/10/2014

Variation from Budget at Tender Stage: £ 12,000

Delay: 40 working days

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Cabinet):

The allocated project contingency (an allowance included within tender for any unforeseen circumstances whilst on site) was overspent due to an unsuspecting gas leak on the existing underground service. This was discovered midway through the project and it was a necessity to replace to comply with current legislation. Cost variations were reported at regular intervals through PIT (Project Implementation Team) throughout the duration of the project.

An extension of time was awarded to cover the time to replace the underground gas service.

Original Objectives of Scheme (please indicate when and to whom these were reported):

The project was prioritised and funded through the Council's AMP (Asset Management Plan) Contingency Fund following a funding request from the school as the existing heating plant was on the brink of failure and needed to be replaced if potential school closures, due to heating problems, were to be avoided. This was subsequently approved by the Interim Director of Children's Services on 13th March 2014.

The new energy efficient heating system will improve the school's energy performance rating reducing utility costs and carbon emissions. The school's overall condition backlog has also been reduced.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: Pauline Sharratt..... (Acting Director)

Date: 12th January 2015

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* (“the Code”), which is required to be complied with as “proper practice” by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council’s capital expenditure and borrowing plans in the light of resource constraints. The remaining indicators (6-7) are primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council’s overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council’s budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council’s Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2014/15, 2015/16 and 2016/17 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	45.5	50.0	45.5	10.6	9.8
HRA	40.8	43.3	46.4	48.8	39.4
Total	86.3	93.3	91.9	59.4	49.2

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	288.3	286.9	292.5	277.3	262.4
HRA	464.1	464.1	465.6	470.3	470.3
Total	752.4	751.0	758.1	747.6	732.7

The limit on the HRA CFR imposed on implementation of self-financing, plus subsequent approved increases is £470.3m.

3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2014/15 to 2017/18.

4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The forecast debt charges resulting from anticipated overall borrowing are fully reflected in the figures set out in the Budget Strategy report being considered by Cabinet on 25th February and the Public Sector Housing report elsewhere on this agenda. There are no proposals to undertake new borrowing for General Fund capital expenditure. The debt charges resulting from new borrowing for Public Sector Housing capital expenditure will be funded by the rental stream from the resulting additional homes. The impact on Council Tax and Rents is therefore as follows.

	2015/16	2016/17	2017/18
	£	£	£
Increase in Annual Band D Council Tax	0	0	0
Increase in Weekly Housing Rent	0	0	0

5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2013/14	2014/15	2015/16	2016/17	2017/18
	%	%	%	%	%
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	10.3	9.2	10.7	11.6	11.7
HRA	44.6	43.8	44.4	44.2	43.9

6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

	2013/14	2014/15	2015/16	2016/17	2017/18
		Revised	Revised	Revised	
	£m	£m	£m	£m	£m
Authorised limit for external debt:					
Borrowing	n/a	904	893	882	860
Other long term liabilities	n/a	37	43	36	30
Total	n/a	941	936	918	890
Operational boundary:					
Borrowing	n/a	775	796	800	801
other long term liabilities	n/a	37	43	36	30
Total	n/a	812	839	836	831
Actual External Debt:					
Borrowing	735.9	n/a	n/a	n/a	n/a
Other long term liabilities	32.1	n/a	n/a	n/a	n/a
Total	768.0	n/a	n/a	n/a	n/a

7. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

This indicator is a fundamental requirement of the system in so far as it relates to treasury management activity. The Council has adopted the Code of Practice.