

The Executive of North Ayrshire Council  
11 February 2010

**IRVINE, 11 February 2010** - At a Special Meeting of The Executive of North Ayrshire Council at 11.00 a.m.

**Present**

David O'Neill, Tom Barr, John Bell, Margaret McDougall and Peter McNamara.

**Also Present**

Robert Barr, Matthew Brown, Andrew Chamberlain, Margie Currie, Anthea Dickson, Alex Gallagher, William Gibson, Jean Highgate, John Hunter, Ruby Kirkwood, Elisabeth Marshall, Ronnie McNicol, Pat McPhee and Joan Sturgeon

**In Attendance**

E. Murray, Chief Executive; B. Docherty, Corporate Director (Social Services); C. Kirk, Corporate Director (Educational Services); A. Herbert, Assistant Chief Executive and D. Nibloe, Chief Accountant (Finance); I.T. Mackay, Assistant Chief Executive (Legal and Protective); J. M. Macfarlane, Assistant Chief Executive (Human Resources) O. Clayton, Head of Housing and Building Services (Property Services); J. Montgomery, General Manager; P. Shiach, Committee Services Officer; and C. Rowney, Communications Officer (Chief Executive's Service).

**Chair**

Councillor O'Neill in the Chair.

**Apologies for Absence**

John Reid.

**1. Declarations of Interest**

Councillor McDougall declared an interest in relation to item 2 of the agenda, Council House Building: Castlepark, Irvine and Winton Avenue, Kilwinning, as a member of the Board of Irvine Housing Association, and took no part in the determination thereof.

**2. Council House Building: Castlepark, Irvine and Winton Avenue, Kilwinning**

Submitted report by the Head of Housing & Building Services (Property Services) (a) on the award of a works contract to the value of £2,381,430 for the construction of 23 new build council house units in the Castlepark area of Irvine; (b) detailing the outcome of the bid for funding to initiate a second council house building project in North Ayrshire; and (c) seeking approval to appoint a design team.

The Scottish Government and COSLA allocated approximately £17m from the first round of £25m funding to incentivise a new generation of council house building in 2009. North Ayrshire Council secured £575,000 of this funding allocation in April 2009 to commence the development of 23 new council house units in the Castlepark area of Irvine. Following the publication of the initial advert on the Public Contract Scotland website and Inside Housing magazine seeking expressions of interest in the contract, a total of 45 requests were received for the pre-qualification questionnaire, from which 23 firms submitted applications. Following an evaluation of these submissions, 7 contractors were invited to tender for the contract by 15 December 2009.

In May 2009, the Scottish Government invited local authorities to submit a bid for funding for the remaining tranche of £8.1m in support of council house building and in December 2009 Housing and Building Services were advised that North Ayrshire Council had secured £650,000 to develop the former St. Michael's Academy site in Winton Avenue, Kilwinning. The project will deliver 26 new homes in the Irvine and Kilwinning Housing Sub Market Area. Government funding will contribute £25,000 per unit, with the remaining requirement being sourced from surpluses within the Housing Revenue Account and Prudential Borrowing.

As part of the condition of Scottish Government funding, the Council is required to ensure that the contractor is on site by March 2010 and the construction phase completed within a 52 week period. The three highest scoring contractors have provided construction schedules well within this target period.

Quality scores were finalised for all seven tenderers and further cost clarifications were requested from the top three ranked contractors in January 2010. Based on a Price/Quality weighting of 70%/30%, the Head of Housing and Building Services proposed that the works contract be awarded to Cruden Building and Renewals Ltd, which will allow the contract to be let and the contractor to be on site during March 2010 ensuring that the Council meets the conditions of the Scottish Government funding agreement.

In terms of the Winton Avenue site, Kilwinning, the Head of Housing and Building Services proposed that Executive appoint a design team to manage the project, consult with stakeholders on all aspects of the design, ensure health and safety requirements are met, and monitor costs in accordance with identified budgets.

The Executive sought, and received, clarification on the position relative to the level of subsidy per unit available to local authorities compared to that provided to Registered Social Landlords, the increase in subsidy from £25,000 to £30,000 per unit, and the three apprenticeships posts available in terms of the development.

The Executive agreed to (a) appoint Cruden Building & Renewals Ltd to undertake the works contract for the Castlepark new build project; and (b) commence a procurement exercise to appoint a professional design team for the Winton Avenue project.

### **3. General Services Revenue Estimates and Council Tax Levels**

Submitted report by the Assistant Chief Executive (Finance) on the General Services Revenue Estimates and Council Tax Levels.

In March 2008 the Scottish Government confirmed the level of support to local authorities for the year 2008/09 with indications of support for the years 2009/10 and 2010/11 following completion of the Comprehensive Spending Review 2007. The settlement was based on a partnership with details being incorporated into a concordat that is subject to agreement between the Scottish Government and individual local authorities. The support is reviewed annually with minor changes to reflect new initiatives, transfer of responsibilities or areas of increased financial support. The Scottish Government confirmed support for 2010/11 in November 2009. Support for 2011/12 and 2012/13 should be available late in 2010 following a comprehensive spending review later this year. The budget has been approached as a three year exercise.

The concordat set out the principles on which the Scottish Government wished to seek agreement with local authorities in return for financial support to freeze Council Tax levels.

The report indicated that while the main elements of the concordat were incorporated into budgets in earlier years there were implications for the Council in 2010/11 including:-

- Further removal of Ring Fencing - Ring fencing for the Fairer Scotland Fund has been removed and has been incorporated into the general settlement.
- No Increase in Council Tax - Additional resources have been provided to assist in achieving a freeze on Council Tax levels, with £3.466m provided in 2009/10 increasing to £5.199m in 2010/11.
- Single Outcome Agreement - The SOA provides the strategic context for the Council's service planning and budgeting process to ensure that service plans and the Council's budget are aligned with one another and the strategic priorities for North Ayrshire.

The proposed General Services Revenue Estimates for the period 2010/11 were appended to the report, together with indicative figures for 2011/12 and 2012/13.

A booklet and appendices to the report provided details of the issues considered as part of the budget process, including funding considerations, Government support, council tax, community charge, balances, expenditure pressure, efficiency and savings measures and political aspirations. The report indicated that the figures detailed in sections 3.2 and 3.13 thereto, would result in a fully resourced budget with an allowance for "in year flexibility" of £0.49m.

In response to a question in terms of the proposed phasing out of after school provision, the Corporate Director (Educational Services) undertook to explore alternative means of achieving the necessary savings through full cost recovery and to consult and involve the private and voluntary sector with a direct aim of ensuring continuity of service provision. The Corporate Director (Social Services) undertook to help Care Partners explore alternative methods of funding their respite services for children with disabilities.

With regard to certain concordat commitments relative to educational issues, Councillor O'Neill advised the Executive that further clarity was required from the Scottish Government in terms of increased nursery provision, free school meals for primary 1 2 and 3 pupils and reduction in class sizes. This may provide some flexibility to review the provision of breakfast clubs or alternative arrangements to ensure that more young children attending schools in North Ayrshire have a healthy start to the day.

The Executive agreed to recommend that the Council agrees to (a) approve the expenditure needs for 2010/11; (b) approve the package of efficiency measures; (c) consider the use of the "in year flexibility"; (d) approve the undernoted Council Tax levels required to finance the net expenditure; (e) note the indicative budget position for 2011/12 and 2012/13; and (f) review the proposed expenditure needs for those years following the comprehensive spending review by the Government late in 2010.

A	Under £26,999	£ 768.00
B	£27,000 - £34,999	£ 896.00
C	£35,000 - £44,999	£1,024.00
D	£45,000 - £57,999	£1,152.00
E	£58,000 - £79,999	£1,408.00
F	£80,000 - £105,999	£1,664.00
G	£106,000 - £211,999	£1,920.00
H	Over £212,000	£2,304.00

#### **4. Housing Revenue Account (HRA) Budget and Rent Levels for 2010/11**

Submitted report by the Assistant Chief Executive (Finance) on the Housing Revenue Account (HRA) Budget and the Rent Levels for 2010/11.

Under the terms of the Housing (Scotland) Act 1987, local authorities are required to maintain a Housing Revenue Account to record all income and expenditure related to the provision of council houses. In addition, North Ayrshire Council, like all authorities, is required to meet the demands of the Scottish Housing Quality Standard (SHQS). The Standard must be achieved by the year 2015 and be capable of being sustained thereafter. The Council has previously developed a 30 year business plan to meet the requirements.

In December 2004, the Council agreed to retain its housing stock and thereby committed itself to achieving the requirements of the Scottish Housing Quality Standard. Consequently the main driver in the budget construction is the Business Plan, which determines the investment requirements to meet the standard.

The proposed HRA Budget for 2010/11, a copy of which was appended to the report, reflects the expenditure and income requirements to meet the Council's Housing Strategy and the rent levels required to finance this. In the preparation of the budget and the determination of rents, account has been taken of the Scottish Housing Regulator's Report in 2008 and the resulting Improvement Plan, the requirements of the Scottish Housing Quality Standard, inflation, council house building, the number of council houses and the impact on rents. Consultation has taken place with tenants as detailed in the report.

The Executive agreed to recommend that the Council approves (a) the Housing Revenue Account budget for 2010/11 as detailed in appendix 1 to the report; (b) a rent increase of £1.40 per week, or 2.6%, from £54.14 to £55.54 in 2010/11; and (c) a garage site increase of £0.05 per week and a lock-up increase of £0.11 per week to £2.25 and £4.49 per week respectively, also equivalent to 2.6%.

## **5. General Services Capital Programme 2010/11 and Beyond**

Submitted report by the Assistant Chief Executive (Finance) on the General Services Capital Programme for 2010/11 and beyond.

With effect from 1 April 2004, the ability to finance Capital Plans became governed by the Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The Council previously agreed to changes within the approved plan for 2009/10 at earlier meetings and the report further updated the position for that year. The report also proposed a programme for the years 2010/11 to 2011/12 based on estimated affordability levels with indicative proposals for 2012/13.

In determining the affordability of its capital programmes, the Council is required to examine all of the resources available to it and estimates for the future. This exercise allows the Council to prepare its capital programmes and determine the consequential revenue implications for 2009/10 and beyond. The proposed Capital Plan, a copy of which was appended to the report, has been prepared to allow the Council to meet its strategic outcomes and match those objectives against affordability by (a) setting a prudent level of slippage which will allow for unforeseen delays in particular projects to be addressed; (b) setting an affordability threshold after allowing for the prudent level of slippage; (c) revising the committed programme to incorporate minor changes in costs and the re-phasing of the expenditure profile; and (d) allowing for flexibility in the knowledge that certain services may require an element of capital expenditure following reviews that are currently in progress.

On 12 February 2009, the Council approved the capital programme for 2009/10 and commitments beyond that financial year. In August and November 2009, the Council approved revisions to that programme in light of current developments and more accurate estimates based on tender prices. The report provided information on the revised plan for 2009/10 with expenditure proposals for 2010/11 to 2012/13 based on Service submissions adjusted for those projects where Members requested revisions at the budget seminars. Detailed projects were contained in an appendix to the report. Only those projects with immediate priority and a priority 1 status were incorporated. Projects with a priority 2 or 3 status were excluded.

The Executive agreed to recommend that the Council (a) approves the proposed Capital Plan, totalling £90.152m between 2009/10 and 2011/12; (b) notes the indicative proposals for 2012/13; and (c) agrees to retain the balances outlined in section 3.7 of the report towards meeting any issues arising from service reviews.

## **6. Housing Revenue Account (HRA) Capital Programme 2010/11**

Submitted report by the Assistant Chief Executive (Finance) on the Housing Revenue Account (HRA) Capital Programme for 2010/11.

The proposed Capital Programme for 2010/11, a copy of which was appended to the report, reflects the Council's decision to retain ownership of its housing stock and to proceed with a substantially increased capital investment programme to ensure, as a minimum, that the stock achieves compliance with the Scottish Housing Quality Standard (SHQS) by 2015, and to maintain progress with other essential programmes.

With effect from 1 April 2004, the ability to finance capital programmes became governed by the Prudential Code for Capital Finance in Local Authorities, with the key objectives of the code being to ensure that capital investment programmes are affordable, prudent and sustainable. In this regard, a capital programme has been prepared to meet the Council's strategic aims, the requirements of the SQHS and the construction of the new housing developments at Irvine and Kilwinning.

The programme for 2010/11 is based on the 30 year Business Plan which took into account historical condition survey information to determine spend priorities and the level of expenditure under each priority. A full re-survey programme of the housing stock against the SHQS is currently underway and expected to be completed in 2010/11.

The proposed Programme will result in a significant proportion of the housing stock receiving major repair or improvement works in 2010/11, including the following works:-

- new central heating for 1,200 houses
- installation of new double-glazed windows in 1,270 houses
- installation of new kitchens in 950 houses
- installation of new bathrooms in 750 houses
- electrical Rewiring in 600 houses
- combined re-roofing and re-rendering of 260 houses
- re-roofing of 50 houses
- re-rendering of 50 houses

The Council also successfully bid for Government resources to assist in the construction of new houses. Applications have been successful for the construction of 23 new houses in Castlepark, Irvine and 26 in Kilwinning, and Government funds will be supported by contributions from HRA balances, the affordable housing account and borrowing. The capital budget for 2010/11 includes an allowance for phase 1 (Irvine) with phase 2 (Kilwinning) beginning in 2011/12.

The Executive agreed to recommend that the Council approves the capital programme as set out in the appendix to the report.

## **7. Financial Reserves**

Submitted report by the Assistant Chief Executive (Finance) on the level of reserve funds held by the Council.

Local Authorities are permitted to establish reserve funds as part of good financial management for the purposes of (a) maintaining a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; (b) providing a contingency against the impact of unexpected events or emergencies; and (c) providing a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The Council has an agreed Strategy for the various reserves and balances it holds. The report provided details of the reserves and balances held by the Council and reviewed the adequacy of their levels.

The Executive agreed to recommend that the Council (a) notes the projected level of reserve funds in 2009/10 and 2010/11 and agrees that these meet current medium term requirements; and (b) agrees to consider the level of balance required on the General Fund - Uncommitted - when the final accounts for 2009/10 are available.

The meeting ended at 11.55 a.m.