

ANGUS COUNCIL

**NEIGHBOURHOOD SERVICES COMMITTEE (SPECIAL MEETING) – 17 FEBRUARY 2009
CORPORATE SERVICES COMMITTEE – 12 MARCH 2009**

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE 2008/09

**JOINT REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES AND THE DIRECTOR
OF CORPORATE SERVICES**

ABSTRACT

This report relates to Housing Revenue Account (HRA) Capital, Planned Maintenance and overall Revenue budget performance in 2008/09. It sets out the actual capital, planned maintenance and revenue spends to 31 December 2008 together with projected outturns and associated funding updates.

1 RECOMMENDATION

1.1 It is recommended that the respective Committees note:

- i. the expenditure figures presented for the Housing Capital and Planned Maintenance programmes for the period to 31 December 2008;
- ii. the capital receipts position for the period to 31 December 2008;
- iii. the projected year end Capital and Planned Maintenance expenditure positions and the associated update of potential funding;
- iv. the revenue budget performance statement for the period 1 April 2008 to 31 December 2008; and
- v. that the long term review of affordability and sustainability of future housing capital investment is ongoing and that it is intended that the outcome of this exercise be presented to members prior to the summer recess.

2 INTRODUCTION

2.1 The responsibilities of Chief Officers with regard to capital monitoring are set out in Section 7 of the Council's Financial Regulations. To ensure that budgetary control is exercised in line with those Regulations, regular monitoring reports covering the Housing Capital and Planned Maintenance Programmes are presented to the Neighbourhood Services and Corporate Services Committees throughout the year to keep members advised of any critical issues.

2.2 It should also be noted that responsibilities with regard to revenue budget monitoring are set out in Section 3 of the Financial Regulations. In line with these regulations a Revenue Budget Performance Statement is also presented at this Committee. The capital position will continue to be presented to the Neighbourhood Services Committee each cycle, however in line with the requirements of Section 3 of the Financial Regulations, the revenue budget monitoring element will only be reported at

3 key points in the year, based on actual information to the end of September and December as well as the final year end position.

- 2.3 Members are asked to note however that on this occasion, this report is being presented to this special rent setting meeting instead of the Neighbourhood Services meeting of 26 February 2009, to ensure that members are fully informed when considering the 2009/10 HRA budget proposals in the immediately following report (No. 133/09). This is in line with the approach being adopted in respect of all General Fund services.
- 2.4 The report is based on actual expenditure incurred and income received for the period 1 April 2008 to 31 December 2008. A projection of the level of expenditure and income anticipated at the end of the financial year is also provided.
- 2.5 Notwithstanding the 6 weekly cycle of committee meetings however, detailed monitoring is carried out on a monthly basis by Housing, Property and Finance officers.

3 2008/2009 CAPITAL BUDGET

- 3.1 Monitoring of performance is against the agreed capital programme. The net budget agreed at the Neighbourhood Services Committee (Special Meeting) on 12 February 2008 (report 169/08 refers) was £9,850,000 taking account of the estimated resources available.
- 3.2 Members will note that at the time of setting the budget, estimated resources assumed to be available to finance the above programme were as detailed in table 1 below. It should be further noted that prudential borrowing is not actually undertaken at the time of setting the budget or throughout the course of the year, but is only undertaken if required once the year end expenditure position is finalised.

Table 1

Capital Budget	2008/09
Approved Funding Sources	£,000
Prudential Borrowing	1,300
Capital Receipts	3,500
CFCR (Inc. £200k HRA Balances)	5,050
Total Funding Sources	9,850

4 2008/2009 CAPITAL MONITORING UPDATE

- 4.1 Table 2 below sets out the position of the overall Housing Capital Programme for 2008/09 as at 31 December 2008. [Appendix 1summary/Appendix 1](#) gives further detail in respect of the 2008/09 position of capital projects where considered appropriate.
- 4.2 It can be seen from table 2 below and Appendix 1 that the actual spend, achieved to 31 December 2008 on the Housing Capital Programme was approximately £6,368,000 which equates to 64.6% of the original budget of £9,850,000. It is projected at this time that by the end of the 2008/09 financial year, expenditure will amount to some £9,949,000 which would represent an overspend of £99,000. The

main reasons for this net projected overspend are highlighted in Section 5 of this report.

Table 2

Programme	Original Estimate	Actual Expenditure 31 Dec 2008	Outturn Estimate	Projected over/ (under) spend
	£,000	£,000	£,000	£,000
New Build	110	0	100	(10)
Regeneration	626	144	286	(340)
Conversion	17	5	30	13
Heating	970	589	967	(3)
Window Replacement	33	4	9	(24)
Energy Saving	115	10	17	(98)
Sheltered Housing	894	356	782	(112)
Kitchen Replacement	5,162	4,367	6,104	942
Bathroom Replacement	13	0	3	(10)
Aids and Adaptations	500	292	557	57
Improvements	969	528	686	(283)
Miscellaneous	441	73	408	(33)
Total Programme	9,850	6,368	9,949	99

4.3 Members are asked to bear in mind that the projections in table 2 above are based on actual spend levels for nine months of the financial year and will be subject to further review as the end of the financial year approaches.

5 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

5.1 New Build

There are no significant issues on the New Build Programme at this time.

5.2 Regeneration

Mayfield / Cliffburn, Arbroath

Delays with the contractual arrangements, as documented below, have resulted in significant slippage in the current year and it is currently projected that expenditure in 2008/09 will amount to £106,000. This would result in an underspend of £276,000 against the 2008/09 original budget allowance of £382,000. Following a review of the remaining project cost however, it is anticipated that only £190,000 of this underspend requires to be slipped into 2009/10.

Expenditure of a further £357,000 is also anticipated in the following 2 financial years. This together with the revised current year underspend of £190,000 results in a revised total expenditure requirement of £547,000 in the following 2 years (2009/10 - £530,000 and 2010/11 - £17,000).

In accordance with report 498/08 (approved at the Neighbourhood Services Committee of 29 May 2008) the Housing Financial Plan has been adjusted to ensure

the availability of funding for this project. The Financial Plan Capital spend in 2009/10 has been increased by the required amount along with a corresponding reduction in 2010/11. Members are referred to the Rent Setting Report for further details in this regard (report 133/09 refers).

Negotiations with the proprietors of the shops affected by this project are continuing. Six proprietors have indicated their willingness to sign contractual agreements with the Council and the relevant documents have been issued to those proprietors for signing. Despite continuing substantial Council officer efforts, there however remains outstanding one proprietor who has yet to indicate their willingness to sign a contractual agreement to allow the project to progress. The Council's Law & Administration division are continuing to actively pursue the proprietor and their solicitor with a view to bringing the contractual agreement to a satisfactory conclusion as soon as possible. Should there be significant further delay, the current year projected expenditure of £106,000 may slip, in part or in full, into 2009/10.

Demolitions - Newmonthill, Forfar

Budgeted expenditure of £160,000 on the demolition project had been advanced from the 2009/10 capital plan. However members approved at the Neighbourhood Services Committee of 15 January 2009 that the Newmonthill site to be put forward by Angus Council as a priority project for accelerated capital funding as part of the COSLA / Scottish Government £100m accelerated affordable housing investment programme (report 27/09 refers). Demolition of these properties will not now take place and the estimated costs in the current year have accordingly been reduced to £10,000.

5.3 Conversion

There are no significant issues on the Conversion Programme at this time.

5.4 Heating

There are no significant issues on the Heating Programme at this time.

5.5 Window Replacement

There are no significant issues on the Window Replacement Programme at this time.

5.6 Energy Saving

Insulation & Roughcast - Restenneth Drive, Forfar and Little Nursery, Montrose

Expenditure of £113,000 was initially anticipated in 2008/09, however Housing Officers are investigating further options in respect of these projects and as a result the projected expenditure has been revised to £6,000 in 2008/09 with the remaining expenditure (£107,000) reprofiled into future years.

5.7 Sheltered Housing

Overall

Members will note that a £98,000 underspend was reported to the previous Neighbourhood Services Committee on 15 January 2009. However due to reprofiling

of expenditure (£20,000) to 2009/10 in the Balmain Court project partly offset by the inclusion of £6,000 for the Upgrade of Warden Call Systems project, an under spend of £112,000 is now anticipated at the year end.

Jubilee Court

Jubilee Court expenditure and associated funding of £270,000 was originally contained within the 2008/09 financial year of the Housing Financial Plan. However, as a result of ongoing discussions between Angus Council and the National Health Service regarding development and lease agreements, the project will not now commence until 2009/10. As a result a significant proportion of expenditure and funding (£240,000) has been reprofiled into 2009/10.

5.8 Kitchen Replacement

The projected overspend in this area (£942,000) is primarily the result of more kitchen units on average being installed than was originally envisaged, combined with minor increases in associated works to reinstate finishes where kitchen layouts have been altered.

Members will recall a report on the overall performance of the kitchen replacement contracts was presented to the Neighbourhood Services Committee on 15th January 2009 (report 33/09 refers).

5.9 Bathroom Replacement

There are no significant issues on the Bathroom Replacement Programme at this time.

5.10 Aids and Adaptations

The projected increase in this area is primarily the result of the inclusion of the costs in respect of the project at Knowehead Crescent, Kirriemuir (£112,000 in 2008/09) as approved by the Neighbourhood Services Committee of 17 April 2008 (report 386/08 refers). This has been partially offset by the cancellation of the project at Hillrise, Kirriemuir (£47,000) and other various minor underspends.

5.11 Improvements

Southesk Terrace, Brechin – Security Improvements

Officers are currently undertaking an exercise to revise the scheme which will delay the commencement of the Security improvements. It has therefore been necessary to reprofile this project (£190,000) into future years as part of the 2008/12 Housing Financial Plan process.

Southesk Street, Montrose (Phase 2)

Due to the nature of the project and the requirement to agree the extent of the works, the overall programme has been reviewed and as a result £220,000 of expenditure has been reprofiled into future years.

Members will recall that the list of tenderers was approved by the Neighbourhood Services Committee on 15 January 2009 (Report 37/09 refers) and tender

documents are due to be issued by the end of February, to be returned by the end of March.

Homeless Persons Unit, Montrose

An allowance of £200,000 was originally contained within the Housing Financial Plan for internal alterations at the Queen's Close Homeless Persons Unit, Montrose (£152,000 in 2008/09). However, tender returns submitted were higher than anticipated and accordingly the total cost of the project has increased to £355,791. Members will note that the additional costs were approved by the Neighbourhood Services Committee on 17 April 2008 (Report 384/08 refers).

The phasing of this project indicated that expenditure in 2008/09 was expected to be some £317,000. However, further minor reprofiling has since been undertaken and expenditure in 2008/09 is now anticipated to be £305,000 which is an increase of £153,000 over allowance originally included for 2008/09. The Housing Financial Plan has been amended to reflect the revised position.

5.12 Miscellaneous

There are no significant issues on any Miscellaneous Projects at this time.

6 **2008/2009 CAPITAL FUNDING UPDATE**

6.1 The financing position of the capital programme is constantly under review and it should be noted that for the period to 31 December 2008 overall Capital Receipts amounted to £1,660,383 in comparison to a level of £2,771,174 for the same period in 2007/08. These sales levels should be viewed against a general market position which has resulted in a significant downturn in the overall housing market across the country and the Angus area has not been immune from this trend.

6.2 From an Angus Council house sales perspective it is evident that the number of applications has reduced in the recent past and there is no evidence of a projected turn around in the short term. Against this background and the general uncertainty surrounding the economic climate, a continued downward trend of council house sales is projected for the remainder of the 2008/09 financial year. At this time officers consider that it is possible that council house sales will be approximately £1,228,000 less than budgeted whilst other asset sales are estimated to be £243,000 less than budgeted. This represents a projected shortfall in capital receipts of £1,471,000 below the original £3,500,000 budget assumption as shown at 3.2 above.

6.3 In the event that the currently projected overspend on the Housing capital programme transpires to be the actual position at the end of the financial year and should anticipated receipts fall short as highlighted above, the funding identified in section 3.2 of this report would not be sufficient to support the 2008/09 HRA Capital Programme. An update of the potential funding position is detailed in table 3 below and assumes for illustrative purposes at this time that the additional funding required would be met from HRA balances.

Table 3

2008/09 Capital Budget		
Revised Funding Sources	£,000	£,000

Prudential Borrowing		1,300
HRA Balances - to fund receipts shortfall	1,471	
HRA Balances - to fund overspend	99	
HRA Balances – total		1,570
Capital Receipts		2,029
Capital Financed from Current Revenue		5,050
Total Funding Sources		9,949

6.4 Members are asked to note that there are a number of other options available to officers other than the use of HRA Balances to fund the receipts shortfall and capital programme overspend positions, such as increasing levels of borrowing or increasing CFCR should there be an underspend in the overall 2008/09 Housing Revenue Account.

6.5 As noted at paragraph 4.4 of report 133/09 (also on this agenda), there is not however considered to be any advantage to pursuing these other options at this time, as sufficient uncommitted cash balances are available. Members are asked to note in this regard that the 31 March 2008 audited accounts show HRA balances standing at £3,181,000.

7 2008/2009 PLANNED MAINTENANCE

7.1 Table 4 below shows the level of spend on all elements of the HRA Planned Maintenance Programme for the period to 31 December 2008. It can be seen from table 4 that expenditure to 31 December 2008 was approximately £1,382,000 which equates to 63.4% of the original budget of £2,180,000.

7.2 However, it is projected at this time that by the end of the 2008/09 financial year, expenditure will amount to some £2,490,000 which would represent an overspend of £310,000. The main reasons for this projected overspend are slippage of £134,000 from 2007/08 in respect of the door replacement programme together with advancement of spend from the 2009/10 work programme. In addition further work has been required in respect of the repaints programme.

Table 4

Programme	Original Estimate £,000	Actual Expenditure 31 Dec 2008 £,000	Outturn Estimate £,000	Projected over/ (under) spend £,000
Energy and Fuel Poverty	10	3	3	(7)
Electrical – Rewires	48	22	48	0
Boundaries – Fencing & Walls	18	17	18	0
Chimney Repairs	1	0	1	0
Guttering	8	5	8	0
Doors	475	454	685	210
Repaints	670	451	782	112
Gas Maintenance	885	394	886	1
Communal Power	45	35	40	(5)
Stock Survey & Database	14	0	14	0
Hazardous Materials	6	1	5	(1)

Total Programme	2,180	1,382	2,490	310
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- 7.3 As with the capital programme, the projections in table 4 are based on the actual spend level for nine months of the financial year only. The Planned Maintenance programme will be carefully monitored for the remainder of the financial year and every effort will be made to identify measures to manage the projected overspend position within overall available resources.
- 7.4 Were the currently projected overspend on the Planned Maintenance programme to be the actual position at the end of the financial year, the additional funding required would be met from HRA balances.

8 2008/2009 REVENUE BUDGET PERFORMANCE

- 8.1 As indicated at paragraph 2.2 above, the revenue budget performance statement will be presented at 3 key points during the year. The statement summarised in table 5 below sets out the original budget (£300,000 deficit) as approved by the Neighbourhood Services Committee (Special Meeting) on 12 February 2008 (report 169/08 refers).
- 8.2 The statement below also indicates the actual spend to 31 December 2008, together with a percentage of the budget spent to date, a projected outturn to the end of financial year and a projected over / underspend against the original budget. It can be seen from table 5 for the nine month period to 31 December 2008 the Housing Revenue Account is currently indicating a surplus of £5,127,000. This occurs at this point in time as significant financing costs are not charged to the Housing Revenue Account until the end of the financial year.
- 8.3 Members should note however that based on information available at this time it is projected that by the end of the 2008/09 financial year the Housing Revenue Account will incur a deficit of £1,459,000. This would represent an overspend of some £1,159,000 and includes the impact of the capital and planned maintenance programme overspends identified in Sections 5 and 7 of this report. The main reasons for this net projected overspend are highlighted in Section 9 of this report.

Table 5

	Original Budget	Actual to 31/12/08	Budget Spent	Projected Outturn	Projected Over / (Under) Spend
	£,000	£,000	%	£,000	£,000
<u>EXPENDITURE</u>					
Financing Charges	6,794	0	0.0%	8,322	1,528
Supervision & Management	5,133	2,303	44.9%	5,162	29
Repairs & Maintenance	5,285	3,345	63.3%	5,505	220
Special Needs	1,648	1,266	76.8%	1,417	(231)
Loss of Rents	604	209	34.6%	570	(34)
Other Expenditure	622	596	95.8%	617	(5)
Protected Tenants	87	0	0.0%	160	73
GROSS EXPENDITURE	20,173	7,719	38.3%	21,753	1,580
<u>INCOME</u>					
Rents & Service Charges	18,808	12,684	67.4%	19,058	250

Interest on Revenue Balances	270	0	0.0%	296	26
Interest of House Sales	1	0	0.0%	1	0
Other Income	794	162	20.4%	939	145
GROSS INCOME	19,873	12,846	64.6%	20,294	421
NET EXPENDITURE	300	(5,127)	N/A	1,459	1,159

8.4 [Appendix 2](#) gives further detail in respect of the 2008/09 position on the Housing Revenue budget and also includes a profiled budget at column 2. The profiled budget is intended to reflect the timing of when expenditure is anticipated to be incurred or income received. The profiled budgets have been based on historic patterns of income and expenditure over previous years but adjusted for any deviations expected in the current year.

8.5 Members are however advised that whilst some areas of the budget, such as employee costs, are relatively easy to profile other areas are more difficult to profile accurately. This can indicate significant variances in percentage terms due simply to timing differences between profile and actual. It is important to look at the position against the profiled budget and the projected outturn together to get a fully informed picture.

9 COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES

9.1 Financing Charges

Financing charges comprising mainly of capital financed from current revenue (CFCR) are anticipated to be £1,528,000 above the original budget. This is primarily due to lower than budgeted Council House Sales receipts as indicated in paragraph 6.2. It is anticipated at this time that receipts from Council House Sales will be £1,471,000 below budget. In addition the 2008/09 HRA Capital Programme is anticipated to overspend by £99,000 as indicated in Section 4 of this report. This combined overspend of £1,570,000 has been offset by anticipated lower interest costs in respect of borrowing to fund previous years' capital expenditure.

9.2 Supervision and Management

The budget spent on supervision and management costs at this stage of the financial year is currently only 44.9%. It should be noted however that a significant proportion of expenditure relating to the Central Services Support Recharge (estimated at £988,000) will not be charged to the Housing Revenue Account until the end of the financial year.

9.3 Repairs and Maintenance

The projected overspend (£220,000) in this area is mainly due to the additional planned maintenance works (£310,000) undertaken during financial year 2008/09. Further details of the planned maintenance overspend are contained within section 7 of this report. The overspend has been partially offset by an underspend (£90,000) in the Community Safety Improvement Plan (CSIP) budget as a result of service development plans which have been put on hold.

9.4 Special Needs

An underspend of £231,000 is currently anticipated mainly due to staff slippage and the temporary closure of Queen's Close Homelessness Unit resulting in reduced running costs.

9.5 Other Costs

Members should note an underspend of £5,000 is projected within the Research budget.

9.6 Protected Tenants

An overspend of £73,000 is currently anticipated in this budget as tenants are remaining in sheltered accommodation longer than initially anticipated.

9.7 Council House Rents

Council House Rental Income is expected to be higher than budgeted mainly due to a reduction in Council House Sales resulting in higher than anticipated Housing stock. Additional house rental income of some £182,000 is therefore anticipated.

In addition to the above, the 2009/10 Rent Week commences on the 30 March 2009 which will require an accounting adjustment to accrue some £106,000 (two days of income) into financial year 2008/09.

10 FINANCIAL IMPLICATIONS

- 10.1 The financial implications for the Council arising from the recommendations in this Report are as detailed in the body of the report, the accompanying appendices and as summarised in table 6 below. Although other options are available as outlined at paragraph 6.4 above, the summary below assumes for illustrative purposes at this time that the shortfall in funding would be met from HRA balances.

Table 6

	Budget £,000	Outturn £,000
Audited HRA Balance as at 01/04/08	3,181	3,181
Use of HRA Balances (Per Table 5 – Columns 1 and 4)	300	1,459
Anticipated HRA Balance at 31/03/09	2,881	1,722

- 10.2 Should the above prove to be the actual position at the end of the financial year, the HRA balance of £1,722,000 would be £1,222,000 above the policy minimum of £500,000.
- 10.3 In light of the above position in respect of projected balances, the exercise to assess the affordability of the Housing Division's capital expenditure programme over the longer term is ongoing. The work undertaken by Finance Officers to date has confirmed that the 2008/12 Financial Plan is affordable, sustainable and prudent and that the current year funding shortfall should be met from accumulated balances. However, due to a number of crucial ongoing matters the assessment of the affordability of the capital programme beyond 2012 requires further work to develop the exercise to a stage ready for member scrutiny. It is anticipated that this can be concluded and a report presented to the Neighbourhood Services Committee prior to the summer recess.

11 HUMAN RIGHTS IMPLICATIONS

11.1 There are no Human Rights implications arising from this report.

12 EQUALITIES IMPLICATIONS

12.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

13 CONSULTATION

13.1 The Chief Executive, the Director of Neighbourhood Services and the Heads of Finance, Law and Administration, Property and Housing have been consulted on the contents of this report.

14 CONCLUSION

14.1 This report sets out the actual capital, planned maintenance and revenue budget spend position for the period to 31 December 2008 along with associated year end projections for members' information.

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Director of Neighbourhood Services

Colin McMahon
Director of Corporate Services

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

Finance/KL/DW