

**ANGUS COUNCIL**

**NEIGHBOURHOOD SERVICES COMMITTEE – 15 JANUARY 2009  
CORPORATE SERVICES COMMITTEE – 29 JANUARY 2009**

**HOUSING CAPITAL AND PLANNED MAINTENANCE PROGRAMME - HRA BLOCK – 2008/2009**

**REPORT BY THE DIRECTOR OF CORPORATE SERVICES**

**ABSTRACT**

This report relates to the Housing Revenue Account (HRA) Capital and Planned Maintenance Programmes for 2008/09. It sets out the actual capital and planned maintenance spends to 30 November 2008 together with a projected outturn and associated funding update.

**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 30 November 2008;
- ii. the capital receipts position for the period to 30 November 2008;
- iii. the projected year end capital and planned maintenance expenditure positions and the associated update of potential funding; and
- iv. that a longer term review of affordability and sustainability of future housing capital investment is being undertaken as part of the 2009/10 rent setting budget process.

**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 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**

<b>Capital Budget</b>	<b>2008/09</b>
<b>Approved Funding Sources</b>	<b>£,000</b>
Prudential Borrowing	1,300
HRA Balances	200
Capital Receipts	3,500
CFCR	4,850
<b>Total Funding Sources</b>	<b>9,850</b>

#### **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 30 November 2008. [Appendix 1, 1A](#) 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 30 November 2008 on the Housing Capital Programme was approximately £5,911,000 which equates to 60% 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 £10,000,000 which would represent an overspend of £150,000. The main reasons for this net projected overspend are highlighted in Section 5 of this report.

**Table 2**

	<b>Original Estimate</b>	<b>Actual Expenditure 30 Nov 2008</b>	<b>Outturn Estimate</b>	<b>Projected over/ (under) spend</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Regeneration</b>	626	148	283	(343)
<b>Conversion</b>	17	5	30	13
<b>Heating</b>	970	516	1,002	32
<b>Window Replacement</b>	33	3	8	(25)
<b>Energy Saving</b>	115	10	17	(98)
<b>Sheltered Housing</b>	894	309	796	(98)
<b>Kitchen Replacement</b>	5,162	4,173	6,104	942
<b>Bathroom Replacement</b>	13	0	3	(10)
<b>Aids and Adaptations</b>	500	242	565	65
<b>Improvements</b>	969	435	671	(298)
<b>Miscellaneous</b>	551	70	521	(30)
<b>Total Programme</b>	<b>9,850</b>	<b>5,911</b>	<b>10,000</b>	<b>150</b>

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

## 5 COMMENTARY ON SIGNIFICANT MONITORING ISSUES

### 5.1 Regeneration

Mayfield / Clifftown, Arbroath

Members will be aware of the delays and difficulties in respect of phase 4 of the project and that the demolition of the flats and reinstatement of the roof is to be progressed (report 498/08 to the Neighbourhood Services Committee of 29 May 2008 refers).

The capital budget for 2008/09 approved at the Special Neighbourhood Services Committee on 12 February 2008, contains an allowance of £382,000 in respect of this project (including completion of car park and environmental works). It is currently projected that expenditure in 2008/09 will amount to £106,000 which would result in an underspend of £276,000 against the 2008/09 budget allowance. This underspend will be expended in 2009/10.

Expenditure of a further £357,000 is also anticipated in the following 2 years (2009/10 - £340,000 and 2010/11 - £17,000). In total therefore £633,000 requires to be funded over financial years 2009/10 and 2010/11.

No specific resources have been allocated to meet the 2009/10 and 2010/11 expenditure at this time and this will be addressed as part of the 2009/10 budget process in line with the terms of report 498/08.

Members should however note that 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 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. A verbal update will be provided to members at the Committee meeting. Should there be significant further delay, the current year projected expenditure of £106,000 may slip, in part or in full, into 2009/10. Members will be kept up to date in this respect through the regular capital monitoring reports which will be presented to each committee cycle.

Demolitions - Newmonthill, Forfar

Expenditure of £160,000 on this project had been advanced from the 2009/10 capital plan. However members will note that a report on Supporting Affordable Housing is also being presented on this agenda (report 27/09 refers). That report proposes the release of the Newmonthill site to be developed in partnership with Registered Social Landlords (RSLs). Members will be aware that the viability of this project was under review by officers from Housing, Property and Finance.

Progression of this project is therefore dependent upon members' consideration of report 27/09 and potentially the outcome of any resultant discussions with RSLs. Estimated costs in the current year have at this time been reduced to £10,000 pending these outcomes. Should members decide not to release this site, further options will be developed, costed and brought back to this committee in due course.

### 5.2 Conversion

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

### 5.3 Heating

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

### 5.4 Window Replacement

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

### 5.5 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.

### 5.6 Sheltered Housing

Members will note that an on budget position was reported to the previous Neighbourhood Services Committee on 20<sup>th</sup> November 2008. However the contractor is now on site at Newington Gardens and the anticipated completion date for this project has been revised to May 2009. Whilst this has resulted in a revised projected overall overspend for this project of £6,000 the spend profile in financial year 2008/09 is likely to be around £520,000, some £80,000 less than reported to the previous Neighbourhood Services Committee on 20<sup>th</sup> November 2008. Taken together with the projected overspend at Adam Cargill Court (£90,000), projected slippage at Airlie Gardens (£40,000), General Replacement Lift Installations (£104,000) and various other minor projected overspends amounts, an under spend of £98,000 is now anticipated at the year end.

### 5.7 Kitchen Replacement

The projected increase in overspend in this area from £350,000 to £942,000 in this area is primarily the result of more actual kitchen units on average being installed than was originally envisaged, combined with minor increases in associated works to reinstate finishes where kitchen layouts are altered.

Members are asked to note that as previously indicated, a report on the overall performance of the kitchen replacement contracts, including more detail about cost increases, is also included on this agenda (report 33/09 refers).

### 5.8 Bathroom Replacement

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

### 5.9 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.

### 5.10 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 is therefore necessary for this project (£190,000) to be reprofiled 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 should note that a report proposing the list of contractors to be invited to tender for this project is also included on this agenda (report 37/09 refers).

HP 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<sup>th</sup> 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.

#### 5.11 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 30 November 2008 overall Capital Receipts amounted to £1,594,776 in comparison to a level of £2,520,421 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 £1,050,000 less than budgeted whilst other asset sales are estimated to be £250,000 less than budgeted. This represents a projected significant overall shortfall in capital receipts of £1,300,000 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**

<b>Capital Budget</b>	<b>2008/09</b>
<b>Revised Funding Sources</b>	<b>£,000</b>
Prudential Borrowing	1,300
HRA Balances - allowed in original budget	200
HRA Balances - to fund receipts shortfall	1,300
HRA Balances - to fund overspend	150
Capital Receipts	2,200
CFCR	4,850
<b>Total Funding Sources</b>	<b>10,000</b>

- 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. Consideration of these options cannot however be viewed in isolation of the impact of such decisions into future years and it is therefore necessary to carry out a more holistic assessment.
- 6.5 Members will be aware that a specific detailed exercise to assess the longer term affordability of the General Fund Capital Budget over the next 25 years was undertaken as part of the 2008/09 budget setting process. This work will be subject to annual review as part of each future year's budget setting process. With the need to meet Scottish Housing Quality Standards, the significant drop off in capital receipts from house sales and the need to respond to demands for affordable housing, it is now clear that a similar longer term view of what can be afforded in relation to future housing capital investment in Angus is now needed. This work is currently being taken forward as part of the 2009/10 rent setting budget process but will also include a review of the options for funding the projected overspend and receipts shortfall in the current year, so that fully informed decisions can be made. In the meantime these regular monitoring reports will, for illustrative purposes, continue to assume the use of HRA balances to meet the projected overspend.
- 6.6 Members are also asked to note however that it is still too early in the year to be absolutely precise about either the projected expenditure or receipts outturn. For the moment it has been concluded that for illustrative purposes within this report, the Housing Capital Programme be maintained with the funding shortfall being met by available HRA balances which on completion of the 2007/08 year end audit process totalled £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 30 November 2008. It can be seen from table 4 that expenditure to 30 November 2008 is approximately £1,269,000 which equates to 58.2% 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 brought forward into

2008/09 together with increased spend in the intended 2008/09 work programme. Also additional work has been required in respect of the repaints programme.

**Table 4**

	Original Estimate	Actual Expenditure 30 Nov 2008	Outturn Estimate	Projected over/(under) spend
	£,000	£,000	£,000	£,000
<b>Energy and Fuel Poverty</b>	10	3	3	(7)
<b>Electrical – Rewires</b>	48	20	48	0
<b>Boundaries – Fencing &amp; Walls</b>	18	17	18	0
<b>Chimney Repairs</b>	1	0	1	0
<b>Guttering</b>	8	5	8	0
<b>Doors</b>	475	454	685	210
<b>Repaints</b>	670	401	782	112
<b>Gas Maintenance</b>	885	333	886	1
<b>Communal Power</b>	45	35	40	(5)
<b>Stock Survey &amp; Database</b>	14	0	14	0
<b>Hazardous Materials</b>	6	1	5	(1)
<b>Total Programme</b>	<b>2,180</b>	<b>1,269</b>	<b>2,490</b>	<b>310</b>

7.3 As with the capital programme, the projections in table 4 are based on the actual spend level for eight 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 it is likely that the additional funding required would be met from HRA balances. The position will continue to be reported as part of the Monitoring reports which will continue to be brought to each meeting of the Neighbourhood and Corporate Services Committees, so that members are kept fully informed of progress in this regard.

## **8 FINANCIAL IMPLICATIONS**

8.1 The financial implications for the Council arising from the recommendations in this Report are as detailed in the body of the report, the accompanying appendix and as summarised in table 5 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 5**

	Projected over/(under) spend
	£,000
Capital Programme	150
Planned Maintenance Programme	310
Projected Combined Programme Overspend	460
Potential Capital Receipt Shortfall	1,300
<b>Total Projected Funding Shortfall</b>	<b>1,760</b>

Potential <b>Additional</b> Funding Required From HRA Balances	1,760
Funding Already Approved From HRA Balances (see Table 1 above)	200
<b>Total Projected Funding Requirement From HRA Balances</b>	<b>1,960</b>

8.2 As noted in paragraph 6.6 the audited HRA Balances position as at 31 March 2008 is £3,181,000. These balances are sufficient to meet the £1,960,000 total projected funding requirement identified in table 5 above should this ultimately prove necessary. However, such a call would reduce the HRA balances to £1,221,000 before any surplus or deficit position is applied from the 2008/09 HRA year end position. This would be £721,000 above the policy minimum balance of £500,000. Accordingly the funding strategy to deliver the 2008/09 work programme will require to be determined as an integral part of the longer term funding strategy being prepared as part of the 2009/10 budget setting process.

8.3 In light of the above additional programme spend coupled with reduced funding availability, the continued use of HRA balances to offset the funding shortfall will require to be re-assessed as part of the 2009/10 budget preparation process. As noted at 6.5 above, the outcome of the exercise to review the longer term affordability of the HRA capital programme will be utilised to inform the 2009/10 budget setting process.

## **9 HUMAN RIGHTS IMPLICATIONS**

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

## **10 EQUALITIES IMPLICATIONS**

10.1 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.

## **11 CONSULTATION**

11.1 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.

## **12 CONCLUSION**

12.1 This report sets out the actual Capital and Planned Maintenance spend position for the period to 30 November 2008 and associated year end projections for members' information.

**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  
Dec 08