

ANGUS COUNCIL

**NEIGHBOURHOOD SERVICES COMMITTEE – 16 APRIL 2009
CORPORATE SERVICES COMMITTEE – 30 APRIL 2009**

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

**JOINT REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES AND 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 28 February 2009 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 28 February 2009;
- ii. the capital receipts position for the period to 28 February 2009;
- iii. the projected year end Capital and Planned Maintenance expenditure positions and the associated update of potential funding.

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

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 28 February 2009. [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 28 February 2009 on the Housing Capital Programme was approximately £7,827,000 which equates to 79.4% 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 £9,945,000 which would represent an overspend of £95,000. The main reasons for this net projected overspend are highlighted in Section 5 of this report.

Table 2

Programme	Original Estimate	Actual Expenditure 28 Feb 2009	Outturn Estimate	Projected over/ (under) spend
	£,000	£,000	£,000	£,000
New Build	110	5	100	(10)
Regeneration	626	159	284	(342)
Conversion	17	11	30	13
Heating	970	743	955	(15)
Window Replacement	33	4	5	(28)
Energy Saving	115	11	18	(97)
Sheltered Housing	894	574	792	(102)
Kitchen Replacement	5,162	5,264	6,107	945
Bathroom Replacement	13	0	3	(10)
Aids and Adaptations	500	368	545	45
Improvements	969	608	702	(267)
Miscellaneous	441	80	404	(37)
Total Programme	9,850	7,827	9,945	95

4.3 The projections in table 2 are based on the actual spend level for eleven months of the financial year only. The Capital programme was subject to careful monitoring in the last month of the financial year with a view to ensuring no late substantial variances to the outturn estimate occurred and spend was as close to budget as possible.

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 / Clifftown, 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).

Members will be aware of the ongoing delays in getting proprietors to sign the agreement. The latest position is that all of the agreements with the various proprietors of the shops have been issued for signing. All of the agreements have been signed with the exception of one agreement which is currently with the owner's tenant for signing. It is expected that this will be signed and returned within the next week

Members will note however that at the Angus Council Committee of 26 March 2009 a motion was passed which requests that the Directors of Corporate Services and Neighbourhood Services bring back a report to the next committee cycle detailing the implications, including financial implications of this council promoting a compulsory purchase order should such a course of action ultimately be necessary.

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 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 revised to £13,000.

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 £112,000 underspend was reported to the previous Neighbourhood Services Committee on 17 February 2009. However due to minor reprofiling of expenditure in a number of projects, an under spend of £102,000 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 (£945,000) 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). The latest estimate in 2008/09 for this project has subsequently reduced to

£98,000. 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.

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 £311,000 which is an increase of £159,000 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 28 February 2009 overall Capital Receipts amounted to £1,831,656 in comparison to a level of £3,376,431 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 last month of the 2008/09 financial year. At this time officers consider that it is possible that council house sales will be approximately £1,407,000 less than budgeted whilst other asset sales are estimated to be £239,000 less than budgeted. This represents a projected shortfall in capital receipts of £1,646,000 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	1,646	
HRA Balances - to fund overspend	95	
HRA Balances – total		1,741
Capital Receipts		1,854
Capital Financed from Current Revenue		5,050
Total Funding Sources		9,945

- 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 There is not however considered to be any advantage in 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 28 February 2009. It can be seen from table 4 that expenditure to 28 February 2009 was approximately £1,820,000 which equates to 83.5% 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 £2,487,000 which would represent an overspend of £307,000. 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 28 Feb 2009 £,000	Outturn Estimate £,000	Projected over/ (under) spend £,000
Energy and Fuel Poverty	10	4	4	(6)
Roof Replacement	0	0	1	1
Electrical – Rewires	48	30	48	0
Boundaries – Fencing & Walls	18	22	22	4
Chimney Repairs	1	0	1	0
Guttering	8	5	8	0
Doors	475	489	685	210
Repaints	670	611	772	102
Gas Maintenance	885	601	876	(9)
Communal Power	45	36	45	0
Stock Survey & Database	14	20	20	6
Hazardous Materials	6	2	5	(1)
Total Programme	2,180	1,820	2,487	307

7.3 As with the capital programme, the projections in table 4 are based on the actual spend level for eleven months of the financial year only. The Planned Maintenance programme was carefully monitored in the last month of the financial year and every effort was 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 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

	Budget £,000	Outturn £,000
Audited HRA Balance as at 01/04/08	3,181	3,181
Use of HRA Balances - Capital (Per Table 3)	0	1,741
Use of HRA Balances - Planned Maintenance (Per Table 4)	0	307
Anticipated HRA Balance at 31/03/09 before applying HRA Surplus / Deficit for the year.	3,181	1,133

8.2 The HRA balances detailed and noted in table 5 above are sufficient to meet the £2,048,000 additional projected funding requirement. However, such a call would

reduce the HRA balances to £1,133,000 before any surplus or deficit position is applied from the 2008/09 HRA year end position. This would be £633,000 above the policy minimum balance of £500,000.

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 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 28 February 2009 and associated year end projections for members' information.

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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