

ANGUS COUNCIL

**NEIGHBOURHOOD SERVICES COMMITTEE – 19 NOVEMBER 2009
CORPORATE SERVICES COMMITTEE – 3 DECEMBER 2009**

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE 2009/10

**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, Planned Maintenance and overall Revenue budget performance in 2009/10. It sets out the actual capital, planned maintenance and revenue spends to 30 September 2009 together with a projected outturn for the year to 31 March 2010 and updated funding proposals.

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 September 2009;
- ii. the capital receipts position for the period to 30 September 2009;
- iii. the projected year end capital and planned maintenance expenditure positions and updated indicative funding proposals;
- iv. the revenue budget performance statement for the period 1 April 2009 to 30 September 2009;
- v. that relevant officers are endeavouring to ensure that the capital programme and planned maintenance programme remains within overall available resources.

2 BACKGROUND

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

2.3 The report is based on actual expenditure incurred and income received for the period 1 April 2009 to 30 September 2009. A projection of the level of expenditure and income anticipated at the end of the financial year is also provided.

2.4 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 2009/2010 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 17 February 2009 (report 133/09 refers) was £10,389,000 taking account of the estimated resources available.

3.2 The Housing Financial Plan 2008/2012 was updated to reflect any over and underspends which occurred within individual projects at the end of financial year 2008/09, together with any rephasing of 2009/10 projects. This updated Financial Plan resulted in the 2009/10 Housing capital monitoring budget amounting to a total of £9,759,000 which is now the basis for monitoring throughout the remainder of the financial year. The updated Financial Plan was published as part of the Council's Final Capital Budget Volume which was presented to the Corporate Services Committee on 3 September 2009 (Report 626/09 refers).

3.3 Estimated resources assumed to be available have also been revised to accommodate the 2009/10 monitoring budget and are detailed in Table 1 below. For clarity 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 capital expenditure, capital receipts and revenue account positions are finalised.

Table 1

Capital Monitoring Budget	2009/10
Approved Funding Sources	£,000
Prudential Borrowing	3,219
Capital Receipts	1,480
CFCR	5,060
Total Funding Sources	9,759

4 2009/2010 CAPITAL MONITORING UPDATE

4.1 Table 2 below sets out the position of the overall Housing Capital Programme for 2009/10 as at 30 September 2009 in comparison to the monitoring budget position. [Appendix 1](#) gives further detail in respect of the 2009/10 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 September 2009 on the Housing Capital Programme was £3,887,000. This equates to 39.8% of the monitoring budget of £9,759,000. It is projected at this time that by the end of the 2009/10 financial year, expenditure will amount to some £9,506,000 a projected underspend of £253,000. The main reasons for this position are highlighted in Section 5 of this report.

Table 2

Programme	Monitoring Budget	Actual Expenditure 30 September 2009	Outturn Estimate	Projected over/ (under) spend
	£,000	£,000	£,000	£,000
New Build	0	0	15	15
Regeneration	304	14	288	(16)
Conversion	93	53	94	1
Heating Installation	1,183	396	1,183	0
Window Replacement	280	0	153	(127)
Energy Saving	6	0	6	0
Sheltered Housing	641	242	484	(157)
Kitchen Replacement	5,871	3,002	5,872	1
Bathroom Replacement	10	0	0	(10)
Aids and Adaptations	447	133	447	0
Improvements	594	11	596	2
Miscellaneous	330	36	368	38
Total Programme	9,759	3,887	9,506	(253)

4.3 As part of the 2010/11 budget process Officers from Housing, Property and Finance are working to try to identify expenditure which could be brought forward from the 2010/11 financial year to alleviate the current year slippage figure. This work will take account of the likely shortfall in the capital receipts position..and details of any projects brought forward will be reflected in future capital monitoring Committee reports.

5 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

5.1 New Build

Proposals for the new build properties at Monifieth included in the current year capital programme are now planned to start in financial year 2010/11 as the results of the Round 2 “kick starting council house building” grant will not be known until later in the financial year. This has a limited impact at this time on the net bottom line as it was assumed that the project was to be fully funded from external resources Further updates on this position will be presented to members once the result of the bid is known.

5.2 Regeneration

Expenditure on regeneration projects is likely to fall by £16,000, mainly due to the programme of works at Bruce Road, Arbroath being under review.

5.3 Conversion

There are no significant issues within the Conversions Programme at this time.

5.4 Heating

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

5.5 Window Replacement

It is projected that the window replacement programme will underspend against the monitoring budget by £127,000. This is mainly due to revisions to the contractor selection process delaying the programme.

5.6 Energy Saving

There are no significant issues within the Energy Savings Programme at this time.

5.7 Sheltered Housing

Expenditure in this area is projected to decrease by some £157,000 in 2009/10. This is mainly due to revised proposals being developed for Lift Replacements at Balmain and Murray Courts in Montrose and Airlie Gardens in Brechin resulting in slippage in the project programme.

5.8 Kitchen Replacement

There are no significant issues within the Kitchen Replacement Programme at this time.

5.9 Bathroom Replacement

Proposals for the small Bathroom Replacement Programme are likely to be delayed until next financial year.

5.10 Aids and Adaptations

There are no significant issues within the Aids and Adaptations Programme at this time.

5.11 Improvements

There are no significant issues in the improvements programme at this time.

5.12 Miscellaneous

Expenditure in this area is likely to increase by some £38,000. This is mainly due to the Land Purchase at Den of Leuchlands, Brechin (£63,000) and the inclusion of Feasibility Costs (£20,000) for the proposed development at Kinloch Street Carnoustie. The Increased costs have been offset by lower than anticipated tender costs (£50,000) in respect of the Communal Aerial Systems Programme.

6 2009/2010 CAPITAL FUNDING UPDATE

6.1 As noted at 3.3 above, £1,480,000 of capital receipts is assumed for budget purposes in respect of the financing of the 2009/10 HRA capital programme with a significant element of this sum anticipated to be generated from the sale of Council Houses. Other asset sales and miscellaneous receipts also contribute to the overall capital receipts total.

6.2 The financing position of the capital programme is constantly under review and it should be noted that for the period to 30 September 2009 overall Capital Receipts amounted to £821,363. House sales amounted to £557,200 of this and land and other asset sales totalled £264,163. Members are asked to note that during the same period in 2008/09 overall receipts amounted to £1,297,776 - a reduction in 2009/10 therefore of £476,413 (37%).

- 6.3 Whilst it is still too early in the financial year to project the end of year receipts position with any accuracy, if the current levels of receipts continued as a trend for the remainder of the financial year, overall receipts would total approximately £1,378,000 (House Sales £1,114,000 and Other Receipts £264,000) some £102,000 (7%) below the original £1,480,000 budget assumption as shown in 3.3 above. Members should also note however that “right to buy” applications at this time are 44% below those of this time last year and that this position may also impact on the total receipts for the financial year. However, due to the current projected underspend on the capital programme (£253,000) it would be envisaged that the shortfall in receipts will be funded by the projected underspend on the overall capital programme.
- 6.4 The work undertaken by external consultants to develop a longer term business plan for the Housing Division, has been finalised and Officers from Housing and Finance will reflect as appropriate the results of the exercise in the Housing and Planned Maintenance Monitoring Report at future Neighbourhood Services Committees.
- 6.5 Purely for indicative purposes at this time, Table 3 below shows a potential funding package whereby levels of borrowing are reduced by a net £151,000 whereof £102,000 represents the shortfall in receipts offset by the projected underspend in the capital programme of £253,000.

Table 3

2009/10 Capital Budget		
Revised Funding Sources	£,000	£,000
Borrowing		3,068
Capital Receipts		1,378
Capital Financed from Current Revenue		5,060
Total Funding Sources		9,506

7 2009/2010 PLANNED MAINTENANCE

- 7.1 Table 4 below shows the level of spend in respect of all elements of the HRA Planned Maintenance Programme for the period to 30 September 2009. It can be seen from Table 4 that the spend to 30 September 2009 is approximately £738,000 which equates to 33.6% of the original budget of £2,198,000. It should be noted that the expenditure figure of £738,000 excludes any prior year accruals.
- 7.2 The overspend position on the Repaints, Hazardous Materials and Stock Surveys programmes and the underspend position on the Boundaries, Guttering and Electrical programmes against the original budget reflects the results of a more detailed programme of works being identified. It is however anticipated at this time that by the end of the financial year, projected expenditure will be in line with the originally budgeted position.

Table 4

Programme	Original Estimate £,000	Actual Expenditure 30 Sept 2009 £,000	Outturn Estimate £,000	Projected over/ (under) spend £,000
Energy and Fuel Poverty	30	7	30	0
Roof Replacement	38	3	41	3
Electrical – Rewires	100	62	88	(12)
Boundaries – Fencing & Walls	93	29	27	(66)
Chimney Repairs	1	0	1	0
Guttering	115	1	81	(34)
Doors	3	0	9	6
Repaints	820	234	903	83
Gas Maintenance	903	390	903	0
Communal Power	66	8	66	0
Stock Survey & Database	24	4	30	6
Hazardous Materials	5	0	19	14
Total Programme	2,198	738	2,198	0

8 2009/2010 REVENUE BUDGET PERFORMANCE

- 8.1 As indicated at paragraph 2.2 above, the revenue budget performance statement will be presented at three key points during the year. The statement summarised in table 5 below sets out the original budget as approved by the Neighbourhood Services Committee (Special Meeting) on 17 February 2009.
- 8.2 The statement below also indicates the actual spend to 30 September 2009, together with a percentage of the budget spent to date, a projected outturn to the end of the financial year and a projected over / underspend against the original budget. It can be seen from table 5 for the six month period to 30 September 2009 the Housing Revenue Account is currently indicating a surplus of £4,012,000. 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. Also year-end Central Support costs are still to be incorporated under the heading of Supervision & Management.
- 8.3 Members should note however that based on information available at this time it is projected that by the end of the 2009/10 financial year the Housing Revenue Account will be in a break even position. It can be also be seen from table 5 there are a number of projected over and underspends within various budget heads of the Housing Revenue Account. The main reasons for these projected over and underspends are highlighted in Section 9 of this report.

Table 5

	Original Budget	Actual to 30/09/09	Budget Spent	Projected Outturn	Projected Over / (Under) Spend
	£,000	£,000	%	£,000	£,000
EXPENDITURE					
Financing Charges	7,048	0	0.0%	6,964	(84)
Supervision & Management	5,314	1,349	25.4%	5,521	207
Repairs & Maintenance	5,399	1,946	36.0%	5,399	0
Special Needs	1,543	882	57.2%	1,543	0
Loss of Rents	580	138	23.8%	543	(37)
Other Expenditure	650	30	4.6%	610	(40)
Protected Tenants	115	0	0.0%	115	0
GROSS EXPENDITURE	20,649	4,345	21.0%	20,695	46
INCOME					
Rents & Service Charges	19,644	8,283	42.2%	19,719	75
Other Income	274	0	0.0%	245	(29)
External Funding Sources	731	74	10.1%	731	0
GROSS INCOME	20,649	8,357	40.5%	20,695	46
NET EXPENDITURE	0	(4,012)	N/A	0	0

8.4 Appendix 2 gives further detail in respect of the 2009/10 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

Due to additional borrowing (£400,000) undertaken in 2008/09 to fund the Housing Revenue Account capital programme financing costs have increased by a total of £33,000.

Capital Financed by Current Revenue (CFCR) has reduced by £117,000 following the reclassification of Stock Improvement Liaison Officer (SILO) expenditure from capital to revenue therefore reducing the CFCR requirement and increasing supervision and management expenditure.

9.2 Supervision and Management

A minor management restructure was undertaken after the setting of the 2009/10 HRA budget. The upfront costs associated with the restructure of (£90k) were therefore not budgeted for in 2009/10 however it should be noted that ongoing savings will accrue in future years.

Also as noted above the reclassification of SILO expenditure from capital to revenue has resulted in increased Housing Management costs (£117,000) with a corresponding decrease in CFCR.

9.3 Repairs and Maintenance

There are no significant issues within Repairs and Maintenance at this time.

9.4 Special Needs

There are no significant issues within Special Needs at this time.

9.5 Loss of Rents

Due to a reduction in the number of void properties and the length of time a property is void, unlet houses expenditure is projected to be £37,000 lower than budget.

9.6 Other Expenditure

Reduced insurance costs (£40,000) due to savings achieved in respect of the long term contract renewal.

9.7 Protected Tenants

There are no significant issues within Protected Tenants at this time.

9.8 Rents & Service Charges

Council House Rental Income is expected to be higher than budgeted (£101,000) mainly due to a reduction in Council House Sales resulting in higher than anticipated Housing stock.

This has been partially offset by reduced income resulting from the temporary closure of the Queens Close homeless unit.

9.9 External Funding Sources

There are no significant issues within External Funding Sources at this time.

9.10 Other Income

Reduced Interest on Revenue Balances projected due to lower than anticipated interest rate to be applied to balances.

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.

Table 6

	Budget £,000	Outturn £,000
Unaudited HRA Balance as at 01/04/09	1,174	1,174
Use of HRA Balances – Capital	0	0
Anticipated HRA Balance at 31/03/10 before applying HRA Surplus / Deficit for the year.	1,174	1,174

10.2 The now audited HRA balances shown in table 6 are those which remain at the end of financial year 2008/09 and at this time it is not envisaged there will be any calls on this position during financial year 2009/10 in order to maintain a reasonable contingency against unforeseen circumstances.

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 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 30 September 2009 along with 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.