AGENDA ITEM NO 18
REPORT NO 207/11

ANGUS COUNCIL
CORPORATE SERVICES COMMITTEE – 10 MARCH 2011

HOUSING CAPITAL AND PLANNED MAINTENANCE PROGRAMME - HRA BLOCK – 2010/2011

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 2010/11. It sets out the actual capital and planned maintenance spends to 31 January 2011 together with a projected outturn for the year to 31 March 2011 and updated funding proposals.

1 RECOMMENDATION
1.1 It is recommended that the Committee note:
   i. the contents of the report;
   ii. the projected year end positions on: capital expenditure; planned maintenance expenditure; and indicative funding proposals.

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 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 2010/2011 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 15 February 2010 (report 127/10 refers) was £9,676,000 taking account of the estimated resources available.

3.2 The Housing Financial Plan has been updated and a 2010/11 capital monitoring budget of £9,353,000 has been established following a comprehensive review of the 2009/2013 Financial Plan, based on over and underspend positions on individual projects’ expenditure for the financial year 2009/10 and updated information on the position regarding specific projects in 2010/11. A summary of the capital monitoring budget is documented in Table 2 below.

3.3 The estimated resources assumed to be available to finance the capital programme have also been revised to account for the 2010/11 monitoring budget and are as detailed in Table 1 below. For clarity however 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

<table>
<thead>
<tr>
<th>Capital Budget</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Funding Sources</td>
<td>£,000</td>
</tr>
<tr>
<td>Prudential Borrowing</td>
<td>3,479</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>1,000</td>
</tr>
<tr>
<td>Capital Financed from Current Revenue</td>
<td>4,874</td>
</tr>
<tr>
<td>Total Funding Sources</td>
<td>9,353</td>
</tr>
</tbody>
</table>

#### 4 2010/2011 CAPITAL MONITORING UPDATE

4.1 Table 2 below sets out the position of the overall Housing Capital Programme for 2010/11 as at 31 January 2011.

4.2 It can be seen from Table 2 below and Appendix 1 that the actual spend, achieved to 31 January 2011 on the Housing Capital Programme is £4,512,000, which equates to 48.2% of the monitoring budget of £9,353,000. Whilst the spend recorded to the end of January seems low, the majority of contracts are on site and it is projected at this time assuming no further weather related problems that by the end of the 2010/11 financial year expenditure will amount to some £8,116,000 (86.8% of the monitoring budget), which equates to a projected net underspend of £1,237,000. The main reasons for this position are highlighted in Section 5 of this report.

#### Table 2

<table>
<thead>
<tr>
<th>Programme</th>
<th>Monitoring Budget</th>
<th>Actual Expenditure 31 January 2011</th>
<th>Latest Estimate</th>
<th>Projected over/(under) spend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£,000</td>
<td>£,000</td>
<td>£,000</td>
<td>£,000</td>
</tr>
<tr>
<td>New Build</td>
<td>1,249</td>
<td>256</td>
<td>1,165</td>
<td>(84)</td>
</tr>
<tr>
<td>Regeneration</td>
<td>760</td>
<td>453</td>
<td>675</td>
<td>(85)</td>
</tr>
<tr>
<td>Conversion</td>
<td>51</td>
<td>0</td>
<td>1</td>
<td>(50)</td>
</tr>
<tr>
<td>Heating Installation</td>
<td>1,110</td>
<td>967</td>
<td>1,360</td>
<td>250</td>
</tr>
<tr>
<td>Window Replacement</td>
<td>996</td>
<td>701</td>
<td>1,176</td>
<td>180</td>
</tr>
<tr>
<td>Energy Saving</td>
<td>359</td>
<td>25</td>
<td>235</td>
<td>(124)</td>
</tr>
<tr>
<td>Sheltered Housing</td>
<td>661</td>
<td>193</td>
<td>302</td>
<td>(359)</td>
</tr>
<tr>
<td>Kitchen Replacement</td>
<td>1,235</td>
<td>682</td>
<td>1,055</td>
<td>(180)</td>
</tr>
<tr>
<td>Aids and Adaptations</td>
<td>417</td>
<td>160</td>
<td>415</td>
<td>(2)</td>
</tr>
<tr>
<td>Improvements</td>
<td>1,922</td>
<td>949</td>
<td>1,348</td>
<td>(574)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>593</td>
<td>126</td>
<td>384</td>
<td>(209)</td>
</tr>
<tr>
<td><strong>Total Programme</strong></td>
<td><strong>9,353</strong></td>
<td><strong>4,512</strong></td>
<td><strong>8,116</strong></td>
<td><strong>(1,237)</strong></td>
</tr>
</tbody>
</table>

#### 5 COMMENTARY ON CAPITAL BUDGET MONITORING ISSUES

5.1 Members are asked to note that the commentary provided in part 5 of this report is on an exception basis. Where there is no narrative, there are no significant issues to report at this time.

5.2 New Build

Total net expenditure in this area is projected to underspend by £84,000 at the year end. This is mainly due to the following;

The recent adverse weather has resulted in an anticipated reduction in expenditure in the current year of some £80,000 in respect of the affordable housing developments in Carnoustie and Monifieth.
A cash flow review surrounding initial property fees relating to the development of new build proposals at Arbroath, Kirriemuir and Montrose has resulted in an additional £75,000 spend due to advanced progress in the current year. However this spend will be offset by a commensurate reduction in 2011/12.

Additionally a realignment of spend and income (net reduction of £79,000) in respect of the HRA contribution to the supported housing at the Kinloch Site, Carnoustie has been actioned to match the expenditure profile from the Social Work and Health’s capital monitoring.

5.3 Regeneration

The regeneration programme this year is likely to fall by £85,000. This is mainly due to the latest estimated spend at Mayfield /Cliffburn Contract 4 being revised down by £70,000 based on anticipated final account figures. In addition there are also some £15,000 of more minor underspends.

5.4 Conversion

This area is likely to underspend by £50,000 in the current year. Members will be aware that availability of properties for conversion is dependant on houses becoming vacant during the year. No suitable properties for conversion have become available so far this year, therefore it is considered prudent to reduce this spend.

5.5 Heating Installation

Given the slippage projected in other areas of the Housing Capital Programme detailed in Table 2 above, officers have taken the opportunity to partially offset this by bringing forward heating installations in the Angus Area which were scheduled to commence in future financial years. This is likely to result in an increased cash flow spend within the heating programme this year of some £250,000.

5.6 Window Replacement

This programme is projected to incur additional spend of some £180,000 this year mainly due to the acceleration of phase 1 and 2 of the windows programme in the Forfar Glens area from future years to minimise as far as possible identified slippage in the overall housing capital programme.

Members should note however that the above acceleration is predicated on the delivery of windows in early March, however at the time of finalising this report the contractor indicated that there may well be a two week delay in delivering the windows. Accordingly there is some risk attached to the projected additional spend.

Members should also note the extent of acceleration in monetary value terms has been dampened as a result of the benefits realised due to the competitive outcome from tender returns.

5.7 Energy Saving

The spend in this area is anticipated to reduce by some £124,000. This is mainly due to a rep phasing of the insulation and roughcast programme at Restenneth Drive, Forfar (£69,000) into 2011/12 to allow time to agree appropriate specifications to meet the statutory requirements of Building Control and Planning. A revision to the cash flow following ongoing discussions with the owner occupiers resulted in works on thirty flats at Little Nursery, Montrose reducing in this year by £80,000.

The above underspends will be offset by £20,000 from external improvements to Stoneycroft Lane, Arbroath being brought forward from 2011/12 and other minor net overspends in other areas of energy saving amounting to £5,000.
5.8 Sheltered Housing

It is likely that the Sheltered Housing element of the HRA capital programme will underspend by some £359,000. This is mainly due to ongoing discussions with Social Work and Health over the provision and position of lifts (at Airlie Gardens, Brechin and Murray Court, Montrose - £149,000) and the operational design requirements of communal areas within the sheltered housing schemes at Jubilee Court, Letham and Inglis Court, Edzell (£250,000).

The above underspends will be offset somewhat by some more minor net overspends in other areas of sheltered housing amounting to £40,000.

5.9 Kitchen Replacement

The Kitchen Replacement programme is now projected to underspend by some £180,000. The underspend is mainly due to competitive benefits amounting to £200,000 in this financial year realised from the outcome of the tender returns for the next phase of the kitchen replacement programme 2010-2014. Additionally, this contract includes replacement of kitchens within sheltered housing and the contractor’s works programme is commencing with these sheltered housing replacements. As these replacements take longer than replacing domestic kitchens, a further underspend (£60,000) will arise in the current financial year as it will not be possible to complete as many domestic replacements as originally envisaged.

However it should be noted that Kitchen Contracts One and Two are projected to overspend by £80,000 as a result of the opportunity being taken to undertake some additional works at the same time as some of the kitchen replacements to avoid further householder disruption where these works would have been required relatively soon after the kitchen replacement.

5.10 Improvements

An overall underspend is anticipated in this area of some £574,000. Some £220,000 of this is due to the length of time it is taking to obtain the agreement of owner occupiers over the extent of works at Stoneycroft Lane, Arbroath. As a consequence officers are continuing to re-examine options open to the council relating to improvement works impacting on owner occupiers to help prevent such slippage in future.

Members should note that as a result of the competitive outcomes of tendering exercises, costs relating to Annat Road, Montrose environmental improvements are projected to reduce (£71,000). Additionally, some spend on this project will slip into 2011/12 (£79,000) due to the recent severe weather.

Costs relating to security improvements at Southesk Terrace, Brechin are likely to slip relating to ongoing weather conditions (£105,000). Security improvements at Montrose Street, Brechin and Poets Place, Brechin will also fall by some £29,000 due to lower than anticipated costs from contractor’s tender returns.

There are also a number of other more minor net underspends totalling £70,000.

5.11 Miscellaneous

It is likely that the miscellaneous area will underspend overall by some £209,000.

Adverse weather conditions have resulted in some resurfacing of footpaths slipping to financial year 2011/12 (£70,000). Additionally, surveys in relation to Door Entry Schemes and Housing Stock are taking longer than originally anticipated to complete reducing resultant spends in this area by some £110,000.
This position is however offset somewhat by further properties being identified at the
time of the digital switch over requiring communal aerial systems, resulting in
additional costs amounting to £50,000.

There are also other more minor variances amounting to a further net underspend of
£79,000 likely to occur in the programme this year.

6 2010/2011 CAPITAL FUNDING UPDATE

6.1 As noted in Table 1 above, £1,000,000 of capital receipts is assumed for budget
purposes in respect of the financing of the 2010/11 HRA capital programme; a
significant element of this sum is 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 31 January 2011 overall Capital Receipts
amounted to £1,353,656 (£1,311,990 net after allowing for the estimated offset cost
of administering the sales). House sales amounted to £1,344,156 of the gross receipt
and other asset sales totalled £9,500.

6.3 It is now therefore projected that based on updated known dates of entry in the
current year, overall gross capital receipts are likely to total some £1,550,000 this
year. This will reduce to £1,500,000 after deducting the estimated cost (£50,000) of
administering the House Sales.

6.4 Officers from Housing, Property and Finance have reviewed the current capital
programme to identify any further opportunities to bring forward projects from future
years and at this stage in the financial year it is unlikely that further major
acceleration in spend for the current financial year can be achieved. Given the
projected slippage in the capital programme and levels of additional capital receipts it
is likely therefore, that there will be overall surplus funding available to support the
2010/11 HRA Capital Programme. In these circumstances the current year levels of
borrowing and Capital Financed from Current Revenue (CFCR) could be reduced.

6.5 Much work remains before the final position regarding the funding of the capital
programme can be determined but for indicative purposes only at this time a possible
alternative funding package based on the current projections is detailed in Table 3
below.

Table 3

<table>
<thead>
<tr>
<th>Revised Funding Sources</th>
<th>Original Funding Per Table 1</th>
<th>Movement in Capital Funding</th>
<th>Possible Alternative Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prudential Borrowing</td>
<td>3,479</td>
<td>(1,537)</td>
<td>1,942</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>1,000</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td>Capital Financed from Current Revenue</td>
<td>4,874</td>
<td>(200)</td>
<td>4,674</td>
</tr>
<tr>
<td>Total Revised Funding Sources</td>
<td>9,353</td>
<td>(1,237)</td>
<td>8,116</td>
</tr>
</tbody>
</table>

7 2010/2011 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 31 January 2011. It can be seen
from table 4 that the spend to 31 January 2011 is approximately £1,219,000 which
equates to 51.9% of the original budget of £2,348,000.
7.2 It is anticipated at this time that by the end of the financial year, expenditure will be £322,000 (13.7%) lower than the originally budgeted position. This is mainly due to rewiring surveys (£125,000) taking longer than anticipated and the expenditure programme slipping, the extent of repaint work required now being less than was originally anticipated (£210,000) and works required on the door entry systems being identified as of a capital nature (£75,000). The door entry system expenditure has now alternatively been reflected within the 2011/12 financial year of the HRA Financial Plan.

7.3 This underspend position will be offset by more minor net overspends amounting to £88,000.

7.4 Officers from Housing and Property have continued to develop and consider a number of options to address the underspend, it is however unlikely at this stage in the financial year that further major planned maintenance projects can be brought forward into the current financial year. However the final outcome of these options will be brought to Neighbourhood Services Committee at the financial year end.

Table 4

<table>
<thead>
<tr>
<th>Programme</th>
<th>Original Estimate £,000</th>
<th>Actual Expenditure 31 January 2011 £,000</th>
<th>Outturn Estimate £,000</th>
<th>Projected over/ (under) spend £,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and Fuel Poverty</td>
<td>10</td>
<td>3</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Roof Replacement</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Electrical – Rewires</td>
<td>225</td>
<td>12</td>
<td>100</td>
<td>(125)</td>
</tr>
<tr>
<td>Door Entry</td>
<td>75</td>
<td>0</td>
<td>0</td>
<td>(75)</td>
</tr>
<tr>
<td>Boundaries – Fencing &amp; Walls</td>
<td>65</td>
<td>49</td>
<td>58</td>
<td>(7)</td>
</tr>
<tr>
<td>Guttering</td>
<td>65</td>
<td>39</td>
<td>130</td>
<td>65</td>
</tr>
<tr>
<td>Doors</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Repaints</td>
<td>910</td>
<td>527</td>
<td>700</td>
<td>(210)</td>
</tr>
<tr>
<td>Gas Maintenance</td>
<td>903</td>
<td>542</td>
<td>903</td>
<td>0</td>
</tr>
<tr>
<td>Communal Power</td>
<td>60</td>
<td>39</td>
<td>66</td>
<td>6</td>
</tr>
<tr>
<td>Stock Survey &amp; Database</td>
<td>25</td>
<td>8</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Hazardous Materials</td>
<td>10</td>
<td>0</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total Programme</strong></td>
<td><strong>2,348</strong></td>
<td><strong>1,219</strong></td>
<td><strong>2,026</strong></td>
<td><strong>(322)</strong></td>
</tr>
</tbody>
</table>

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.

8.2 Members will note that some revenue underspends are evident in the body of the report - £200,000 CFCR (Table 3) and £322,000 planned maintenance (Table 4). As part of the year end final accounts process however, these underspends will be viewed in the round along with year end accounting adjustments and the net effect of under / over spends across all areas of the Housing Revenue Account with the aim of maintaining the budgeted £497,000 surplus position. The opportunity will therefore be taken at that point to further adjust the capital funding package to reduce borrowing as far as possible, to protect the ability of the HRA to borrow in the future.

8.3 Whilst this reduction in borrowing will also reduce the costs of borrowing, this will have only a relatively marginal effect (approximately £25,000) in 2010/11 as only interest and expenses are charged in the year the borrowing is undertaken.
8.4 Notwithstanding the revenue underspends detailed in the report it is anticipated that the capital funding adjustments referred to at 8.2 above will result in an overall projected on budget position (£497,000 surplus) for the revenue account and this is reflected in Table 5 below.

Table 5

<table>
<thead>
<tr>
<th></th>
<th>Budget £,000</th>
<th>Outturn £,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited HRA Balance as at 01/04/10</td>
<td>1,478</td>
<td>1,478</td>
</tr>
<tr>
<td>Use of HRA Balances – Capital</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Projected HRA Balance at 31/03/11 before applying HRA Surplus / Deficit for the year.</strong></td>
<td><strong>1,478</strong></td>
<td><strong>1,478</strong></td>
</tr>
<tr>
<td>Budgeted HRA Surplus for the year</td>
<td>497</td>
<td>497</td>
</tr>
<tr>
<td><strong>Projected HRA Balance at 31/03/11</strong></td>
<td><strong>1,975</strong></td>
<td><strong>1,975</strong></td>
</tr>
</tbody>
</table>

8.5 The projected unaudited HRA balances shown in Table 5 are those which are expected to remain at the end of financial year 2010/11 and it is not currently envisaged there will be any calls on this position during financial year 2010/11 in order to maintain a reasonable contingency against unforeseen circumstances.

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 Capital and Planned Maintenance spend position for the period to 31 January 2011 for members’ information. The indicative end of year funding position has been reviewed and aligned to the spend and receipts projection positions.

Ron Ashton  
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/IL/KL/DW