
Report to Scrutiny Committee

Date of Meeting: 8th April 2010

Subject: Housing Capital Programme 2009/10 to 2014/15: Monitoring Report

Report by: Finance Manager

1.0 Purpose

- 1.1. This paper reports on the projected out-turn of the Housing Capital Programme for the financial year 2009/10 and a summary of budgets for 2010/11 and 2014/15, based on the current review of the programme.
- 1.2. This is an update report detailing variations from budgets approved by Council in March 2009, including carry forward of unspent budgets from 2008/09 which were reported previously. The report also details anticipated savings and overspends in specific budgets in the current year following the latest review of the programme and highlights any variances.
- 1.3. The final review in the run up to the year end indicates that the Service has made considerable progress in the last few months in its objective to deliver the SHQS and 'Clackmannanshire Standard', despite considerable procurement issues.

2.0 Recommendations

- 2.1. It is recommended that the Committee note the contents of this report.

3.0 Considerations

- 3.1. As noted in the previous report, the approved budgeted gross expenditure for 2009/10 was increased from £7,014k to £7,944k as a result of the carry forward of £930k from 2008/09. In February 2010, the Council also approved the proposed five year budget for 2010/11 to 2014/15.
- 3.2. According to the current outturn projections, the gross expenditure is expected to reduce to £4,371k which is a further reduction of £1,251k from the out-turn reported previously of £5,622k.
- 3.3. The latest projected gross expenditure outturn of £4,371k is a reduction of £3,573k compared to the budget and these are summarised in 3.4 below. The variance of £3,573k is made up of committed budgets of £3,120k to be

carried forward to 2010/11, and savings of £453k which the Service is also proposing to carry forward to next year.

3.4. Summary of Variances from the budget:

Kitchens & Bathrooms: Underspend £2,775k of which £2,441k is committed and will be carried forward to 2010/11 and a saving of £334k. Projected committed underspend is due to ongoing procurement issues which the Council and the Scrutiny Committee have been advised of in previous reports. The Court judgement in December was appealed by the Contractor and has been upheld by the Court. The Service is unable to proceed until the expiry of the counter-appeal period. The savings of £334k is as a result of lower than expected tender on one of the contracts.

Structural Works: Projected to show an underspend of £118k due to receipts of insurance payments. Also, there has been a slight reduction in the number of asbestos tests required this year under one of the contracts. Underspend will be carried forward for projects which were back programmed due to immediate Health & Safety Insurance Work

Demolitions: The underspend of £136k will be carried forward to next year. The work is delayed as Scottish Government consent to transfer the land, following which the service can proceed with demolitions, has not been received yet.

Feasibility Work: The latest draft position shows an underspend of £110k. The budget is earmarked for Standard Delivery Plan which is Stock Condition Survey. The Stock Condition Survey is 4 weeks behind schedule due to procurement delays. Only £15k will be spent this year. The balance will be carried forward to 2010/11.

Central Heating: The projected underspend is expected to be £217k, which is higher than the position reported previously (£135k) to the Scrutiny Committee. £89k of this is attributed to a late start to a project as a result of procurement issues. The remaining £128k of the underspend is savings due to lower than anticipated tender costs. The underspend would have been greater but additional houses were brought forward under another project to utilise slippage and maximise production of that contract.

Roofs: An underspend of £95k of which £23k is savings from lower than expected tender, and £72k underspend is in relation common roof upgrading work. As previously reported, finance is not available to fund enforcement action on private owners to participate in common roof upgrading work. There is no funding available from other sources.

Where possible, the Service has sought to bring forward planned works to offset savings and carry forwards.

3.5. The current review indicates that the sale of Council houses will be slightly better than the position reported previously. The Service anticipates net receipts of £859k from sale of between 19-20 houses. While this is a considerable improvement from the expected sale of £451k reported previously, it is still some £446k short of the budgeted figure. This reflects

the continued adverse economic conditions which has affected Council house sales this year. In addition to this, the Service expects to receive £78k from sale of other Housing asset. Taking into consideration these receipts, the net expenditure for the year is projected to be £3,422k.

- 3.6. Last year the Service utilised the Housing Revenue reserve to fund part of the 2008/09 capital expenditure. It is anticipated that the reserve will be used again this year to help fund the capital programme.
- 3.7. As part of the five year proposed capital plan approved by the Council in February, to the gross expenditure budget of £5,437.6k for 2010/11 was added the then anticipated carry forward from 2009/10 of £2,332k. This report has highlighted that following the current review, the carry forward from 2009/10 to 2010/11 is now expected to be £3,573k. The proposed gross expenditure budget for 2010/11 is therefore expected to be £9,010k.
- 3.8. The borrowing for 2009/10 will be reduced but effectively carried forward to 2010/11. Taking the two years together, there will not be an overall increase in the borrowing
- 3.9. Brief details of reasons for savings, overspends, transfers and project updates are provided in Appendix 1.

4.0 Sustainability Implications

- 4.1. Not applicable to monitoring reports

5.0 Resource Implications

5.1. Financial Details

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. Staffing

6.0 Exempt Reports

- 6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box)

The area has a positive image and attracts people and businesses	<input checked="" type="checkbox"/>
Our communities are more cohesive and inclusive	<input checked="" type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input checked="" type="checkbox"/>
Our communities are safer	<input checked="" type="checkbox"/>
Vulnerable people and families are supported	<input checked="" type="checkbox"/>
Substance misuse and its effects are reduced	<input checked="" type="checkbox"/>
Health is improving and health inequalities are reducing	<input checked="" type="checkbox"/>
The environment is protected and enhanced for all	<input checked="" type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 The following appendix is attached to this report:

Appendix 1: Housing Capital Programme 2009/10 to 2014/15: Position as at February 2010.

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

- 1 Housing Capital Account 2009/10 to 2011/12: Monitoring Report
(Report to Scrutiny Committee meeting on 21 January 2010).
- 2 Housing Revenue Budget 2010/11 and Capital Programme 2010/16
(Report to Special meeting of Council on 11 February 2010).

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Housing Capital Programme 2009/10 to 2014/15	Revised Budget, inc of	To 28th February 2010			Projected Out-turn as at Feb (Mar HPIBF mtg)	Variance of February out turn with Budget	2010/11 Proposed Budget (exc carry forwards from 09/10)	2011/12 Proposed Budget	2012/13 Proposed Budget	2013/14 Proposed Budget	2014/15 Proposed Budget	Project Status as at February 2010 (March HPIBF meeting)
		Total Expend	Income	Net Expend								
SCOTTISH HOUSING QUALITY STANDARD TACKLING SERIOUS DISREPAIR PRIMARY BUILDING ELEMENTS												
Structural Works	205,000	194,482.00	(1,62,522.00)	31,970.00	87,000	(118,000)	150,000	150,000	150,000	85,000	85,000	Scottish Housing Quality Standard - Free from serious disrepair and modern facilities: Work has been essential Health and Safety works for removal of asbestos materials to be carried out prior to and in conjunction with other SHQS enhancement programmes, e.g. Fire Damage, Structural Failure. Previously reported underspend of £145k to Scrutiny Committee. is now reduced to £118k mainly due to earlier return than anticipated tender for Contract 2306. However, since the contract started late it will not be completed this year. The underspend of £118k would have been further reduced had it not been for reduction in the number of asbestos tests required this year under contract 2102. This is due to the delays in the kitchen/bathroom contract which is required as preparatory works under contract 2102. Underspend to be carried forward for projects which were back programmed due to immediate Health & Safety Insurance Work.
SECONDARY BUILDING ELEMENTS												
Damp/Rot	30,000	6,155.00	0.00	6,155.00	30,000	0	25,000	25,000	25,000	21,000	21,000	The latest draft position shows that the budget will be required as damp/rot is identified. This is essential Health and Safety works to remove damp/rot and ensure the long term use of the assets and meet legislative requirements.
Roofs / Rainwater / External Walls	407,000	283,215.00	0.00	293,215.00	312,000	(85,000)	525,000	325,000	175,000	175,000	505,000	The latest draft position projects an underspend of £95k. This is made up of £23k savings in contract 2272A (as a result of final account coming in lower). The balance of £72k underspend is in relation to contract 2201. As previously reported, finance is not available to fund enforcement action on private owners to participate in common roof upgrading work. There is no funding available from other sources. Unlikely to be resolved this financial year. The underspend will be carried forward.
External Door, etc	0	1,151.00	0.00	1,151.00	0	0	0	0	0	0	0	The latest draft position shows External Doors costs of £27k are to be transferred to Revenue as impairment costs, following external auditor's comments in the previous year. The CFCR will be reduced correspondingly to compensate for the impairment charge to revenue. There will therefore be a nil impact on both the bottom line revenue balance and borrowing.
ENERGY EFFICIENCY												
Efficient Central Heating	1,025,000	485,012.00	0.00	485,012.00	808,000	(217,000)	555,000	573,300	573,300	845,000	827,000	The latest draft position shows a projected savings of £217k, which is higher than the position reported previously (£135k) to the Scrutiny Committee. A combination of a late start to project 2303A (09/10 Central Heating Phase 1) and lower than anticipated tender costs has resulted in this increased underspend. To utilise the slippage, additional houses were brought forward under project 2179 (Central Heating Term Contract) maximising production of that contract.
Thermal Insulation	0	2,543.00	0.00	2,543.00	3,000	3,000	0	0	0	0	0	The latest draft position shows all projects in Thermal Insulation are complete. Spend attributed to delays in receiving Consultants fees. Overspend will be met from underspend in other projects
MODERN FACILITIES & SERVICES												

Housing Capital Programme 2009/10 to 2014/15	Revised Budget, inc of	To 28th February 2010			Projected Out-turn as at Feb (Mar HPSF mtg)	Variance of February out turn with Budget	2010/11 Proposed Budget (exc carry forwards from 09/10)	2011/12 Proposed Budget	2012/13 Proposed Budget	2013/14 Proposed Budget	2014/15 Proposed Budget	Project Status as at February 2010 (March HPSF meeting)
		Total Expend	Income	Net Expend								
	£	£	£	£	£	£	£	£	£	£	£	
Kitchen Renewal	3,695,000	1,254,885.00	0.00	1,254,885.00	1,474,000	(2,219,000)	232,000	269,000	269,000	269,000	269,000	The latest draft position shows an underspend committed budget of £2,221k. This is an increase of approximately £921k from the position previously reported to the Scrutiny Committee. Projected underspend is due to ongoing procurement issues on Contract 2286A (2009/10 Kitchen & Bathroom Phase 1) and an increase in the number of tenant refusals under 2226B (Phase 2). The Court judgement in December was appealed by the Contractor and has been considered by the court and upheld. Service has now to wait until the expiry of the counter-appeal period before they could proceed. In any case, the unsent budget is committed expenditure and will be carried forward to next year. It is expected that there will be no further expenditure in this financial year with the earliest forecasted expenditure expected in summer 2010.
4x rooms	1,103,000	193,911.00	0.00	193,911.00	549,000	(654,000)	2,245,600	3,021,856	1,198,700	1,457,600	144,300	The latest draft position shows an unsent committed expenditure of £220k due to procurement delays (explained above) and further £334k savings due to lower than anticipated tender. The unsent committed expenditure of £220k is lower than the previously reported figure of £255k. This is as a result on one contractor still working on site, enabling three more houses per week to be completed. Also, it reflects increased rates for architects fees & additional works requested by Housing Operations. The work is progressing well. Consideration was given to bringing forward works from 2010/11 in Contract 2301A (09/10 Bathroom Replacement Phase 1) to utilise the savings. However, further analysis indicated that it would be better use of available resources to utilise these savings in future contracts.
HEALTHY, SAFE & SECURE												
Safe Electrical Systems	457,000	361,920.00	0.00	361,920.00	506,000	49,000	446,000	474,000	376,000	376,000	376,000	The latest draft position shows an overspend of £18k in Contract 2259A (additional works were identified during inspection which were not anticipated), £5k as a result of increased fees and £15k overspend in voids budget. This represents a slight increase from the position reported previously. The overspend was expected to be covered by carry forward from the previous year. However, that was not possible because of overspend in Voids Budget in 08/09. The slight saving received through procurement has been affected by a further overspend in Voids Budget 09/10.
Communal Areas (Environmentals)	111,000	52,353.00	(1,709.00)	50,644.00	59,000	(62,000)	150,000	100,000	50,000	100,000	100,000	The latest draft position shows an underspend of £52k. This represents an increase of £32k underspend from the previous report. This is due to delays putting together a brief for the digital switchover contract. £13k underspend is due to slippage of projects as a result of Contractors not responding to requests to commence work. The underspend may be carried forward to 2010/11.
NON-SHS ELEMENTS PARTICULAR NEEDS HOUSING (CTC)												
Conversions & Upgradings	110,000	55,686.00	0.00	55,686.00	66,000	(44,000)	50,000	50,000	50,000	50,000	50,000	The latest draft position shows no change from the previous report, which is an underspend of £44k. This is due to delays in finalising transfer of Hillcrest Drive. Budget to be carried forward to 10/11.
												The latest draft position shows no change from previous report, showing an underspend of £33k less than budgeted figure. This is because of minor adaptation cost, which is to be transferred to revenue

Housing Capital Programme 2009/10 to 2014/15	Revised Budget, inc of	To 28th February 2010				Projected Out-turn as at Feb (Mar HPIBF mtg)	Variance of February out turn with Budget	2010/11 Proposed Budget (exc carry forwards from 09/10)	2011/12 Proposed Budget	2012/13 Proposed Budget	2013/14 Proposed Budget	2014/15 Proposed Budget	Project Status as at February 2010 (March HPIBF meeting)
		Total Expend	Income	Net Expend	£								
		£	£	£	£								
Disabled Adaptations	355,000	279,307.00	(2,300.00)	277,007.00	325,000	(53,000)	200,000	200,000	200,000	200,000	200,000		
Area Improvements	62,000	49,464.00	0.00	49,464.00	52,000	(10,000)	100,000	150,000	0	0	0	The latest draft position shows an underspend of £10k. This represents an increase of £10k from previous report due to slippage of projects as a result of contractors not responding to commence work. The underspend may be carried forward to 2010/11.	
Water Supply Pipe Replacement	108,000	13,725.00	0.00	13,725.00	60,000	(48,000)	50,000	50,000	50,000	0	0	Draft position shows an unspent committed expenditure of £48k. Procurement position with Scottish Water has now been clarified and an exception report has been submitted. This process has caused the delay. The unspent budget will be carried forward as part of the contract.	
Demolitions	138,000	2,059.00	0.00	2,059.00	2,000	(136,000)	150,000	150,000	0	0	0	The latest draft position shows an underspend of £136k. As reported previously, Service currently waiting on Scottish Government consent to transfer the land, following which the service can proceed with demolition of 5 & 6 Burnside Crescent. Had expected to go ahead this year but since we have not received consent yet it is unlikely that this will go not ahead. Budget will be carried forward to 2010/11.	
Feasibility Work	125,000	0.00	0.00	0.00	15,000	(110,000)	30,000	20,000	20,000	20,000	20,000	The latest draft position shows an underspend of £110k. It was anticipated that the total budget of £125k would be used for Standard Delivery Plan which is Stock Condition Survey and Stock Revaluation. However, Stock Revaluation is to be charged to revenue. The Stock Condition Survey is 4 weeks behind schedule due to procurement delays. Only £15k will be spent this year. The balance will be carried forward to 2010/11.	
Council New Build Housing (Transforming Communities)	0	0.00	0.00	0.00	0	0	260,000	1,221,000	50,000	0	0		
Windows	0	0.00	0.00	0.00	0	0	0	0	0	71,000	180,000		
Other Costs	10,000	15,598.00	0.00	15,598.00	23,000	13,000	265,000	265,000	0	0	0	The latest draft position shows an underspend of £13k, (an increase of £3k from the previous report). This is due to additional development work in Investment Programme Database and an two roofing contracts where the contractor is in receivership. Allowance has been made for outstanding sums due to them.	
TOTAL CAPITAL EXPENDITURE	794,000	3,281,456.00	(1,66,522.00)	3,114,934.00	4,371,000	(8,573,000)	5,437,600	7,044,150	3,187,000	3,669,000	2,777,300		
SALE OF COUNCIL PROPERTY													
Sale of Council Houses	(1,305,120)	3,195.00	(734,881.00)	(731,686.00)	(659,000)	446,120	(600,600)	(629,000)	(814,300)	(798,400)	(761,200)	House Sales continue to be poor due to current market conditions. Up to end of February 2010, 19 houses were sold. The latest draft position shows a further 3 transactions could settle this financial year totalling £ 879k, less £20k expenses with net receipts of £859k for the year. Average sale price is £39,958k per unit. In addition receipts from sale of shops & land of £52k has been realised. An vacant shop sale is expected to be settled by the end of year with an additional £13k.	
Sale of Council Shops		30,000	(60,000.00)	(49,970.00)	(63,000)	(63,000)							
Sale of HRA Land		0.00	(9,732.00)	(9,732.00)	(15,000)	(15,000)							
Mortgage Rescue/Shared Ownership		7,219.00		7,219.00	8,000	8,000							
Mortgage Rescue / Shared Ownership													
GRANTS													
NET EXPENDITURE	6,638,880	3,291,900.00	(961,135.00)	2,330,765.00	3,442,000	(8,196,880)	4,637,000	6,215,150	2,372,700	2,871,200	1,996,100		

