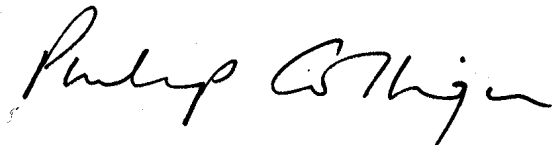


Agenda Item No:

LONDON BOROUGH OF CAMDEN	WARDS: ALL
REPORT TITLE: Housing Capital Programme Outturn – Quarter Three – 2008/09 Ref no: (HASC/2009/01)	
REPORT OF: Director of Housing & Adult Social Care	
FOR SUBMISSION TO: Executive Member for Homes and Housing Strategy	DATE: 28 January 2009
SUMMARY OF REPORT This report sets out year to date expenditure on the 2008/09 housing capital programme. The report also summarises progress on the implementation of partnering and details changes to housing capital budgets that have occurred since the monitoring report of 15 October 2008. Local Government Act 1972 – Access to information: No documents requiring listing were used in the preparation of this report. Contact Officer: Gavin Haynes, Head of Investment Strategy Tel: 020 7974 3101 E-mail: gavin.haynes@camden.gov.uk	
RECOMMENDATIONS That the Executive Member for Homes and Housing Strategy: <ul style="list-style-type: none">• Notes 2008/09 year to date expenditure, projected outturn and anticipated underspend• Notes progress on the implementation of partnering	

Signed by: Philip Colligan, Deputy Director of Housing and Adult Social Care:



Date: 16 January 2009

1. PURPOSE OF REPORT

- 1.1 The report provides an overview of expenditure during 2008/09, projected outturn by year-end and details the causes of a projected underspend. The report indicates that year-end outturn is expected to be £53.9m against a nominal profile of £72.2m. This underspend largely relates to the necessary delay in awarding partnering contracts and the intensive mobilisation work to commence delivery of the *Investing in Camden's Homes* strategy.

2. YEAR TO DATE EXPENDITURE 2008/09

- 2.1 Target capital expenditure for 2008/09 is £72.277m. This target has been increased by £3.903m due to expenditure brought forward on the Bidborough House refurbishment, £0.049m in additional sustainable construction grants, £0.086m in additional social care grant a £0.032m contribution from the Metropolitan Police, £0.031m s.106 contribution for Wellesley Road and a revenue contribution (RCCO) of £0.032m for Ellen Terry Court. The nominal expenditure target by close of December 2008 was £54.224m and outturn against this was £26.350m, an underspend of £27.874m. The primary cause of this underspend is the delay in the Executive's decision to implement partnered procurement and a previous decision to re-schedule £17m of Raising the Standard projects and recycle the funding for decent homes works.

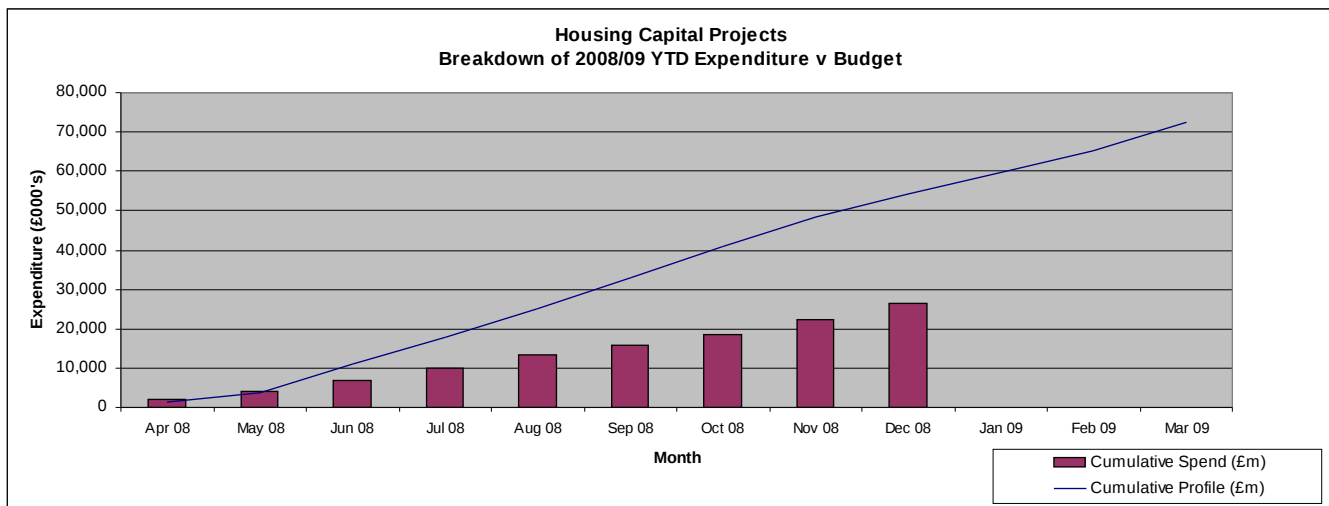


Figure 1 – Expenditure Against Profile

3. PROJECTED EXPENDITURE 2008/9

- 3.1 Table 1 shows target expenditure of £72.277 million for 2008/09 and shows that spend to date is £26.350 million against a notional target of £54.224 million.

Month	Monthly Actuals (£m)	Forecast Spend (£m)	Nominal Profile (£m)
Apr 08	2,068	2,068	1,277
May 08	1,952	4,020	3,823
Jun 08	2,999	7,019	10,832
Jul 08	2,901	9,920	17,860
Aug 08	3,304	13,224	24,944
Sep 08	2,518	15,742	32,960
Oct 08	2,801	18,543	40,814
Nov 08	3,719	22,262	48,534
Dec 08	4,088	26,350	54,224
Jan 09		36,216	59,591
Feb 09		42,839	65,233
Mar 09		53,985	72,277

Table 1 – Actuals compared with nominal profile – 2008/9

3.2 Key factors in the 2008/09 underspend are:

- Delayed award of the partnering contracts. When the first review was compiled the Council expected contracts to be awarded in March and works to start on site by July 2008. This led to projected expenditure of £14m on decent homes and £4m on mechanical and electrical works in 2008/09. Contract award was delayed from March to June 2008 to allow officers to consider the implications of a Lands Tribunal ruling. This is fully detailed in the June 2008 Executive report (HASC 2008/37):

<http://www3.camden.gov.uk/templates/committees/documents/24734.doc>

- The projected expenditure on mechanical and electrical works is particularly affected by the long lead in times whilst the design solution is developed, leaseholder consultation and the need to avoid works to district heating systems at the start of the 'heating season'
- Curnock Street Heating – it has been determined that this scheme should be delivered through the partnering contract rather than tendered separately. The works will be designed and delivered by the partnering contractor and therefore the overall project lifespan will be shorter, however, due to the later start there is a likely underspend of £1.4m in 2008/09
- Bucklebury – as with Curnock Street Heating, this scheme will now be delivered via the partnering contract, anticipated underspend in 2008/09 is £0.45m due to the later start

3.3 Schemes such as Curnock Street that are transferred into the partnering contract are subject to the same joint survey and benchmarking process as partnered mechanical and electrical schemes. This involves detailed joint surveys and working with partner contractors to secure best prices and value through the supply chain prior to issuing works orders. Furthermore, the Council retains the ability not to issue orders to the contractor partners for mechanical and electrical capital works if the prices do not represent best value when compared to benchmark prices.

3.4 Based on the nominal profile in Table 1, established at year-beginning, the revised expenditure target for 2008/09 is £72.277m. A detailed analysis of forecast expenditure across scheme budgets provides a more accurate target of £53.985m.

3.5 This target is felt to be reasonable however outturn may be further affected if works are delayed to the Arlington Road hostel. The Council has projected £11.6m of grant funded expenditure at Arlington Road during 2008/09 of which £5.8m has been spent. The situation at Arlington Road is being monitored closely through discussions with Government and the Homes and Communities Agency.

4. IMPLEMENTATION OF PARTNERING

4.1 In September 2008, the HASC scrutiny committee received a progress report on delivering the investment strategy through partnering. That set out in detail the intensive change management and mobilisation work that was happening to get the partnership ready to deliver on the ground.

4.2 A report to HASC scrutiny in December 2008 detailed the proposed start-dates for year one decent homes schemes and the mechanical and electrical schemes that have been prioritised for delivery. The delivery of IRS schemes has also commenced.

4.3 Despite the delayed start, mobilisation work has been intensive and the partnership will accelerate delivery in the final quarter of 2008/09. The partnership is also starting to develop linkages between the maintenance regimes it manages and capital works, e.g. programmed replacement of obsolete boilers that would otherwise be replaced *ad hoc* through the servicing regime.

5. FORWARD CAPITAL PROGRAMME

5.1 The resources for the Housing Capital Programme as at December 2008 are set out below:

Financial Year	Housing Capital Resources £(m)	Estate Regeneration Target – Nominal Profile £(m)
2008/09	72.277	
2009/10	89.217	
2010/11	122.300	
2011/12	68.209	50.000
2012/13	57.305	50.000
Total	409.308	100.000

Table 2 – Future capital resources – 2008/09 to 2012/13

5.2 It should be noted that the Housing Capital Resources column in Table 2 includes £89.4m from capital receipts yet to be secured through the empty property sales programme. The table also includes £31.713m of usable capital receipts for the long-term care strategy.

5.3 The estate regeneration target relates to the investment need that is to be addressed through the programme. The programme is self-funding and not all resources will be required to flow through the capital programme (e.g. if a block is re-developed by a stand-alone partnership). An indicative profile has been included in the housing capital programme, however, and this is reflected above.

5.4 It should be noted that progress on estate regeneration will occur prior to 2011/12 and the nominal profile will be updated as schemes are developed.

5.5 A full breakdown of housing capital expenditure and resources 2008/09 to 2014/15 is included Appendix A.

6. CONTINGENCIES

6.1 The opening contingency balance was £19.393m. The table below sets out the movements approved via a Chief Officer's Decision Report (HASC/2008/60). The closing balance is £19.400m, this is approximately 5% of the five-year housing capital programme (excluding estate regeneration) and is required to cover unforeseen investment requirements.

	Movements £ ('000s)	Balance £ ('000s)
Opening balance		19,393
Movements approved in November 2008		
CHH3 2444 – Packet 23	1,500	
CHH7 3628 – Abbey Estate Improvements	72	
CHME 3449 – Brunswick Heating	(1,565)	
Closing balance		19,400

Table 4 – Changes to contingency balance

7. COMMENTS OF THE DIRECTOR OF FINANCE

- 7.1 This report updates the Executive member on capital expenditure to date in 2008/09, which is currently £27.874m below profile (paragraph 3.1). The delay in implementing the new partnering contracts mean that an underspend on the 2008/09 programme of £18.292m is likely. This will mean a carry forward of RCCOs and capital receipts into 2009/10.
- 7.2 Paragraph 5.1 outlines a total five year programme from 2008/09 onwards of £509m. Paragraph 6.1 shows the capital programme has a contingency of £19.400m or 5% of the total. This is not a large amount to cover any potential events over the next five years so it is essential that costs of schemes are tightly controlled and contained within the agreed capital programme budgets. The Executive member should note that the resourcing of the programme depends on £89.4m of receipts yet to be generated and £100m to be generated through Estate Regeneration.

8. COMMENTS OF HEAD OF LEGAL SERVICES

- 8.1 The Head of Legal Services has been consulted and there are no specific legal implications arising from this report.

Appendix A – Housing Capital Resources – 2008/09 to 2014/15

EXPENDITURE	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL 08/09 onwards
	£000	£000	£000	£000	£000	£000	£000	£000
Housing & Adult Social Care								
- Hostels Improvement Prog.	11,575	868						12,443
- other Housing GF exp.	1,594	1,592	947	740	963			5,836
- Bidborough House refurb.	5,103	6,393	500					11,996
- Long Term Care Strategy	0	3,971	15,950	5,192	5,500	1,100		31,713
- Other Adult Social Care	764	1,503	98					2,365
- HRA Estates Regeneration				50,000	50,000			100,000
- HRA dwellings works	53,241	74,890	104,805	62,277	50,842	44,212	36,850	427,117
Total HASC	72,277	89,217	122,300	118,209	107,305	45,312	36,850	591,470

Funded By								
Government funding	45,555	33,368	32,251	29,587	25,800	25,800	25,800	218,161
Other grants and contributions	5,615	6,490	10,790	461	4,300	4,300	4,300	36,256
HRA revenue contribution	14,094	4,608	7,873					26,575
GF revenue contribution	200	1				213		414
Estate Regeneration				50,000	50,000			100,000
Capital Receipts	6,813	44,750	71,386	38,161	27,205	14,999	6,750	210,064
Capital Programme Funding	72,277	89,217	122,300	118,209	107,305	45,312	36,850	591,470