

Report of: Finance Scrutiny Committee

To: Executive Board

Date: 6th. November

Item No:

Title of Report : Finance Scrutiny Committee on balancing the capital programme and the maintenance backlog



Summary and Recommendations



Purpose of report: To report the recommendations of Finance Scrutiny Committee concluded as part of their debates on the capital programme and solutions to reducing the maintenance backlog

Key decision: No

Portfolio Holder: Cllr. Tall

Scrutiny Responsibility: Finance Scrutiny



Ward(s) affected: All

Report Approved by: Mark Luntley – Strategic Director Finance and Corporate Services

Cllr. Price – Chair of the Finance Scrutiny Committee

Cllr. Psay Cane – Legal and Democratic Services



Policy Framework: These decisions affect budget planning and delivery

Recommendation(s): the committee recommendations are those detailed in the minutes at 1 below. The Executive Board is asked to respond to the

Scrutiny Committee:

1. If it agrees or disagrees with the recommendations outlined

2. If it agrees when will the recommendations be implemented and who will

take the lead



If it disagrees why



4. If more information is required from other officers when that will be considered

1. Finance Scrutiny Committee Minutes and Recommendations

35. MAINTENANCE BACKLOG REDUCTION STRATEGY AND RE-BALANCING THE CAPITAL PROGRAMME

The Financial and Asset Management Business Manager submitted a report (previously circulated and now appended) concerning rebalancing the Capital Programme.

Michael Lawrence informed the Committee of a range of proposals that had been identified in order to help meet the shortfall on the Housing Capital Programme.

In response to questions from the Chair, Penny Gardner said that she believed that the disposals programme was, in the short-term, safe but acknowledged that there were issues that needed to be addressed after 2010/2011.

Mark Luntley, in relation to funding the Programme from borrowing, expressed caution concerning the issue of prudential borrowing. He referred to the need to consider delivery mechanisms and the need for consistency in presenting and managing the Capital Programme.

Councillor Stephen Tall, Portfolioholder for Better Finance, referred to the need to decide the medium-term position taking account of what capital items/facilities the Council had to maintain and IT requirements. He noted that the Council could not dispose of assets indefinitely. Councillor Tall said that it was necessary to consider the Capital Programme over a 5 to 20 year period, given that the Council's capital resources will be much more stretched in 5 years time.

Resolved:-

to note the disposal programme in relation to the General Fund:

to ask that details of properties which are to be disposed of be sent to members of the Committee;

in relation to the Housing Revenue Account, to note the need to identify ways of making good the shortfall from 2007/2008 onwards and the fact that this shortfall is likely to increase as time goes by;

to set up a working group, with the following membership: Councillors Bob Price, Craig Simmons and Stephen Tall, Clarke Brundin, Mark Luntley, Pat

Jones and a representative from each of C B Richard Ellis (or equivalent) and another council, to consider possible solutions for reducing the maintenance backlog and to report back to the Committee at either its November or December meetings;

to RECOMMEND the Executive Board:-

- (a) to request the Asset Manager to achieve the planned asset disposals in time to meet expected spending patterns;**
- (b) that any new bid for capital expenditure in 2006/2007 can only be funded by removing an equal capital spend from the current programme;**
- (c) that the Strategic Director (Housing, Health and Community) submit a report to the Committee's November meeting setting out the current certainties for balancing the Housing Revenue Account Capital Programme to 2009, certainties to be defined by agreed and deliverable asset sales, positive opinions from planners on any actions proposed, accurate valuations, the agreement of members, any requirements for prudential borrowing – so that this information can be used in budget planning for the coming financial year;**
- (d) to support the setting up of a working group to look at possible solutions for reducing the maintenance backlog;**
- (e) that, when rebalancing the Capital Programme, account be taken of the review of Leisure and the review of the Community Centres Strategy to ensure that maintenance backlog issues are adequately addressed;**
- (f) that the position after 2010 be clarified within the budgeting process.**

2. Background

2.1 Within its work programme the Finance Scrutiny Committee have considered the capital programme and in particular its deliverability in the short and medium term. At the meeting in September the Financial and Asset Business Unit Manager produced a report in response to the committees enquires in this area. This report is attached at appendix 1.

2.2 The key points taken from this report and the debate by the committee were:

- There is a shortfall of resources in the General Fund (GF) capital programme for the current year of £609k if all schemes in the programme are completed

- The £609k shortfall includes £490k of new schemes accepted in the revised programme. If these schemes waited until resources were available it would reduce the shortfall for the current year to £110k
- The £110k shortfall could be met by deferring schemes in the Built Environment marked as desirable. Any slippage of other schemes this year could replace some of this allowing potentially some of the desirable schemes to go ahead
- The shortfall in the current year is because of overspending on schemes in 2005/06 and more schemes included in the programme than resources available to deliver them
- The asset disposals for the current year (not yet completed) are £2.057m. If these are not achieved the GF capital programme will have to be further revised
- The shortfall in the GF capital programme for this year has to be addressed now because spending without resources to fund them will have to be met from revenue and this would reduce reserves to unacceptable levels
- Planned asset disposals are sufficient to meet the GF requirements for 2007/08
- The Housing Revenue Account (HRA) capital programme has sufficient resources to meet this years requirements but from 2007/08 onwards funding is currently insufficient to deliver the programme
- The HRA capital programme has a shortfall of £3.321m for 07/08 rising in the medium term (2009/10) to £10.411m. These figures assume a figure for planned Right to Buy sales and also contributions from surpluses in the Housing Revenue Account
- If prudential borrowing was considered in this area this would reduce these surpluses so care has to be taken not to double count
- Surpluses in the HRA for the current year that were budgeted to be used within the capital programme (£.467m) will not be achieved so further disposals are planned to bridge this gap

2.2 The Strategic Director Housing Health and Community presented to the committee options for the bridging of this gap. Slides are attached at appendix 2. These options included:

- Those garage sites not suitable for affordable housing possibly to be sold for a capital receipt
- Substandard green spaces on estates that could be disposed of to re-invest in remaining green spaces and produce a surplus capital receipt
- A current study of 3 Sheltered Housing Schemes that could be considered for disposal for building and a surplus capital receipt

- “Special needs” properties, currently leased at about 15% of market value, could be sold as they become vacant
- Estate shops with a large maintenance backlog. Some are empty. A longer term study is underway to look at options for disposal or letting
- Void properties that are considered too expensive to repair for re-letting are currently considered for sale. The ceiling of cost could be reconsidered
- Garden disposals. As properties with large gardens become vacant to consider the development potential to produce a capital receipt
- Long term solutions in Rose Hill and Northway looking at potential housing developments in under used areas. A number of considerations on the balance between social and non-social housing need to be considered. A regeneration team to be put together to consider the possibilities here
- Disposal of miscellaneous non-housing assets e.g. electricity sub stations
- To look at large dwellings as they become available to consider development potential

2.3 These options had been considered by the Housing Advisory Board who had advised that they did not wish to rule any options out but wished to see a programme from the Strategic Director on the time scales and resources needed to work up these options. Given the pressing nature of the budget difficulties and the need to plan with a degree of certainty for the next 2 years the Finance Scrutiny Committee further asked that the Strategic Director to provide information on the “certainties” within these options so the immediate pressures could be clear to members in scrutinising the coming budget.

2.4 The Committee were also interested to know how decisions made by the Executive Board in January 2006 to reduce the maintenance backlog were progressing because of the links between these decisions and the capital programme and asset sales. A copy of the agreed recommendation is at appendix 3. The committee was informed that little progress had been made in this area. The committee decided to set a working group to consider these issues the focus of which is currently being scoped.

3. Comments from the Strategic Director

The position presented in the report has altered slightly as schemes progress and slip. Significantly the potential disposal of the Slade Barracks has been identified as an HRA rather than a General Fund receipt.

Prudential borrowing as an option would need careful assessment if considered as an option for bridging funding gaps.

Extra schemes cannot be added to the programme without the agreement of the Executive Board and Council as this represents a change to the agreed Budget.

The work of the review group, as outlined in the recommendations, should wait until the start of the best value review in this area which is due to start in early 2007. Finance Scrutiny Committees input at this stage would be welcome.

4. Comments from the Portfolio Holder

In response to recommendation (a) the portfolio holder comments that when considering any asset disposals a case needs to be made that makes broad financial sense rather than the narrow requirement to bridge gaps in the funding of the capital programme.

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Background papers:

Finance Scrutiny Committee minutes and reports

