

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 9 FEBRUARY 2016

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2015/16

REPORT BY THE HEAD OF PLANNING AND PLACE

ABSTRACT

This report relates to the Housing Revenue Account (H R A) Capital and Revenue performance to date in 2015/16. It sets out the actual Capital and Revenue spend to 31 December 2015 together with projected outturns for the year to 31 March 2016 and any required updated capital funding proposals.

1 RECOMMENDATIONS

It is recommended that the Committee reviews and scrutinises:

1.1 the contents of this report; and

1.2 the projected year end positions on capital and revenue expenditure as indicated in Appendix 1 and 3, and the indicative funding proposals for the programme.

2 ALIGNMENT TO THE ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT / CORPORATE PLAN.

This report contributes to the following local outcomes in the single outcome agreement:

- 2. Angus is a good place to live in, work in and visit
- 7. Our communities are safe, secure and vibrant
- 9. Individuals are supported in their own communities with good quality services
- 10. Our communities are developed in a sustainable manner

3 BACKGROUND

3.1 The responsibilities of Chief Officers with regard to revenue and capital monitoring are set out in Sections 3 and 7 of the Council's Financial Regulations. This report seeks to ensure that budgetary control is exercised in line with those Regulations.

4 2015/2016 CAPITAL BUDGET

4.1 Following member's approval of the capital monitoring budget amounting to £7,216,000 at the Communities Committee on 18 August 2015 (Report 311/15 refers), this report presents the latest estimated outturn against the monitoring budget. Further update reports will be presented to members at future Communities Committees throughout the remainder of the year.

5 2015/2016 CAPITAL MONITORING OUTTURN POSITION

5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2015/16 as at 31 December 2015. It may be noted that the actual spend achieved to that date is £4,189,000 which equates to 58.1% of the monitoring budget of £7,216,000. It is projected at this time, that by the end of the financial year 2015/16 net expenditure will total £6,792,000 which represents a potential underspend of 5.9%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 31 Dec 2015	Latest Estimate	Projected (over)/ under Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	2,032	1,217	1,881	151
Shared Equity	1	0	1	0
Survive and Thrive	206	248	248	(42)
Regeneration	0	0	0	0
Conversion	144	114	130	14
Heating Installation	1,162	801	1,401	(239)
Window Replacement	312	103	188	124
Energy Saving	1,587	799	954	633
Sheltered Housing	177	179	210	(33)
Kitchen Replacement	330	53	354	(24)
Aids and Adaptations	520	296	520	0
Improvements	29	28	32	(3)
Miscellaneous	716	351	873	(157)
Total Programme	7216	4,189	6,792	424

6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

- 6.1 Members are asked to note that the commentary provided in part 6 of this report is on an exception basis. Where there is no narrative, there are no significant individual project issues to report at this time.

New Build

Following a revision of the cash flow at Eastgate Frockheim in order to allow appropriation of the site and retendering it is likely that the net cost in this financial year will reduce by £155,000.

Following some complex negotiation final agreement was reached with the adjoining owner and a revised completion date set of May 2016 for the project at 18 High Street Carnoustie. It was previously reported that this project will underspend in this financial year by £130,000. However members will be aware of the extreme weather conditions experienced across Angus at New Year and due to flooding issues the works have been further delayed. A revised completion date and cashflow will be required and it is likely that the project will slip again.

Works to ensure that asbestos testing was completed prior to tender documents being issued will likely result in slippage at Guthriehill Arbroath amounting to £116,000.

The project at Chapelpark Forfar is likely to slip this year by £190,000, as a result of additional design works required from structural issues identified during the enabling works contract and as a result of surveys required to gather data on protected wildlife.

Offsetting the above underspends are six additional open market acquisitions amounting to £410,000 and higher than originally estimated final accounts at Millgate Loan Arbroath £73,000 and Camus House Carnoustie £80,000.

There are also a number of other minor net underspends totalling £123,000.

Survive and Thrive

The Survive and Thrive project to develop 7 units at Queen Street Carnoustie has now successfully completed. However variations to the programme and the grant spent profile meant that contributions required to be made to the developer were higher than originally anticipated this financial year by £42,000.

Heating Replacement

To offset slippage in other areas of the programme, officers have taken the opportunity to bring forward additional heating installations planned for future years £239,000.

Window Replacement

The project at 46 High Street Kirriemuir has been deferred presently awaiting listed building consent application and approval and will likely result in slippage in the current year of £41,000.

In addition the project at Milton Street Monifieth has been delayed due to difficulties in sourcing an alternative specification for recycled PVC in order to carry out a life cost exercise on alternative materials £85,000.

Other minor Overspends £2,000

Energy Saving

Following an adjustment to the addresses and a revised programme of works the removal of a number of housing blocks from the revised programme and confirmation of the extent of works at Emislaw Drive Arbroath project spend in the current year will reduce by £220,000.

The project at Bridge Street Brechin will likely slip this year by £220,000 as a result of staff turnover issues within Property.

Energy Savings measures at Kemsley and Thornton Park Forfar are on hold whilst Housing carry out a review of the project. As a result the project will likely underspend by £200,000 this financial year.

Significant additional gross costs in the Knowehead Area of Kirriemuir have been identified amounting to £307,000 over and above the allowance in the monitoring budget mainly relating to additional works to roofs and chimneys. Members should note specific funding has been granted through the Scottish Government Home Energy Efficiency Programme totalling this year to £263,000 this year to partly offset the increased projected costs with the project projected to outturn with a net overspend of £44,000.

Other more minor net underspends £37,000

Miscellaneous

Garage Improvement costs are likely to increase in total by £200,000 this financial year mainly due to increased contractor rates and tender returns and additional resurfacing works being required at garage sites.

Housing officers have completed an investigation into loft access requirements within council dwellings and it has been determined that works are no longer required £50,000.

Other more minor net overspends £7,000.

7 2015/2016 CAPITAL RECEIPTS UPDATE

- 7.1 Members should note that Scottish Ministers made an Order on 20 November 2014 to provide that, under sections 1(1) of the Housing Scotland Act, right to buy will end for all tenants of social housing in Scotland on 1 August 2016, unless they submit a valid application to purchase before that date. Any applications up to that date will be progressed in the usual way, but after the abolition date no further applications can be made. It still remains unclear at this point in time as to the effect this decision will have on levels of Council House Sales prior to the date of abolition or the effect on levels of resources available in the future to fund capital spend.
- 7.2 Members will be aware that capital receipts from the sale of Council housing stock, other assets and associated miscellaneous receipts are utilised in the financing of the Housing Capital Programme. For background and context information relating to the Council House Right to Buy

members are referred to Section 2 of report 371/10 to the Neighbourhood Services committee of 27 May 2010.

- 7.3 The capital receipts position for 2015/16 as at 31 December 2015 is as shown in Table 2 below. Further detail on a ward by ward basis regarding the receipts from house sales and the remaining eligible for sale housing stock is contained in Appendix 2.

Table 2 – Capital Receipts Position

Receipt Type	Monitoring Budget for Year £	Actual Receipts 31 Dec 2015 £	Projected Final Receipts Position £	Projected Variance Increase (Decrease) £
House Sales	1,445,000	1,234,010	1,615,210	170,210
Other Sales (Land)	0		0	0
Miscellaneous Receipts	5,000	32,500	32,500	27,500
Total Capital Receipts	1,450,000	1,266,510	1,647,710	197,710
Less Estimated Full Year Administration Costs	50,000	37,500	50,000	0
Net Capital Receipts	1,400,000	1,229,010	1,597,710	197,710

- 7.4 Members will note that actual receipts to the end of December 2015 total £1,266,510 before deduction of estimated administration costs. Members should also note that there have been 27 completed house sales to date with 36 applications currently at various stages in progress. At present 9 of these have confirmed dates of entry in financial year 2015 /16 totalling some £381,200.

At this stage of the financial year it is not certain that any of the remaining 27 applications currently in various stages of progress will crystallise into finalised sales. Accordingly officers believe that with the inherent volatility and difficulty in predicting the completion of house sales, a prudent approach should be taken and have assumed no further house sales completions this financial year. This then results in a projected overall capital receipts position totalling, £1,647,710 and after deduction of full year administration costs amounting to £50,000 a net capital receipts total of £1,597,710 for the year.

- 7.5 Table 3 below compares the receipts from house sales at 31 December 2015 with the positions at 31 December in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 31 December 2015 £	Change From Previous Year £	% Change From Previous Year
2013/14	1,011,000		
2014/15	1,200,101	+189,101	+18.7
2015/16	1,234,010	+33,909	+2.83

- 7.6 Table 3 above highlights the unpredictability of the capital receipts position and helps underline the difficulties associated with accurately predicting the final overall receipts position in the current economic climate.
- 7.7 Any potential consequences for the funding of the 2015/16 capital programme are addressed in Section 8 below.

8 2015/2016 CAPITAL FUNDING UPDATE

- 8.1 At the time of setting the 2015/16 monitoring budget, estimated resources assumed to be available to finance the capital programme were as detailed in Table 4 below. These resources have been reviewed to reflect the 2015/16 latest estimated capital expenditure and receipts levels, and this position is also detailed in Table 4 along with any projected funding movements.
- 8.2 The financing position of the capital programme is being kept under regular review throughout the year and the updated projected potential funding package reported to specific Communities Committee's throughout the year.

Table 4 - Capital Funding

2015/16 Capital Budget	Monitoring Budget	Projected Funding Movement	Projected Year End Funding
Funding Sources	£,000	£,000	£,000
Prudential Borrowing	0	0	0
Prudential Borrowing - Survive and Thrive	206	(42)	248
Capital Receipts	0	0	0
Capital Financed from Current Revenue	6,139	0	6139
Transfer from Earmarked Reserves	871	466	405
Total Funding Sources	7,216	424	6,792

- 8.3 Members are also asked to note that as part of the 2016/17 rent setting process, officers have reviewed the financial plan and potential future capital projects to determine the most appropriate usage for the balances ring-fenced for Scottish Housing Quality Standard / New Build purposes. The rent setting report also on the agenda for this meeting (report 46/16 refers) incorporates plans to utilise these balances over future financial years in order to reduce borrowing levels and extend future capital spend flexibility. This includes utilising some of the balance to fund 2015/16 spend and members will accordingly note the inclusion of this funding stream in the above table.

2015/2016 REVENUE BUDGET PERFORMANCE

- 9.1 In line with the provisions of Section 3 of the Financial Regulations, the revenue budget performance statement is intended to be presented at three key points during the year.
- 9.2 The statement below indicates the actual spend to 31 December 2015, together with a percentage of the budget spent to date; a projected outturn to the end of the financial year; and a projection against the original budget. It can be seen from Table 5 for the nine month period to 31 December 2015 the Housing Revenue Account is currently indicating a surplus of £6,319,000. This occurs as a snapshot position at this point in time as significant financing costs are not charged to the Housing Revenue Account until the end of the financial year. Additionally year-end central support costs are still to be incorporated under the heading of Supervision & Management. Both these costs are however incorporated within the year end projected outturn.
- 9.3 Members should note however that based on information available at this time it is projected that by the end of the 2015/16 financial year the Housing Revenue Account will generate a surplus of £797,000. Officers from Finance and Housing have determined that any net surplus arising within the HRA Revenue Account this year will be used to repay outstanding debt which will allow the HRA capital programme additional flexibility in future years. It can 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 10 of this report

Table 5 – HRA Revenue Monitoring

	Monitoring Budget	Actual to 31/12/15	Budget Spent	Projected Outturn	(Over) / Under Spend
	£,000	£,000	%	£000	£,000
<u>EXPENDITURE</u>					
Financing Charges	9,007	0	0	8,807	200
Supervision & Management	7,863	3,266	41.5	7,732	131
Repairs & Maintenance	7,186	4,442	61.8	7,016	170
Loss of Rents	1,408	381	27.1	1,236	172
Other Expenditure	705	675	95.7	705	0
Protected Tenants	70	0	0	65	5
GROSS EXPENDITURE	26,239	8,764	33.4	25,561	678
<u>INCOME</u>					
Rents & Service Charges	25,329	15,073	59.5	25,438	(109)
Other Income	253	10	3.9	274	(21)
Homelessness Funding	657	0	0	646	11
GROSS INCOME	26,239	15,083	57.5	26,358	(119)
NET SURPLUS / EXPENDITURE	0	6,319	N/A	797	797

Appendix 3 gives further detail in respect of the 2015/16 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.

- 9.4 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.

10 COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES

- 10.1 Members are asked to note that the commentary provided in this section of the report is on an exception basis. Where there is no narrative, there are no significant issues to report.

10.2 Financing Charges

The ring fenced contribution to Survive and Thrive expenditure will no longer be required amounting to £200,000 following member approval to utilise these funds to support the Council's Housing Capital Programme (Report 208/15 26th May 2015 refers). In future these funds will be included within the mainstream council borrowing costs.

10.3 Supervision and Management

The underspend in this area (£131,000) is mainly due to staff slippage on vacant posts following a service redesign. Recruitment is now underway to fill these posts.

10.4 Repairs and Maintenance

Repairs and Maintenance is likely to underspend by £171,000 this year, mainly due to fewer than originally anticipated properties subject to electrical testing this year (£140,000) lower than anticipated stock condition survey costs (£44,000) and tenants being successfully recharged where there has been deliberate damage to our properties (£119,000). These underspends are likely to be mitigated somewhat by additional gas maintenance works being carried out £160,000. There are also likely to be a number of more minor net underspends totalling £28,000.

- 10.5 Loss of Rent is likely to reduce by £172,000. This mainly due to efficiency improvements leading to reductions in the number and time that properties remain unlet £72,000, In addition it

is likely that fewer than originally anticipated tenants will be effected by the implementation of Universal Credit; therefore Provision for Bad Debts has been reduced by £100,000.

10.6 Rental Income is likely to be higher than originally budgeted mainly due to the number of new build properties coming on stream and now included in the council stock.

11 FINANCIAL IMPLICATIONS

11.1 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.

11.2 Members will note at this time there are a number of known commitments for which the HRA balance will be utilised in financial year 2016/17 and beyond and these are detailed in Table 5 below. Members should also note that commitments in respect of the Scottish Housing Quality Standard are flexible and depend on Scottish Government and Local Authority priorities over time. However the commitments and planned expenditure contained within the Housing Financial Plan are thought sufficient to meet Housing needs at this time.

Table 6 - HRA Balances

	Monitoring Budget £,000	Projected Outturn £,000
Audited Housing Balance as at 01/04/15 Less Minimum Balance Requirement	3,563 (1,000)	3,563 (1,000)
Audited Available Housing Balance as at 01/04/15	2,563	2,563
<u>Known / Potential Commitments:</u>		
Survive and Thrive Projects - One-Off Expenditure Scottish Housing Quality Standard /New Build Housing/Debt Reduction	2,563	2,563
Total Known / Potential Commitments	2,563	2,563
Unaudited Available Housing Balance as at 01/04/14 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	797
Special Repayment of Debt	0	(797)
Anticipated Uncommitted Housing Balance at 31/03/15 after applying anticipated surplus for the year.	0	0

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.

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List of Appendices:

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