

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 14 APRIL 2015

HOUSING CAPITAL MONITORING REPORT – 2014/2015

REPORT BY THE HEAD OF PLANNING AND PLACE

ABSTRACT

This report relates to the Housing Revenue Account (H R A) Capital performance to date in 2014/15. It sets out the actual Capital spend to 28 February 2015 together with projected outturns for the year to 31 March 2015 and any required updated capital funding proposals.

1 RECOMMENDATION

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 expenditure as indicated in **Appendix 1**, 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 capital monitoring are set out in Section 7 of the Council's Financial Regulations. This report seeks to ensure that budgetary control is exercised in line with those Regulations.

4 2014/2015 CAPITAL BUDGET

4.1 Following members' approval of the capital monitoring budget amounting to £11,849,000 at the Communities Committee on 19 August 2014 (Report 323/14 refers), this report presents the latest estimated outturn against the monitoring budget. One further update report with a near final actual position for the financial year 2014/15 will be presented to members at the Communities Committees on 26 May 2015.

5 2014/2015 CAPITAL MONITORING OUTTURN POSITION

5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2014/15 as at 28 February 2015. It may be noted that the actual spend achieved to 28 February 2015 on the Housing Capital Programme is £7,984,000 which equates to 67.4% of the monitoring budget of £11,849,000. It is projected at this time, by the end of the financial year 2014/15 net expenditure will total £11,147,000 which represents a potential underspend of £702,000 (5.9%). The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 28 Feb 2015	Latest Estimate	Projected over/ (under) Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	3,415	2,529	2,979	(436)
Survive and Thrive	233	191	433	200
Regeneration	2	0	2	0
Conversion	25	82	95	70
Heating Installation	3,295	2,551	3,425	130
Window Replacement	439	229	520	81
Energy Saving	1,912	683	1,103	(809)
Sheltered Housing	464	238	345	(119)
Kitchen Replacement	350	287	335	(15)
Aids and Adaptations	520	357	535	15
Improvements	56	58	59	3
Miscellaneous	1,138	779	1,316	178
Total Programme	11,849	7,984	11,147	(702)

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 issues to report at this time.

New Build

Members are asked to note following an initial delay as a result of arranging a party wall agreement with an adjoining owner and the discovery of a live gas service on site, there has been a further delay at 18 High Street, Carnoustie due a requirement to obtain agreement from the property owner to stabilise or demolish the adjoining property. As a result the project is likely to underspend this year now by some £232,000.

Realignment of unallocated future Survive and Thrive funding has resulted in additional funding support being allocated to the Houses for Heroes element of the project at Camus House, Carnoustie as approved at the Communities committee on 19 August 2014 (report 326/14 refers). This reduction in net cost has however been offset in full by a reduction in Affordable Housing Grant funding following clarification of the arrangements for payment of grant applicable to the Houses for Heroes units. Members will should note however that the project works have been accelerated this year resulting in an earlier than anticipated completion of the project therefore with spend in this year will projected to be £120,000 higher than expected.

After taking account of anticipated required planning and listed building consents which are not likely to be granted until next financial year and the extent of the reduction in enabling works this year due to specialist survey requirements, the project at Chapelpark, Forfar is likely to underspend this year by some £150,000.

It is anticipated that the estimated final account at Wirren Gardens Montrose will not be concluded in the current financial year resulting in an underspend in this year of £64,000.

Following a revision to the project programme at North Bank Street, Monifieth the on site start date was delayed until 1 December 2014 to allow for electrical cable repositioning which was delayed due to Private Owner disconnections. In addition there has been slower than anticipated progress on site resulting in a projected underspend of £139,000 this year.

Within the Shared Equity Section there has been higher than anticipated shared equity contributions from new Tenants at Glenclova Terrace, Forfar resulting in additional income in this year of £79,000.

There are also some other more minor net overspends within the new build section totalling £108,000.

Survive and Thrive

Members will note the above additional funding contribution to Houses for Heroes from Survive and Thrive which results in additional expenditure within this area of £200,000 this year. Members are asked to note that the net effect of this funding contribution is cost neutral to the overall capital programme.

Heating Replacement

The opportunity has been taken to accelerate some spend (£130,000) in this area to partially offset an underspend in Energy Saving measures as detailed below.

Energy Saving

It is anticipated the Energy saving programme will underspend by £809,000 this year. This is mainly due to the council receiving significantly lower than anticipated prices for the installation of Photovoltaic Panels in rural sites (£600,000). Additionally, works in the Knowehead area of Kirriemuir have been delayed whilst issues with Energy Company Obligation funding are resolved (£100,000). In addition a number of properties have been identified as not suitable for this particular initiative following contractor surveys (£50,000) and a number of smaller energy projects are anticipated to underspend this year (£79,000).

To partly offset the above projected underspends, external insulation works (£20,000) in the Aberlemno, Edzell and Balkeerie areas have been brought forward into the current financial year.

Sheltered Housing

The project relating to the provision of storage facilities for mobility scooters has been delayed to allow a review of potential options resulting in an underspend of £45,000 this year.

There are also a number of more minor underspends within the Sheltered Housing Programme amounting to £74,000.

Miscellaneous

As part of the Council's asset rationalisation programme, works are being undertaken at Montrose Road, Forfar to form alternative and improved office accommodation for Housing staff resulting in an additional spend of £50,000 this year.

An opportunity has also arisen to accelerate the Door Entry Programme as part of the drive to fully comply with the Scottish Housing Quality Standard by April 2015, resulting in additional spend in the current year of some £84,000. In addition Resurfacing Footpaths is to be accelerated during the remainder of the year resulting in additional spend in this area of £100,000.

There are also a number of more minor net underspends amounting to £56,000 within the Miscellaneous Programme.

7 2014/2015 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 such applications 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 Scheme, 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 2014/15 as at 28 February 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 28 Feb 2015 £	Projected Final Receipts Position £	Projected Variance Increase (Decrease) £
House Sales	1,295,000	1,373,501	1,523,501	228,501
Other Sales (Land)	5,000	2,100	5,350	350
Miscellaneous Receipts	0	1,149	1,149	1,149
Total Capital Receipts	1,300,000	1,376,750	1,530,000	230,000
Less Estimated Full Year Administration Costs	50,000	45,833	50,000	0
Net Capital Receipts	1,250,000	1,330,917	1,480,000	230,000

- 7.4 Members will note that actual receipts to the end of February 2015 total £1,330,917 after deduction of estimated administration costs. Members should also note that there have been 31 completed house sales to date with 18 applications currently at various stages in progress. At present only 2 of these have confirmed dates of entry on or before the 31 March 2015 totalling £150,000.

At this stage of the financial year it is not likely that any of the remaining 16 applications currently in various stages of progress will crystallise into finalised sales in the current financial year. Accordingly officers believe that no further house sales will complete this financial year. This then results in a projected overall net capital receipts position totalling £1,480,000 for the year.

- 7.5 Table 3 below compares the receipts from house sales at 28 February 2015 with the positions at 28 February in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 28 February 2015 £	Change From Previous Year £	% Change From Previous Year
2012/13	1,175,840		
2013/14	1,060,240	-115,600	-9.8
2014/15	1,480,000	+419,760	+39.6

- 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 2014/15 capital programme are addressed in Section 8 below.

8 2014/2015 CAPITAL FUNDING UPDATE

- 8.1 At the time of setting the 2014/15 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 2014/15 latest estimated capital expenditure and receipts levels, and this position is also detailed in Table 4 below 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 each cycle of the Communities Committee.

Table 4 - Capital Funding

2014/15 Capital Budget	Monitoring Budget	Projected Funding Movement	Projected Year End Funding
Funding Sources	£,000	£,000	£,000
Prudential Borrowing	4,194	(2,359)	1,835
Prudential Borrowing - Survive and Thrive	233	200	433
Capital Receipts	1,250	230	1,480
Capital Financed from Current Revenue	6,172	700	6,872
Transfer from Earmarked Reserves	0	527	527
Total Funding Sources	11,849	(702)	11,147

- 8.3 For clarity 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.
- 8.4 Members are also asked to note that as part of the 2015/16 rent setting process, officers reviewed the financial plan and potential future capital projects to determine the most appropriate usage for the balances ring-fenced for Scottish Housing Quality Standards / New Build purposes. The rent setting report (report 53/15 refers) incorporated plans to utilise these balances over three financial years in order to reduce borrowing levels and extend future capital spend flexibility. This includes utilising some of the balance (£527,000) to fund 2014/15 spend and members will accordingly note the inclusion of this funding stream in the above table.

10 FINANCIAL IMPLICATIONS

- 10.1 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 5 below.
- 10.2 Members will note at this time there are a number of known commitments for which the HRA balance will be utilised in financial year 2015/16 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 subject to revision depending on the outcome of a final Housing Stock Condition survey this year. However the commitments and planned expenditure contained within the Housing Financial Plan are thought sufficient to meet Housing needs at this time.

Table 5 - HRA Balances

	Monitoring Budget £,000	Projected Outturn £,000
Audited Housing Balance as at 01/04/14	3,181	3,181
Less Minimum Balance Requirement	(1,000)	(1,000)
Audited Available Housing Balance as at 01/04/14	2181	2,181
Transfer from Earmarked Reserves per Table 4 above	0	(527)
Revised Available Housing Balance as at 01/04/14	2,181	1,654
<u>Known / Potential Commitments:</u>		
Survive and Thrive Projects - One-Off Expenditure	687	687
Scottish Housing Quality Standard /New Build Housing	1,494	967
Total Known / Potential Commitments	2,181	1,654
Audited Available Housing Balance as at 01/04/14 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	319
Anticipated Uncommitted Housing Balance at 31/03/15 after applying anticipated surplus for the year.	0	319

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:

Appendix 1
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