

ANGUS COUNCIL**COMMUNITIES COMMITTEE – 20 JANUARY 2015****HOUSING CAPITAL MONITORING REPORT – 2014/15****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 30th November 2014 together with projected outturns for the year to 31 March 2015 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 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 member's approval of the capital monitoring budget amounting to £11,849,000 at the Communities Committee on 19th August 2014 (Report 323/14 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 financial year.

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 30 September 2014. It may be noted that the actual spend achieved to 30th November 2014 on the Housing Capital Programme is £4,999,000 which equates to 42.2% 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 £11,478,000 which represents a potential underspend of 3.11%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 30 Nov 2014	Latest Estimate	Projected over/ (under) Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	3,415	1,102	3,105	(310)
Survive and Thrive	233	368	433	200
Regeneration	2	0	2	0
Conversion	25	24	75	50
Heating Installation	3,295	1,591	3,473	178
Window Replacement	439	102	489	50
Energy Saving	1,912	348	1,262	(650)
Sheltered Housing	464	232	470	6
Kitchen Replacement	350	283	335	(15)
Aids and Adaptations	520	290	529	9
Improvements	56	67	70	14
Miscellaneous	1,138	592	1,235	97
Total Programme	11,849	4,999	11,478	(371)

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

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

Members are asked to note there has been an initial delay at 18 High Street Carnoustie due to arranging a party wall agreement with an adjoining owner and the discovery of a live gas service on site. As a result the project is likely to underspend this year by some £130,000.

Following a revision to the project programme at North Bank Street Monifieth the on site start date has been delayed until 1 December 2014 and therefore the project is likely to underspend by £59,000 this year.

Realignment of unutilised 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 12 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 grant applicable to the Houses for Heroes units. This project is therefore now projected to be broadly on budget.

There are some other more minor net underspends within the new build section amounting to £29,000.

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 therefore cost neutral to the overall capital programme.

Heating Replacement

The opportunity has been taken to accelerate some spend (£178,000) 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 £650,000 this year. This is mainly due to the council receiving lower than anticipated prices and therefore achieving better value for the installation of Photovoltaic Panels in rural sites allowing the council to carry out the planned installations at a greatly reduced cost. In addition contractor surveys have identified a number of properties which are not suitable for this particular initiative.

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.

In addition an opportunity has 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 £114,000.

There are also a number of more minor net underspends amounting to £67,000 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 date no application 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 30th November 2014 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 30 Nov	Projected Final Receipts Position	Projected Variance Increase (Decrease)
	£	£	£	£
House Sales	1,295,000	1,200,101	1,630,000	335,000
Other Sales (Land)	5,000	2,100	5,000	0
Miscellaneous Receipts	0	1,149	2,000	2,000
Total Capital Receipts	1,300,000	1,203,350	1,637,000	337,000
Less Estimated Full Year Administration Costs	50,000	25,000	50,000	0
Net Capital Receipts	1,250,000	1,178,350	1,587,000	337,000

- 7.4 Members will note that actual receipts to the end of November 2014 total £1,178,350 after deduction of estimated administration costs. Members should also note that there have been 26 house sales to date with 23 applications currently at various stages in progress. At present 8 of these have confirmed dates of entry in financial year 2014 /15 totalling some £315,500.

Officers at this stage believe it is unclear as to how many of the remaining 15 applications currently in various stages of progress will crystallise into finalised sales with confirmed dates of entry. As a result of this uncertainty officers continue to adopt a cautious approach to capital receipt predictions and therefore it is considered that a projected year end position of £1,587,000 (after deduction of administration costs) for the year is a prudent position to adopt at this time. This will however be kept under review throughout the year.

- 7.5 Table 3 below compares the receipts from house sales at 30 November 2014 with the positions at 30 November in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 30 September £	Change From Previous Year £	% Change From Previous Year
2012/13	938,700	+425,800	+83.0%
2013/14	838,250	-100,450	-10.7%
2014/15	1,200,101	+361,851	+43.2%

- 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, 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 will be 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	(908)	3,286
Prudential Borrowing - Survive and Thrive	233	200	433
Capital Receipts	1,250	337	1,587
Capital Financed from Current Revenue	6,172	0	6,172
Total Funding Sources	11,849	(371)	11,478

- 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 are reviewing 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. It is intended to phase the use of these balances over the next few years in order to reduce borrowing levels and extend future capital spend flexibility. Officers intend to include proposals in this regard within the rent setting report and this will include the proposed application of some of the balance to fund 2014/15 spend.

9 FINANCIAL IMPLICATIONS

- 9.1 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.
- 9.2 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 this year. However these 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 Less Minimum Balance Requirement	3,181 (1,000)	3,181 (1,000)
Audited Available Housing Balance as at 01/04/14	2,181	2,181
<u>Known / Potential Commitments:</u>		
Survive and Thrive Projects - One-Off Expenditure	(687)	(687)
Scottish Housing Quality Standard /New Build Housing	(1,494)	(1,494)
Total Known / Potential Commitments	(2,181)	(2,181)
Blank		
Unaudited Available Housing Balance as at 01/04/14 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	0
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:

Appendix 1
Appendix 2