

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 18 AUGUST 2015**

**HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2014/15**

**REPORT BY THE HEAD OF PLANNING AND PLACE**

**ABSTRACT**

This report relates to the Housing Revenue Account (H R A) Capital and Revenue performance during 2014/15. It sets out the final unaudited Capital and Revenue spend to 31 March 2015 together with the updated capital funding arrangements.

**1 RECOMMENDATIONS**

It is recommended that the Committee reviews and scrutinises:

- 1.1 the unaudited final outturn figures presented for Housing Capital and Revenue for the year to 31 March 2015;
- 1.2 the unaudited final outturn capital receipts position for the year to 31 March 2015;
- 1.3 the capital funding arrangements;
- 1.4 the revenue budget performance statement for the year to 31 March 2015.

**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 respectively 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 Report 372/14 approved the 2014/15 Final Capital Budget Volume detailing the 2013/2017 Housing Revenue Account Financial Plan, including the 2014/15 capital monitoring budget which formed the basis for monitoring throughout the financial year. This report details the unaudited final capital outturn expenditure incurred and income received for the period 1 April 2014 to 31 March 2015.

**5 2014/2015 CAPITAL MONITORING OUTTURN POSITION**

- 5.1 Table 1 below sets out the summarised final unaudited outturn position of the overall Housing Capital Programme 2014/15 as at 31 March 2015 in comparison to the monitoring budget position. **Appendix 1** gives further detail in respect of the position of individual capital projects where considered appropriate.
- 5.2 It can be seen from Table 1 below and **Appendix 1** that the actual net spend, achieved to 31 March 2015 on the Housing capital programme was £11,125,000 which represents an

underspend of £724,000 (6.1%) against the monitoring budget. The main reasons for this position are highlighted in Section 6 of this report.

**Table 1 – Housing Capital Programme**

<b>Programme</b>	<b>Monitoring Budget</b>	<b>Actual Expenditure 31 March 2015</b>	<b>(Over) / Under Spend</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
New Build and Shared Equity	3,415	3,231	184
Survive and Thrive	233	391	(158)
Regeneration	2	3	(1)
Conversion	25	92	(67)
Heating Installation	3,295	3,667	(372)
Window Replacement	439	418	21
Energy Saving	1,912	1026	886
Sheltered Housing	464	295	169
Kitchen Replacement	350	295	55
Aids and Adaptations	520	472	48
Improvements	56	60	(4)
Miscellaneous	1,138	1,175	(37)
<b>Total Programme</b>	<b>11,849</b>	<b>11,125</b>	<b>724</b>

## **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.

### New Build and Shared Equity – Underspend £184,000

This was mainly due to:

- Noran Avenue Arbroath Phase 2 (overspend £155,000) - faster than anticipated progress on site.
- Camus House Carnoustie (overspend £130,000) - advancement of works on site by the contractor.
- High Street Carnoustie (Underspend £92,000) – Issues arose during the year with utilities and delays obtaining agreements with adjoining owner.
- Chapelpark Forfar (Underspend £139,000) – mainly due to timescales for planning and listed building requirements and specialist survey works reducing enabling works.
- North Bank Street, Monifieth (underspend £148,000) – Delays during the year to allow for electric cable repositioning which was delayed due to Private Owner disconnections.
- Shared Equity Properties at Glenclova Terrace Forfar (additional receipts £80,000) - higher than anticipated equity share receipts from new occupants.
- Various projects (10,000 underspend) - minor net overspends from a number of other projects within the New Build Programme.

### Survive and Thrive - Overspend £158,000

Mainly due to a £200,000 funding contribution to the Houses for Heroes project from Survive and Thrive funding. Members are asked to note that the net effect of this funding contribution is cost neutral to the overall capital programme. Members should also note that this contribution is offset somewhat (£42,000) by slower than anticipated progress by the contractor at Queen Street Carnoustie.

### Heating Replacement - Overspend £372,000

The Heating Replacement Programme was accelerated during financial year 2014/15 to partially offset the underspend in Energy Saving measures detailed below. In addition the

opportunity within the Heating Programme was taken to undertake boiler works and general upgrading to Sheltered Houses. The Budget for this element (£50,000) is contained within the Sheltered Housing programme.

#### Energy Saving – Underspend £886,000

This is mainly due to:

- Significantly lower than anticipated prices for the installation of Photovoltaic Panels in rural sites (£540,000).
- Works in the Knowehead area of Kirriemuir were delayed whilst issues with Energy Company Obligation (ECO) funding were resolved (£118,000).
- Contractor surveys identified a number of properties which are not suitable for this particular initiative resulting in a projected further underspend (£50,000).
- Lower than anticipated contractor final account (£61,000) in respect of the works at LordburnPlace, Thornton Park and Viewmount, Forfar.
- Various other net underspends (£117,000).

#### Sheltered Housing – Underspend £169,000

The underspend is mainly due to:

- The provision for storage of mobility scooters project is on hold to review the requirement (£46,000).
- Southesk Court Modernisation slippage due to contractor performance issues resulting in money being withheld to be released following satisfactory completion of various areas of work (£40,000).
- General Upgrading Works – Costs of £50,000 in relation to this project have been included in the Heating Replacement Programme above.
- Various other net underspends (£33,000)

## **7 2014/2015 CAPITAL FUNDING UPDATE**

- 7.1 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 2 below. These resources have been reviewed to reflect the movement in the balance of funding as a result of the actual expenditure and receipts positions at the end of the year end and this is also detailed in Table 2 below.
- 7.2 Members are asked to note that for the year to 31 March 2015 a total of 33 house sales were completed and the unaudited total overall HRA gross capital receipts amounted to £1,442,382. This is £142,382 above the gross capital receipts monitoring budget mainly due to a higher volume of Council House sales and higher sale values than was originally anticipated.
- 7.3 The above figures do not allow for the recovery of the cost of administering the Council House Sales process (£79,376). The overall net HRA capital receipts therefore available and used to fund the capital programme amounted to £1,363,006 – which is £113,006 higher than the net monitoring budget position.
- 7.4 Members are asked to note the net capital programme expenditure of £11,125,000 has been funded as outlined in Table 2 below. Members are particularly asked to note that as a result of an underspend in the HRA revenue budget it has again been possible to utilise additional CFCR to assist with the capital funding. This has meant that it has been possible to reduce the amount of borrowing required to fund HRA capital expenditure in 2014/15 from that initially anticipated.

**Table 2 - Capital Funding**

<b>2014/15 Capital Budget</b>	<b>Monitoring Budget</b>	<b>Projected Funding Movement</b>	<b>Projected Year End Funding</b>
<b>Funding Sources</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Prudential Borrowing	4,194	2538	1,656
Prudential Borrowing - Survive and Thrive	233	(158)	391
Capital Receipts	1,250	(113)	1,363
Capital Financed from Current Revenue	6,172	(700)	6,872
Transfers from Earmarked Reserves	0	(843)	
<b>Total Funding Sources</b>	<b>11,849</b>	<b>724</b>	<b>11,125</b>

- 7.4 For clarity prudential borrowing was not actually undertaken at the time of setting the budget or throughout the course of the year, but was only undertaken once the year end capital expenditure, capital receipts and revenue account unaudited positions were finalised.
- 7.5 Members are asked to note that as indicated as part of the 2015/16 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 Standards / New Build purposes. In this respect £500,000 of the existing HRA balance was utilised to support the overall capital programme with an additional £343,000 utilised to fund the appropriation to the HRA of properties at Borrowfield Montrose, Forties Road Montrose and Strang Street Forfar held on the General Fund Account.

## **2014/2015 REVENUE BUDGET PERFORMANCE**

- 8.1 It can be seen from Table 3 below that for the year to 31 March 2015 the Housing Revenue Account indicates a surplus of £654,000 effectively representing an underspend of £654,000 from the budgeted break even position.
- 8.2 It can also be seen from Table 3 that there are a number of over and underspends within various budget heads of the Housing Revenue Account. The main reasons for these over and underspends are highlighted in Section 9 below. Overall, however, the position is a good one. Rental income was up, losses through rent arrears and voids were down, and a management rationalisation and leaning process has delivered efficiency savings which have freed up funds to reduce borrowing. This will enable continuing high levels of investment in both new-build and existing homes.

**Table 3 – Revenue Budget Performance**

	<b>Revised Monitoring Budget £,000</b>	<b>Unaudited Actual to 31/03/15 £,000</b>	<b>(Over) / Under Spend £,000</b>	<b>Actual Against Budget %</b>
<b>EXPENDITURE</b>				
Financing Charges	8,523	9,795	(1,272)	114.92
Financing Charges – Survive & Thrive	234	30	204	12.82
Supervision & Management	7,757	6,927	830	89.30
Repairs & Maintenance	6,823	6,337	486	92.88
Loss of Rents	1,424	1,194	230	83.85
Other Expenditure	743	642	101	86.41
Protected Tenants	82	71	11	86.59
<b>GROSS EXPENDITURE</b>	<b>25,586</b>	<b>24,996</b>	<b>590</b>	<b>97.69</b>
<b>INCOME</b>				
Rents & Service Charges	24,602	24,705	(103)	100.42
Other Income	254	377	123	148.43
Homelessness Funding	730	568	162	77.81
Net Contribution from HRA balances	0	0	0	0.00
<b>GROSS INCOME</b>	<b>25,586</b>	<b>25,650</b>	<b>64</b>	<b>100.25</b>
<b>NET (SURPLUS) / EXPENDITURE</b>	<b>0</b>	<b>654</b>	<b>654</b>	<b>n/a</b>

8.3 **Appendix 2** gives further detail in respect of the 2014/15 position on the Housing revenue budget.

## **9 COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES**

9.1 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.

### **9.2 Financing Charges**

Overall financing charges were higher than originally anticipated (£1,272,000) due to application of: additional revenue resources (£700,000), HRA Balances (£500,000) and Affordable Housing Funding (£222,000), all effectively treated as CFCR to reduce the in year borrowing requirement. This overspend was offset somewhat by reduced other finance charges of £150,000 as a result of current and prior year reduced borrowing levels and a lower than anticipated interest rate.

### **9.3 Survive and Thrive**

Financing Charges relating to Survive and Thrive Projects were less than originally anticipated by £204,000. This was due to longer lead in times as developers arrange the balance of funding required.

### **9.4 Supervision and Management**

Supervision and Management costs were underspent overall by £830,000. Mainly due to non filling of posts whilst the Housing Service Review was undertaken and a reduction of (£219,000) in the CSS recharge.

#### 9.5 Repairs and Maintenance

Repairs and Maintenance to Housing Properties underspent in total by £486,000. The main reasons for the underspend relate to lower than anticipated change of tenancy costs and lower unplanned maintenance costs resulting from investment in planned maintenance of the Housing stock through the use of higher quality materials, both to help meet the Scottish Housing Quality Standard and to increase the lifespan of components.

#### 9.6 Loss of Rents

Overall the expenditure in this area was £230,000 lower than the budgeted provision. This improvement results from more efficient procedures being introduced to ensure shorter voids periods for properties in financial year 2014/15 (£32,000) and a reduced bad debt provision requirement (£183,000). The remaining balance relates to a reduction in Council Tax Charges because of fewer vacant properties (£15,000).

#### 9.7 Other Expenditure

Other expenditure was £101,000 lower than the budgeted position. This was mainly as a result of no suitable projects being identified for the Research and Community Scotland Improvement Plan budgets this financial year which resulted in a £100,000 underspend.

#### 9.8 Rents and Services Charges

Council house rental income was higher than budgeted (£104,000) mainly due to the profile and mix of types of properties sold throughout the year having a lower than anticipated impact.

#### 9.9 External Funding Sources

External funding sources were £162,000 lower than budgeted primarily due to a lower recharge to the General Fund in relation to homelessness provision following a review of the recharge.

#### 9.10 Other Income

Income in this particular area was more than anticipated (£123,000) mainly due to the accounting treatment in respect of prepaid capital grant income amounting to £151,000.

### **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 4 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 4 below. These commitments and planned expenditure contained within the Housing Financial Plan are thought sufficient to meet Housing needs at this time.

**Table 4 – Financial Implications**

	<b>Outturn</b>
	<b>£,000</b>
Audited Housing Balance as at 1 April 2014	3,181
Less Minimum Balance Requirement	(1,000)
Audited Available Housing Balance as at 1 April 2014	2,181
Add: Unaudited Housing Revenue Account Surplus from Table 3 Above	654
Transfers from earmarked Affordable Housing Reserves	222
Prepaid Capital Grant Income	(151)
Appropriation of General Fund Properties	(343)
Unaudited Available Housing Balance as at 31 March 2015	2,563
<u>Known / Potential Commitments at 31 March 2015:</u>	
Survive and Thrive Projects	(687)
Scottish Housing Quality Standard /New Build Housing	(1,876)
Total Known / Potential Commitments	(2,563)
<b>Unaudited Uncommitted Housing Balance at 31 March 2015 after applying anticipated surplus for the year.</b>	<b>0</b>

**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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