

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 18 AUGUST 2015

HOUSING CAPITAL MONITORING REPORT – 2015/16

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 2015/16. It sets out the actual capital spend to 30th June 2015 together with projected outturns for the year to 31 March 2015, any required updated capital funding proposals and revised capital estimates to 2017/18.

1 RECOMMENDATIONS

It is recommended that the Committee review and scrutinise:

- 1.1 the contents of this report; and
- 1.2 the projected year end positions on capital expenditure, and the indicative funding proposals for the programme.

It is also recommended that the Committee approves;

- 1.3 the revised capital estimates to 2017/18 and in particular the revised capital monitoring budget for 2015/2016 as set out in **Appendix 1**;

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 2015/2016 CAPITAL BUDGET

- 4.1 Monitoring of performance is against the agreed capital programme. Members will recall that there is a lower than normal capital programme this year as it is a period of re-adjustment between major programmes completing and new ones starting. The net capital budget agreed at the Communities Committee (Special Meeting) on 10 February 2015 (report 53/15 refers) was £7,623,000 taking account of the estimated resources available.
- 4.2 Taking into account the actual level of spend achieved in financial year 2014/15 the Housing Financial Plan has been updated and a 2015/16 capital monitoring budget of £7,216,000 established together with a comprehensive review of the overall 2014/2018 Financial Plan. The update was based on over and underspend positions on individual projects' expenditure for the financial year 2014/15 and updated information on the position regarding specific projects for 2015/16 and beyond.

- 4.3 The proposed updated Financial Plan is attached at **Appendix 1** and contains the revised 2015/16 Housing capital monitoring budget which subject to approval of this report will be the basis for monitoring throughout the remainder of the financial year. Members are asked to note that the monitoring budget attached at Appendix 1 has also been submitted to the Capital Projects Monitoring Group (meeting on the 13 August 2015) as part of the Council's challenge mechanism in respect of capital monitoring. Should any comment or recommendation arise from that meeting, a verbal update will be provided to this committee. Members are asked to approve the updated Financial plan to 2017/18 (**Appendix 1**) which thereafter will be published as part of the Council's Final Capital Budget Volume, following its presentation to the Policy and Resources Committee on 1 September 2015.
- 4.4 The 2015/16 capital monitoring budget of £7,216,000 shows a reduction of £407,000 when compared with the position indicated at Paragraph 4.1 above. This has arisen mainly due to the following:

New Build (net decrease of £567,000)

The reduction in the New Build programme is mainly due to the following;

- Dubton Brechin. Whilst discussions have commenced with a suitable developer, based on the developers programme this particular project is not now likely to take place until financial year 2018/19 resulting in an underspend amounting to £752,000 this year.
- Taking account of required planning and listed building consents and specialist survey requirements, the project at Chapelpark, Forfar is likely to underspend this year by some £410,000.
- To offset the above reductions in spending this year, demolition and works at the Guthriehill/Smithycroft site in Arbroath have been brought forward from 2016/17 and will result in additional net spend this year of £419,000.
- The requirement to obtain the agreement of the property owner to demolish an adjoining property has resulted in the project at High Steet Carnoustie being delayed into 2015/16. This together with additional costs resulting from revised traffic management arrangements will mean an additional spend of £128,000 this financial year.
- In addition a further net spend amounting to £85,000 has been added to the programme for the Purchase of Houses to support the Affordable Housing Programme.
- A further net overall underspend of £37,000 mainly relates to various movements between financial years on committed new build projects,

Heating Installation and Replacement Programme (decrease £162,000)

As a result of an acceleration of the programme in 2014/15 a greater number of upgraded heating systems have already been completed than was envisaged at the time of the rent setting meeting with a consequential reduction in the current year.

Window Replacements (increase £202,000)

The Window Replacement programme will increase this year mainly due to slippage in 2014/15 on the programme of works at Arbroath, Brechin, Forfar and Kirriemuir.

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 30 June 2015. It may be noted that the actual spend achieved to 30 June 2015 on the Housing Capital Programme is £815,000 which equates to 11.3% of the monitoring budget of £7,216,000.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 30 June 2015	Latest Estimate	Projected over/ (under) Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	2,033	323	2,033	0
Survive and Thrive	206	49	206	0
Regeneration	0	0	0	0
Conversion	144	25	144	0
Heating Installation	1,162	14	1,162	0
Window Replacement	312	64	312	0
Energy Saving	1,587	280	1,587	0
Sheltered Housing	177	0	177	0
Kitchen Replacement	330	0	330	0
Aids and Adaptations	520	41	520	0
Improvements	29	0	29	0
Miscellaneous	716	19	716	0
Total Programme	7,216	815	7,216	0

6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

- 6.1 The 2015/16 capital monitoring budget has been set in line with the latest outturn estimates for the year and as such there are no significant variances between budget and actual to report at present.

7 2015/2016 CAPITAL RECEIPTS UPDATE

- 7.1 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.
- 7.2 As Members will have previously noted Tenants right to buy their Council Houses will end in August 2016. It is still 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.
- 7.3 Members will note from the rent setting report (53/15) it was estimated that council house sales and other land and miscellaneous receipts, after administration costs are deducted, would total some £1,400,000 in financial year 2015/16. To help mitigate the initial impact of the end to Right to Buy, it had been intended to apply £638,000 of capital receipts to fund the capital programme for 2015/16. The utilisation of the remaining £762,000 was to be deferred for application in a future year and this would be carried forward in the unused capital receipts reserve on the Council's balance sheet.
- 7.4 Members will however note the reduction in the Housing Capital Programme detailed in section 4 above. As a result it is now intended that all capital receipts in financial year 2015/16 will be carried forward for use in future years to help offset the initial impact of the reduction in capital receipts following the abolition of the Right to Buy.
- 7.5 Notwithstanding the above, capital receipts will continue to be reported as part of the capital monitoring position during the financial year 2015/16. The capital receipts position for 2015/16 as at 30 June 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 30 June 15	Projected Final Receipts Position	Projected Variance Increase (Decrease)
	£	£	£	£
House Sales	1,445,000	403,100	1,445,000	0
Other Sales (Land)	0	0	0	0
Miscellaneous Receipts	5000	2,500	5,000	0
Total Capital Receipts	1,450,000	405,600	1,450,000	0
Less Estimated Full Year Administration Costs	50,000	12,500	50,000	0
Net Capital Receipts	1,400,000	393,100	1,400,000	0

- 7.6 Members will note that actual receipts to the end of June 2015 total £393,100 after deduction of estimated administration costs. Members should also note that there have been 10 house sales to date with 25 applications currently at various stages in the pipeline. At present 6 of these have confirmed dates of entry in financial year 2015 /16 totalling some £335,800.
- 7.7 On a trend basis – and purely for indicative purposes at this time – if the level of house sales achieved to date continued for the remainder of the financial year and there were no other sales or miscellaneous receipts, overall capital receipts could total approximately £1,572,000 (after allowing for the projected administration costs).
- 7.8 Members will recall from Para 7.4 that it's now intended that no receipts will be utilised in the Housing Capital Programme this year, however the receipts position will continue to be monitored against the original assumption of £1,400,000. On this basis the projection indicated in Paragraph 7.7 would therefore be £172,000 above the original overall assumption and £934,000 above the £638,000 originally intended to be utilised to finance the Housing Capital Programme for 2015/16 as approved by Members at the Communities Committee (Special Meeting) on 10 February 2015 (report 53/15 refers). However based on application history, the volatility surrounding the prediction of capital receipts, the very early stage in the financial year and the uncertainty regarding the effect of the upcoming abolition of right to buy, officers believe that a receipts monitoring budget (and projected year end position) of £1,400,000 (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.
- 7.9 Table 3 below compares the receipts from house sales at 30 June 2015 with the positions at 30 June in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 30 June	Change From Previous Year	% Change From Previous Year
	£	£	
2013/14	318,050	n/a	n/a
2014/15	441,091	+123,041	+38.7%
2015/16	403,100	-37,991	-8.6%

- 7.10 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.
- 7.11 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, 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

2015/16 Capital Budget	Original Funding Position 2015/16	Projected Funding Movement	Monitoring Budget Funding
Funding Sources	£,000	£,000	£,000
Prudential Borrowing	0	0	0
Prudential Borrowing - Survive and Thrive	206	0	206
Capital Receipts	638	(638)	0
Capital Financed from Current Revenue	6,139	0	6,139
Transfer from Earmarked Reserves	640	231	871
Total Funding Sources	7,623	(407)	7,216

- 8.3 Given the reduction in the capital programme this year it is envisaged that no borrowing will be required. Additionally, given the increased unaudited HRA year end balances (report 310/15 also on this agenda refers) it is intended to increase the level of usage of these balances to finance the Capital Programme in the current financial year.

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 that the use of HRA balances totalling £1,876,000 are included in Table 5 below outlining continued investment in existing stock to maintain properties at or above the Scottish Housing Quality Standard as well as delivering on our commitment to continue the New Build Housing Programme over the next 4 years.

There are also a number of other known commitments resulting from the Survive and Thrive initiative for which the HRA balances will be utilised in financial year 2015/16 and beyond and these are also detailed in Table 5 below. 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
Unaudited Housing Balance as at 01/04/15	3,563	3,563
Less Minimum Balance Requirement	1,000	1,000
Unaudited Available Housing Balance as at 01/04/15	2,563	2,563
<u>Known / Potential Commitments:</u>		
Survive and Thrive Projects - One-Off Expenditure	687	687
Scottish Housing Quality Standard /New Build Housing	1,876	1,876
Total Known / Potential Commitments	2,563	2,563
Blank		
Unaudited Available Housing Balance as at 01/04/15 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	0
Anticipated Uncommitted Housing Balance at 31/03/16 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