

## HOUSING CAPITAL PROGRAMME

### UPDATED 2015/2019 FINANCIAL PLAN & CAPITAL MONITORING BUDGET 2016/17

#### Introduction

The Housing Capital Programme covers all capital expenditure which is funded by rental income from Council house tenants. It consists of numerous projects for modernising, converting and improving the Council's housing stock and ensures that the Housing Service continues to maintain all its homes to the Scottish Housing Quality Standard in line with the Scottish Government requirement.

The Council is also committed to increasing the provision of affordable housing in Angus and would like to continue its new build programme to help expand the choices available to customers, and help reduce the housing waiting list.

Members will be aware that capital receipts from the sale of council houses have contributed significantly to the funding of Housing Capital programmes in previous years. However as of 1<sup>st</sup> August 2016 the Right to Buy Scheme has been abolished and this will therefore have an impact on future resources available to fund capital expenditure. The Council will need to ensure that future decisions on capital investment will not simply leave a significant additional debt burden on the Housing Revenue Account which would require to be met by tenants.

#### Capital Resources 2016/17

The principal means of funding Housing capital expenditure comes from the following sources:

- borrowing
- capital receipts from the sale of surplus assets
- capital financed from current revenue (CFCR)
- Scottish Government affordable housing grants
- Use of HRA Balances

#### *Borrowing*

In previous years a significant proportion of the Housing Division's capital expenditure has been funded through borrowing. However levels of borrowing vary from year to year and future levels of borrowing will be constrained by the associated capital financing costs the revenue budget can support. This has been informed by the 30 year Business Plan as detailed at Objective 6 above. Members will note however it is currently estimated that no borrowing will be required during the financial year 2016/17.

#### *Capital receipts from the sale of Surplus Assets*

Members will note the tenants Right to Buy Scheme was abolished on the 1<sup>st</sup> August 2016 and as a result there has been significant upturn in applications from tenants. It is therefore likely that there will be an increased number of council house sales this year and at present based on outstanding applications it is estimated capital receipts will amount to some £2,518,000. These Capital receipts and other associated assets will be utilised to fund the programme, however to mitigate the effect of the loss of House Sales on overall future years funding current year Capital Receipts will be utilised over the two financial years from 2016/17. The position in 2016/17 is being carefully monitored and any requirement to review the overall financing position will be reported to the Communities committee at the appropriate time.

### *Contribution from 2016/17 Revenue Budget*

Provision has been made within the 2016/17 Housing revenue budget for £7,324,000 of capital expenditure to be funded from Housing revenue resources during 2016/17. This is broadly in line with the requirement to meet the 30 year business plan outcomes. This contribution alleviates the requirement for any borrowing to fund 2016/17 capital expenditure and consequently the associated loan charges in future years.

### *Scottish Government affordable housing grants*

The council continues to utilise where available Scottish Government Grants to support its New Build Housing Programme. During the current financial year some £2,108,000 is anticipated to be received on completion of New Build Projects. Specific Grants such as these are netted off in the body of the financial plan and therefore reduce the current year net expenditure in the plan to £10,278,000. Any such support of this nature assists in the Council's objective of maintaining an affordable New Build Housing Programme by reducing the overall net cost of the building programme and consequently reducing levels of borrowing which would have otherwise been required.

### Use of Balances

Officers from Finance and Housing have reviewed the levels of uncommitted HRA revenue balances held. Following the review the use of uncommitted funds £1,604,000 will support the capital programme this year. Officers from finance and housing will also utilise available balances to mitigate somewhat the implications of the abolishment of right to buy and the consequential reduction in receipts to fund future capital programmes.

### **Capital Monitoring Budget 2016/17**

Monitoring of performance is against the agreed capital programme. The net budget agreed at the Communities Committee (Special Meeting) on 9 February 2016 (report 46/16 refers) was £11,448,000 taking account of the estimated resources available.

The Housing Financial Plan has been updated and a 2016/17 capital monitoring budget of £10,278,000 has been established following a comprehensive review of the 2015/2019 Financial Plan. This review reflects the over and underspends positions on individual projects' expenditure for the financial year 2015/16 and updated information on the position regarding specific projects in 2016/17. A summary of the capital monitoring budget is documented below.

The 2016/17 capital monitoring budget of £10,278,000 shows a decrease of £1,170,000 when compared with the position indicated in February (£11,448,000). This has arisen mainly due to the following:

#### New Build (net decrease of £343,000)

The net decrease in this years New Build programme is mainly due to the following;

- The opportunity to bring forward the programme of Demolitions at Guthriehill Arbroath (£125,000) was taken and implemented prior to the end of the 2015/16 financial year.
- A re-phasing of expenditure into the 2017/18 financial year (£576,000) following the results of the tender at Chapelpark Arbroath and the advancement of Scottish Government Affordable

Housing Grant (£634,000) to match anticipated claims results in a net reduction in spend this year of £1,210,000.

- To offset the above reduction a further programme of House Purchases to support the Affordable Housing Programme has been developed amounting to an increase of £1,105,000.
- There are a number of more minor net reductions totalling £113,000

Kitchen Replacements (Decrease of £332,000)

The Kitchen replacement programme has been revised following agreement between officers in Housing and Property on the number of kitchens to be replaced during the financial year.

Sheltered Housing (Decrease of £340,000)

This was due to deferral of £240,000 in the general sum and £50,000 relating to the mobility scooter programme until 2017/18 to allow further reviews to take place. In addition there were other more minor reductions amounting to £50,000

Bathroom (Decrease of £270,000)

The cash flow has been revised following discussions between housing and property on specification, extent of works and a list of properties to allow for the procurement of a pilot project.

In addition to offset the above decreases there are more minor net increases of £115,000 over the remaining programmes.

HRA 2016/17 Capital Monitoring Budget - Overall Summary

	<u>Actual</u> <u>Expenditure</u> <u>2015/16</u> <u>£m</u>	<u>Capital</u> <u>Monitoring</u> <u>Budget</u> <u>2016/17</u> <u>£m</u>
New Build and Shared Equity	1.721	3.725
Survive and Thrive	0.248	0
Conversion	0.151	0.107
Aids and Adaptations	0.465	0.635
Improvements	0.026	0.030
Heating Installations	2.119	2.015
Window Replacement	0.167	0.292
Energy Savings	1.059	2.153
Sheltered Housing	0.233	0.173
Kitchen Replacements	0.280	0.295
Bathroom Replacement	0	0.230
Miscellaneous	1.071	0.623
Total	7.540	10.278

**The Housing 2016/17 capital budget contained within this volume represent the division's approved budget for capital monitoring purposes. It will be this budget to which the division is required to monitor capital expenditure for the remainder of the 2016/17 financial year.**

Based on this updated net position of £10,278,000 and taking account of the estimated use of £1,350,000 general receipts from the sale of assets and the budgeted £7,324,000 contribution from the revenue budget, the use of HRA balances in 2016/17 for capital purposes is estimated to be £1,604.000