

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 29 SEPTEMBER 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 31st August 2015 together with projected outturns for the year to 31 March 2016 and any required updated capital funding proposals.

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.

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 Following members approval of the capital monitoring budget amounting to £7,216,000 at the Communities Committee on 18 August 2015 Report 311/15 refers the latest estimates on this position will be presented to members at future Communities Committee's throughout the financial year.

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 31 August 2015. It may be noted that the actual spend achieved to 31 August 2015 on the Housing Capital Programme is £1,229,000 which equates to 17.0% of the monitoring budget of £7,216,000. It is projected at this time, by the end of the financial year 2015/16 net expenditure will total £7,123,000 which represents a potential underspend of £93,000 (1.3%). The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 31 August 2015	Latest Estimate	Projected (over)/ under Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	2,032	388	2,069	(37)
Survive and Thrive	1	0	1	0
Survive and Thrive	206	49	206	0
Regeneration	0	0	0	0
Conversion	144	25	154	(10)
Heating Installation	1,162	168	1,162	0
Window Replacement	312	69	312	0
Energy Saving	1,587	409	1,447	140
Sheltered Housing	177	0	177	0
Kitchen Replacement	330	0	330	0
Aids and Adaptations	520	93	520	0
Improvements	29	0	29	0
Miscellaneous	716	28	716	0
Total Programme	7,216	1,229	7,123	93

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

The new build programme is likely to increase by £37,000 as a result of a higher than originally estimated final account at Millgate Loan Arbroath.

Energy Saving

Energy Savings measures at Kemsley and Thornton Park Forfar are on hold whilst Housing carry out of review of the scoping, timing and extent of the project. As a result the project will likely underspend by £140,000 this financial year.

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 only £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 31 August 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 31 Aug 2015 £	Projected Final Receipts Position £	Projected Variance Increase (Decrease) £
House Sales	1,445,000	634,800	1,445,000	0
Other Sales (Land)	0	0	0	0
Miscellaneous Receipts	5000	3,500	5,000	0
Total Capital Receipts	1,450,000	638,300	1,450,000	0
Less Estimated Full Year Administration Costs	50,000	20,833	50,000	0
Net Capital Receipts	1,400,000	617,467	1,400,000	0

- 7.6 Members will note that actual receipts to the end of August total £617,467 after deduction of estimated administration costs. Members should also note that there have been 14 house sales to date with 20 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 £288,050.
- 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 £1,477,020 (after allowing for the projected administration costs).
- 7.8 Members will recall from Para 7.4 that it is 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 £77,020 above the original overall assumption. 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 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 31 August 2015 with the positions at 31 August in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 31 August £	Change From Previous Year £	% Change From Previous Year
2013/14	637,250	n/a	n/a
2014/15	748,571	+111,321	+ 17.5%
2015/16	634,800	-113,771	- 15.2%

- 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	Monitoring Budget Funding	Projected Funding Movement (Increase)	Projected Year End Funding
Funding Sources	£,000	£,000	£,000
Prudential Borrowing	0	0	0
Prudential Borrowing - Survive and Thrive	206	0	206
Capital Receipts	0	0	0
Capital Financed from Current Revenue	6,139	0	6,139
Transfer from Earmarked Reserves	871	93	778
Total Funding Sources	7,216	93	7,123

- 8.3 Given the reduction in the projected year end funding it is envisaged that the intended use of HRA balances (Earmarked Reserves) will be reduced.

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 (SHQS) and the Energy Efficiency Standard for Social Housing (EESH) 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
SHQS / New Build Housing /ESSH	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