

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 30 SEPTEMBER 2014**

**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 31st August 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 members approval of the capital monitoring budget amounting to £11,849,000 at the Communities Committee on 19<sup>th</sup> August 2014 Report 323/14 refers the latest estimates on this position will be presented to members at future Communities Committee's 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 31 August 2014. It may be noted that the actual spend achieved to 31<sup>st</sup> August 2014 on the Housing Capital Programme is £2,714,000 which equates to 23% 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 £11,878,000.

**Table 1 – Housing Capital Programme**

<b>Programme</b>	<b>Monitoring Budget</b>	<b>Actual Expenditure 31 Aug 2014</b>	<b>Latest Estimate</b>	<b>Projected over/ (under) Spend</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
New Build and Shared Equity	3,415	478	3,415	0
Survive and Thrive	233	24	233	0
Regeneration	2	0	2	0
Conversion	25	0	25	0
Heating Installation	3,295	571	3,319	24
Window Replacement	439	60	439	0
Energy Saving	1,912	131	1,912	0
Sheltered Housing	464	193	464	0
Kitchen Replacement	350	222	350	0
Aids and Adaptations	520	122	525	5
Improvements	56	56	56	0
Miscellaneous	1,138	317	1,138	0
<b>Total Programme</b>	<b>11,849</b>	<b>2,174</b>	<b>11,878</b>	<b>29</b>

## **6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES**

- 6.1 The latest outturn estimates at this stage in the financial year are marginally ahead (£29,000) of the Monitoring Budget. This mainly due to final accounts adjustments from Heating Replacement Programmes. It is still early in the financial year however should this be the position at the end of the financial year additional funding from the likely increase in capital receipts as indicated in Table 2 below would be utilised to fund this position. This increase is therefore considered not material and at the present time there are no significant variances between budget and actual to report.

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

- 7.1 Members will have noted the Scottish Government's intention to end right to buy entitlements was included in the Housing (Scotland) Bill which was passed by the Scottish Parliament on 25 June 2014. This means that the right to buy will end for all council house tenants in Scotland. Tenants with a right to buy that they are allowed to use will have two years to do so and at this point in time it is therefore likely that the right to buy would end no earlier than August 2016. It is 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 31 August 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 31 Aug 14	Projected Final Receipts Position	Projected Variance Increase (Decrease)
	£	£	£	£
House Sales	1,295,000	748,571	1,443,000	148,000
Other Sales (Land)	5,000	0	5,000	0
Miscellaneous Receipts	0	1,172	2,000	2,000
<b>Total Capital Receipts</b>	<b>1,300,000</b>	<b>749,743</b>	<b>1,450,000</b>	<b>150,000</b>
Less Estimated Full Year Administration Costs	50,000	20,833	50,000	0
<b>Net Capital Receipts</b>	<b>1,250,000</b>	<b>728,910</b>	<b>1,400,000</b>	<b>150,000</b>

- 7.4 Members will note that actual receipts to the end of August 2014 total £728,910 after deduction of estimated administration costs. Members should also note that there have been 16 house sales to date with 15 applications currently at various stages in the pipeline. At present 4 of these have confirmed dates of entry in financial year 2014 /15 totalling some £160,860.

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 £1,749,384 (after allowing for the projected administration costs) some £499,484 above the monitoring budget assumption of £1,250,000.

It is still early in the financial year and based on application history, the uncertainty regarding the effect of the recent abolition of right to buy (paragraph 7.2 refers) and the volatility surrounding the prediction of capital receipts officers at this stage believe that a projected year end position of £1,400,000 (after deduction of administration costs) for the year is a more 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 June 2014 with the positions at 30 June 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
	£	£	
2012/13	451,300	n/a	n/a
2013/14	637,250	+185,950	+ 41.2%
2014/15	748,571	+111,321	+ 17.5%

- 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	(121)	4,073
Prudential Borrowing - Survive and Thrive	233	0	233
Capital Receipts	1,250	150	1,400
Capital Financed from Current Revenue	6,172	0	6,172
<b>Total Funding Sources</b>	<b>11,849</b>	<b>29</b>	<b>11,878</b>

- 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 officers are currently reviewing the current 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. Any change to 2014/15 funding as a result of this review will be brought to members attention in a future monitoring report and through the 2015/16 budget process.

## 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**

	<b>Monitoring Budget £,000</b>	<b>Projected Outturn £,000</b>
Unaudited Housing Balance as at 01/04/14 Less Minimum Balance Requirement	3,181 (1,000)	3,181 (1,000)
Unaudited 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
Blank		
Add: Anticipated Housing Revenue Account Surplus	0	0
Blank		
<b>Anticipated Uncommitted Housing Balance at 31/03/15 after applying anticipated surplus for the year.</b>	<b>0</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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List of Appendices:

[Appendix 1](#)  
[Appendix 2](#)