

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 17 NOVEMBER 2015**

**HOUSING CAPITAL MONITORING REPORT – 2015/16**

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

**ABSTRACT**

This report relates to the Housing Revenue Account (HRA) Capital performance to date in 2015/16. It sets out the actual capital spend to 30 September 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 reviews and scrutinises:

- 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 this and 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 30th September 2015. It may be noted that the actual spend achieved to 30th September 2015 on the Housing Capital Programme is £2,316,000 which equates to 32.1% 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 £6,757,000. This represents a considerable investment in both the Council's housing stock and the community and is playing a major role in helping to build better planning for place and encouraging pride in place. Although there is a projected potential underspend of £459,000 (6.4%) officers are exploring a number of avenues in order to reduce this, either by accelerating suitable projects, or by potentially appropriating surplus Council assets to help facilitate the new-build programme. The main reasons for the underspend are contained in section 6 below.

**Table 1 – Housing Capital Programme**

<b>Programme</b>	<b>Monitoring Budget</b>	<b>Actual Expenditure 30 September 2015</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	2,032	716	1,686	346
Survive and Thrive	1	0	1	0
Survive and Thrive	206	49	206	0
Regeneration	0	0	0	0
Conversion	144	56	178	(34)
Heating Installation	1,162	316	1,153	9
Window Replacement	312	91	267	45
Energy Saving	1,587	680	1,256	331
Sheltered Housing	177	22	230	(53)
Kitchen Replacement	330	0	364	(34)
Aids and Adaptations	520	183	520	0
Improvements	29	20	30	(1)
Miscellaneous	716	183	866	(150)
<b>Total Programme</b>	<b>7,216</b>	<b>2,316</b>	<b>6,757</b>	<b>459</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 individual project issues to report at this time.

### New Build

Following a revision of the cash flow at Eastgate Frockheim in order to allow appropriation of the site and retendering it is likely that expenditure in this financial year will reduce by £205,000. Further details on this project are contained in a reports 447/15 being presented to committee today.

Final agreement has now been reached with the adjoining tenant and a revised completion date set of May 2016 with the contractor for the project at 18 High Street Carnoustie. However it is likely that this project will underspend in this financial year by £130,000.

The project at Chapelpark Forfar is likely to slip this year by £190,000, as a result of additional design works required from structural issues identified during the enabling works contract.

Offsetting the above underspends are higher than originally estimated final accounts at Millgate Loan Arbroath £73,000 and Camus House Carnoustie £80,000.

There are also a number of other minor net overspends totalling £26,000.

### Window Replacement

The project at 46 High Street Kirriemuir has been delayed whilst the council awaits private parties to sign all agreements and will likely result in slippage in the current year of £45,000.

### Energy Saving

Following the removal of a number of housing blocks from the revised programme at Elmslaw Drive Arbroath project spend in the current year will reduce by £120,000.

The project at Bridge Street Brechin will likely slip this year by £110,000 as a result of staff turnover issues within Property.

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

Significant additional gross costs in the Knowehead Area of Kirriemuir have been identified amounting to £307,000 over and above the allowance in the monitoring budget mainly relating to additional works to roofs and chimneys. Members should note specific funding has been granted through the Scottish Government Home Energy Efficiency Programme amounting to £228,000 to partly offset the increased costs with the project projected to outturn with a net overspend of £79,000.

There also some more minor net underspends totalling £40,000 throughout the Energy Saving Programme.

#### Miscellaneous

Garage Improvement costs are likely to increase by £200,000 this financial year mainly due to generally higher rates based on Tender returns received and additional resurfacing works being required at garage sites.

Members will note that Housing officers continue to investigate the requirement to provide Access to Lofts within council dwellings. Whilst this investigation continues it is likely that the project will slip £50,000 in 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 lower than usual Housing Capital Programme value 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 30th September 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 Sept 2015	Projected Final Receipts Position	Projected Variance Increase (Decrease)
	£	£	£	£
House Sales	1,445,000	912,800	1,445,000	0
Other Sales (Land)	0	0	0	0
Miscellaneous Receipts	5000	3,500	5,000	0
<b>Total Capital Receipts</b>	<b>1,450,000</b>	<b>916,300</b>	<b>1,450,000</b>	<b>0</b>
Less Estimated Full Year Administration Costs	50,000	25,000	50,000	0
<b>Net Capital Receipts</b>	<b>1,400,000</b>	<b>891,300</b>	<b>1,400,000</b>	<b>0</b>

- 7.6 Members will note that actual receipts to the end of September total £891,300 after deduction of estimated administration costs. Members should also note that there have been 19 house sales to date with 30 applications currently at various stages in the pipeline. At present 9 of these 30 applications have confirmed dates of entry in financial year 2015 /16 totalling some £375,160.
- 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 £1,782,600 (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 funding of 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 £382,600 above the original overall assumption. This projected position and intention not to apply receipts in the funding package will however be kept under review throughout the year.
- 7.9 Table 3 below compares the receipts from house sales at 30 September 2016 with the positions at 30 September in each of the preceding 2 financial years.

**Table 3 – Receipts Comparison**

House Sales	As At 30 September	Change From Previous Year	% Change From Previous Year
	£	£	
2013/14	695,250	+31,650	+4.8%
2014/15	782,920	+87,670	+12.6%
2015/16	912,800	+129,880	+16.6%

- 7.10 Whilst Table 3 does indicate a general upward trend in receipts the Table also continues to highlight 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	459	412
<b>Total Funding Sources</b>	<b>7,216</b>	<b>459</b>	<b>6,757</b>

- 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**

	<b>Monitoring Budget £,000</b>	<b>Projected Outturn £,000</b>
Audited Housing Balance as at 01/04/15 Less Minimum Balance Requirement	3,563 (1,000)	3,563 (1,000)
Audited 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
Audited Available Housing Balance as at 01/04/15 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	0
<b>Anticipated Uncommitted Housing Balance at 31/03/16 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:

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Appendix 2