

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 18 NOVEMBER 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 30th September 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 review and scrutinise:

- 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 19th August 2014 (Report 323/14 refers), this report presents the latest estimated outturn against the monitoring budget. Further update reports will be presented to members at future Communities Committees 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 30 September 2014. It may be noted that the actual spend achieved to 30th September 2014 on the Housing Capital Programme is £2,880,000 which equates to 24% 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 £11,663,000 which represents a potential underspend of only 1.57%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 30 Sep 2014	Latest Estimate	Projected over/ (under) Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	3,415	682	3,121	(294)
Survive and Thrive	233	24	433	200
Regeneration	2	0	2	0
Conversion	25	12	75	50
Heating Installation	3,295	757	3,451	156
Window Replacement	439	73	489	50
Energy Saving	1,912	150	1,364	(548)
Sheltered Housing	464	214	464	0
Kitchen Replacement	350	253	350	0
Aids and Adaptations	520	204	545	25
Improvements	56	62	67	11
Miscellaneous	1,138	449	1,302	164
Total Programme	11,849	2,880	11,663	(186)

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

After taking account of required planning and listed building consents in respect of the project at Chapelpark Forfar, it is likely that this project will underspend this year by some £100,000.

Some realignment of unutilised future Survive and Thrive funding has resulted in additional funding support being allocated to the Houses for Heroes Project at Camus House Carnoustie as approved at the Communities committee on 12 August 2014 (report 326/14 refers). As a result the net project expenditure position on the project will reduce by £200,000 this year, albeit this is offset in the Survive and Thrive section below.

There are other more minor net overspends within the new build section amounting to £6,000.

Survive and Thrive

Members will note the above additional funding contribution to Houses for Heroes from Survive and Thrive which results in additional expenditure within this area of £200,000 this year. Members are asked to note that the net effect of this funding contribution is therefore cost neutral to the overall capital programme.

Heating Replacement

The opportunity has been taken to accelerate some spend (£156,000) in this area to partially offset an underspend in Energy Saving measures as detailed below.

Energy Saving

It is anticipated the Energy saving programme will underspend by £548,000 this year. This is mainly due to the council receiving lower than anticipated prices and therefore achieving better value for the installation of Photovoltaic Panels in rural sites allowing the council to carry out the planned installations at a greatly reduced cost.

Following the identification of the above net project underspends, officers from Housing, Property and Finance have taken the opportunity to facilitate the acceleration of the Heating Replacement, Window Replacement and Door Entry programmes resulting in additional spends in these areas.

Miscellaneous

As part of the Council's asset rationalisation programme, works are being undertaken at Montrose Road Forfar to form alternative and improved office accommodation for Housing staff resulting in an additional spend of £50,000 this year.

In addition an opportunity has also arisen to accelerate the Door Entry Programme as part of the drive to fully comply with the Scottish Housing Quality Standard by April 2015, resulting in additional spend in the current year of some £114,000. The Miscellaneous Programme will therefore likely overspend this year by £164,000.

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 30th September 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 30 Sep 14	Projected Final Receipts Position	Projected Variance Increase (Decrease)
	£	£	£	£
House Sales	1,295,000	804,671	1,443,000	148,000
Other Sales (Land)	5,000	2,100	5,000	0
Miscellaneous Receipts	0	1,149	2,000	2,000
Total Capital Receipts	1,300,000	807,920	1,450,000	150,000
Less Estimated Full Year Administration Costs	50,000	25,000	50,000	0
Net Capital Receipts	1,250,000	782,920	1,400,000	150,000

- 7.4 Members will note that actual receipts to the end of September 2014 total £782,920 after deduction of estimated administration costs. Members should also note that there have been 17 house sales to date with 24 applications currently at various stages in the pipeline. At present 8 of these have confirmed dates of entry in financial year 2014 /15 totalling some £334,040.

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 £1,565,840 (after allowing for the projected administration costs) some £315,840 above the monitoring budget assumption of £1,250,000.

Officers at this stage believe it is unclear as to how many of the remaining 16 applications currently in various stages of progress will crystallise into finalised sales with confirmed dates of entry. This together with the uncertainty regarding the effect of the recent abolition of right to buy (paragraph 7.1 refers) and the volatility surrounding the prediction of capital receipts 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.

- 7.5 Table 3 below compares the receipts from house sales at 30 September 2014 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
	£	£	
2012/13	663,600	+206,700	+45.2%
2013/14	695,250	+31,650	+4.8%
2014/15	782,920	+87,670	+12.6%

- 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	(536)	3,658
Prudential Borrowing - Survive and Thrive	233	200	433
Capital Receipts	1,250	150	1,400
Capital Financed from Current Revenue	6,172	0	6,172
Total Funding Sources	11,849	(186)	11,663

- 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 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 and rent setting 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

	Monitoring Budget £,000	Projected Outturn £,000
Audited Housing Balance as at 01/04/14	3,181	3,181
Less Minimum Balance Requirement	(1,000)	(1,000)
Audited 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
Add: Anticipated Housing Revenue Account Surplus	0	0
Anticipated Uncommitted Housing Balance at 31/03/15 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