

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 10 FEBRUARY 2015

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2014/15

REPORT BY THE HEAD OF PLANNING AND PLACE

ABSTRACT

This report relates to the Housing Revenue Account (H R A) Capital and Revenue performance to date in 2014/15. It sets out the actual Capital and Revenue spend to 31 December 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 and revenue expenditure as indicated in **Appendices 1 and 3**, 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 revenue and capital monitoring are set out in Sections 3 and 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 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 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 December 2014. It may be noted that the actual spend achieved to 31 December 2014 on the Housing Capital Programme is £5,885,000 which equates to 49.7% 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 £11,378,000 which represents a potential underspend of 4.0%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 31 Dec 2014	Latest Estimate	Projected over/(under) Spend
	£,000	£,000	£,000	£,000
New Build and Shared Equity	3,415	1694	3,056	(359)
Survive and Thrive	233	168	433	200
Regeneration	2	0	2	0
Conversion	25	33	64	39
Heating Installation	3,295	1871	3,476	181
Window Replacement	439	109	490	51
Energy Saving	1,912	436	1,212	(700)
Sheltered Housing	464	235	470	6
Kitchen Replacement	350	283	335	(15)
Aids and Adaptations	520	322	535	15
Improvements	56	67	70	14
Miscellaneous	1,138	667	1,235	97
Total Programme	11,849	5,885	11,378	(471)

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

Members are asked to note there has been an initial delay at 18 High Street, Carnoustie due to arranging a party wall agreement with an adjoining owner and the discovery of a live gas service on site. As a result the project is likely to underspend this year by some £130,000.

Realignment of unallocated future Survive and Thrive funding has resulted in additional funding support being allocated to the Houses for Heroes element of the project at Camus House, Carnoustie as approved at the Communities committee on 19 August 2014 (report 326/14 refers). This reduction in net cost has however been offset in full by a reduction in Affordable Housing Grant funding following clarification of the arrangements for grant applicable to the Houses for Heroes units. This project is therefore now projected to be broadly on budget.

After taking account of anticipated required planning and listed building consents which are not likely to be granted until next financial year and the extent of the reduction in enabling works this year due to specialist survey requirements, the project at Chapelpark, Forfar is likely to underspend this year by some £200,000.

Following a revision to the project programme at North Bank Street, Monifieth the on site start date was delayed until 1 December 2014 to allow for electrical cable repositioning which was delayed due to Private Owner disconnections and therefore the project is likely to underspend by £59,000 this year.

There are some other more minor net overspends within the new build section amounting to £30,000.

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 cost neutral to the overall capital programme.

Heating Replacement

The opportunity has been taken to accelerate some spend (£181,000) 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 £700,000 this year. This is mainly due to the council receiving significantly lower than anticipated prices for the installation of Photovoltaic Panels in rural sites (£600,000). Additionally, works in the Knowehead area of Kirriemuir have been delayed whilst issues with Energy Company Obligation funding are resolved (£100,000). In addition contractor surveys have identified a number of properties which are not suitable for this particular initiative resulting in a projected further underspend (£50,000). To partly offset the above projected underspends, external insulation works (£50,000) in the Aberlemno, Edzell and Balkeerie areas are being brought forward into the current financial year.

Miscellaneous

An opportunity has 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.

In addition 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.

There are also a number of more minor net underspends amounting to £67,000 within the Miscellaneous Programme

7 2014/2015 CAPITAL RECEIPTS UPDATE

- 7.1 Members should note that Scottish Ministers made an Order on 20 November 2014 to provide that, under sections 1(1) of the Housing Scotland Act, right to buy will end for all tenants of social housing in Scotland on 1 August 2016, unless they submit a valid application to purchase before that date. Any such applications will be progressed in the usual way, but after the abolition date no further applications can be made. It still remains 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 December 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 Dec 2014 £	Projected Final Receipts Position £	Projected Variance Increase (Decrease) £
House Sales	1,295,000	1,200,101	1,597,401	302,401
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	1,203,350	1,604,401	304,401
Less Estimated Full Year Administration Costs	50,000	37,500	50,000	0
Net Capital Receipts	1,250,000	1,165,850	1,554,401	304,401

- 7.4 Members will note that actual receipts to the end of December 2014 total £1,165,850 after deduction of estimated administration costs. Members should also note that there have been 26 completed house sales to date with 21 applications currently at various stages in progress. At present 11 of these have confirmed dates of entry in financial year 2014 /15 totalling some £397,300.

At this stage of the financial year it is not certain that any of the remaining 10 applications currently in various stages of progress will crystallise into finalised sales. Accordingly officers believe that with the inherent volatility and difficulty in predicting the completion of house sales, a prudent approach should be taken and have assumed no further house sales completions this financial year. This then results in a projected overall net capital receipts position totalling £1,554,401 for the year.

- 7.5 Table 3 below compares the receipts from house sales at 31 December 2014 with the positions at 31 December in each of the preceding 2 financial years.

Table 3 – Receipts Comparison

House Sales	As At 31 December 2014 £	Change From Previous Year £	% Change From Previous Year
2012/13	1,049,240		
2013/14	1,011,000	-38,240	-3.6
2014/15	1,200,101	+189,101	+18.7

- 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 levels, 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 is being 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	(1,502)	2,692
Prudential Borrowing - Survive and Thrive	233	200	433
Capital Receipts	1,250	304	1,554
Capital Financed from Current Revenue	6,172	0	6,172
Transfer from Earmarked Reserves	0	527	527
Total Funding Sources	11,849	(471)	11,378

- 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 as part of the 2015/16 rent setting process, officers have reviewed 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. The rent setting report also on the agenda for this meeting (report 53/15 refers) incorporates plans to utilise these balances over three financial years in order to reduce borrowing levels and extend future capital spend flexibility. This includes utilising some of the balance to fund 2014/15 spend and members will accordingly note the inclusion of this funding stream in the above table.

2014/2015 REVENUE BUDGET PERFORMANCE

- 8.1 In line with the provisions of Section 3 of the Financial Regulations, the revenue budget performance statement is intended to be presented at three key points during the year.
- 8.2 The statement below indicates the actual spend to 31 December 2014, together with a percentage of the budget spent to date; a projected outturn to the end of the financial year; and a projection against the original budget. It can be seen from Table 5 for the nine month period to 31 December 2014 the Housing Revenue Account is currently indicating a surplus of £9,112,000. This occurs as a snapshot position at this point in time as significant financing costs are not charged to the Housing Revenue Account until the end of the financial year. Additionally year-end central support costs are still to be incorporated under the heading of Supervision & Management. Both these costs are however incorporated within the year end projected outturn.
- 8.3 Members should note however that based on information available at this time it is projected that by the end of the 2014/15 financial year the Housing Revenue Account will generate a surplus of £572,000. It can also be seen from Table 5 there are a number of projected over and underspends within various budget heads of the Housing Revenue Account. The main reasons for these projected over and underspends are highlighted in Section 9 of this report.

Table 5 – HRA Revenue Monitoring

	Monitoring Budget	Actual to 31/12/14	Budget Spent	Projected Outturn	Over / (Under) Spend
	£,000	£,000	%	£000	£,000
EXPENDITURE					
Financing Charges	8,757	0	0.00%	8,456	(301)
Supervision & Management	7,736	2,453	31.70%	7,434	(302)
Repairs & Maintenance	6,801	3,982	58.55%	6,887	86
Loss of Rents	1,424	438	30.76%	1,374	(50)
Other Expenditure	742	645	86.93%	742	0
Protected Tenants	82	0	0.00%	82	0
GROSS EXPENDITURE	25,542	7,518	29.43%	24,975	(567)
INCOME					
Rents & Service Charges	24,602	16,579	67.39%	24,589	13
Other Income	254	22	8.67%	272	(18)
Homelessness Funding	686	29	4.23%	686	0
GROSS INCOME	25,542	16,630	65.10%	25,547	(5)
NET (SURPLUS) / EXPENDITURE	0	(9,112)		(572)	(572)

Appendix 3 gives further detail in respect of the 2014/15 position on the Housing revenue budget and also includes a profiled budget at column 2. The profiled budget is intended to reflect the timing of when expenditure is anticipated to be incurred or income received. The profiled budgets have been based on historic patterns of income and expenditure over previous years but adjusted for any deviations expected in the current year.

- 8.5 Members are however advised that whilst some areas of the budget, such as employee costs, are relatively easy to profile other areas are more difficult to profile accurately. This can indicate significant variances in percentage terms due simply to timing differences between profile and actual. It is important to look at the position against the profiled budget and the projected outturn together to get a fully informed picture.

9 COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES

- 9.1 Members are asked to note that the commentary provided in this section of the report is on an exception basis. Where there is no narrative, there are no significant issues to report.

9.2 Financing Charges

Determination by finance officers of the optimum use of surplus funds generated from the audited HRA final accounts position at the end of the last financial year (less borrowing was undertaken) will likely result in a reduction in mainstream capital finance charges totalling £84,000.

Longer lead in times on approved survive and thrive capital projects accounts for the balance of underspend in this area this year (£217,000). At this time, it is intended that this amount will once again be carried forward in balances and ring-fenced for future one-off survive and thrive project expenditure.

9.3 Supervision and Management

The underspend in this area (£302,000) is mainly due to a number of vacancies from unfilled posts within the overall Housing Revenue Account.

9.4 Repairs and Maintenance

Repairs and Maintenance is likely to overspend mainly due to additional bathroom works (£70,000) and the removal and disposal of hazardous materials (£25,000). There are also some more minor net underspends amounting to £9,000.

10 FINANCIAL IMPLICATIONS

- 10.1 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.
- 10.2 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 survey this year. However the 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 Less Minimum Balance Requirement	3,181 (1,000)	3,181 (1,000)
Audited Available Housing Balance as at 01/04/14	2181	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	2181
Unaudited Available Housing Balance as at 01/04/14 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	572
Anticipated Uncommitted Housing Balance at 31/03/15 after applying anticipated surplus for the year.	0	572

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.

VIVIEN SMITH
HEAD OF PLANNING AND PLACE
communities@angus.gov.uk

List of Appendices:

- Appendix 1
- Appendix 2
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