

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 6 FEBRUARY 2018**

**HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2017/18**

**REPORT BY THE HEAD OF HOUSING, PLANNING AND REGULATORY SERVICES**

**ABSTRACT**

This report relates to the Housing Revenue Account (HRA) Capital and Revenue performance to date in 2017/18. It sets out the actual Capital and Revenue spend to 30 December 2017 together with projected outturns for the year to 31 March 2018 and any required updated capital funding proposals.

**1 RECOMMENDATION**

It is recommended that the Committee review and scrutinise:

- (i) the contents of this report; and
- (ii) the projected year end positions on capital and revenue expenditure as indicated in **Appendix 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:

- Angus is a good place to live in, work in and visit
- Our communities are safe, secure and vibrant
- Individuals are supported in their own communities with good quality services
- 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 2017/2018 CAPITAL BUDGET**

4.1 The H R A capital monitoring budget for 2017/18 is £11,875,000 and this report presents the latest estimated outturn against the monitoring budget. A update on the final actual outturn position will be presented to members of the Communities Committee following the summer 2018 recess.

**5 2017/2018 CAPITAL MONITORING OUTTURN POSITION**

5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2017/18 as at 31 December 2017. The actual spend achieved to that date is £7,231,000 which equates to 60.9% of the monitoring budget of £11,875,000. It is projected at this time, that by the end of the financial year 2017/18 net expenditure will total £11,470,000 which represents a potential underspend of 3.4%. The main reasons for this are contained in section 6 below.

**Table 1 – Housing Capital Programme**

<b>Programme</b>	<b>Monitoring Budget £000</b>	<b>Actual Expenditure 31 Dec 2017 £000</b>	<b>Latest Estimate £000</b>	<b>Projected (over)/ under Spend £000</b>
New Build and Shared Equity	5,100	4,141	6,222	(1,122)
Shared Equity	0	(17)	(17)	17
Conversion	102	6	16	86
Aids and Adaptations	512	275	354	158
Improvements	26	0	2	24
Heating Installations	1,750	993	1,675	75
Window Replacement	307	11	110	197
Energy Saving	1,529	1,048	1,351	178
Sheltered Housing	213	96	137	76
Kitchen Replacement	660	457	670	(10)
Bathroom Replacements	660	0	260	400
Miscellaneous	1,016	221	690	326
<b>Total Programme</b>	<b>11,875</b>	<b>7,231</b>	<b>11,470</b>	<b>405</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 issues to report at this time.

### **6.2 New Build**

6.2.1 The new build programme is likely to increase by (£1,122,000), mainly due to the following;

6.2.2 Guthrie Hill, Smithycroft Affordable Housing - Delay to start date to accommodate installation of electrical substation by statutory provider £146,000 and adjustment to the grant income claim profile resulting in an overspend of (£885,000). The total overspend will be in the region of (£739,000).

6.2.3 Noran Avenue Affordable Housing – Adjustment to the grant income claim profile resulting in an overspend of (£228,000) in 17/18.

6.2.4 Acquisition of Damacre Centre - Demolition brought forward to 17/18 resulting in an overspend of (£104,000).

6.2.5 Viewmount, Forfar Affordable Housing – Anticipated completion in February 2018 resulting in an adjustment of the cash flow and expenditure of (£155,000) brought forward to 2017/18.

6.2.6 Lilybank Crescent, Forfar Affordable Housing – Due to land remediation and unit costs of houses, scheme to be removed from programme at this time together with the removal of the grant . Resulting overspend in 17/18 amounts to (£41,000).

6.2.7 General Affordable Housing, Land Acquisition and Strategic Housing – Underspend of £200,000 in this section is any spend on specific sites are included in the main lines within the New Build section.

6.2.8 Other minor net overspends/underspends throughout the New Build programme resulting in a net overspend of (£55,000)

### 6.3 Conversion

As no major conversions were identified to be carried out in 17/18 the general lump sum has been deleted this has resulted in a net underspend of £86,000.

### 6.4 Aids and Adaptations

The miscellaneous aids and adaptations budget is expended on the basis of requests received by the Housing section. There has been less works identified to the end of 17/18 than has normally been the case therefore the estimate has been reduced resulting in a net underspend of £158,000.

### 6.5 Window Replacement

The procurement of the window programme has been delayed due to the large number of house types involved and the lead-in period for the installations. This has resulted in an anticipated net underspend of £197,000 in 17/18.

### 6.6 Energy Saving

Energy Saving programmes are likely to underspend by £178,000 this year mainly due to a reduction in the costs involved in the Roof Replacement & External Wall Insulation to Dorran Houses project. The overall reduction in costs for these works has resulted in additional funding being available to the HRA programme.

### 6.7 Bathroom Replacement Programme

Bathroom replacement programme is likely to reduce by £400,000 this year mainly due to revisions to the programme to accommodate issues identified through the pilot project which is currently on site. There are a number of management issues with the works which require to be resolved prior to procurement of the long term bulk programme.

### 6.8 Miscellaneous

The overall programme is likely underspend by £326,000 this year mainly due to the delay in the upgrading of garages. It was anticipated that an additional scheme would be carried out in 17/18 but as these projects have been subject to a number of issues surrounding identifying suitable sites, access to garages and completions the works are taking longer to arrange.

## 7 **2017/2018 CAPITAL RECEIPTS UPDATE**

7.1 The right of tenants to buy their Council Houses ended on 1 August 2016 and as a result there was a significant increase in Right to Buy applications received prior to this date.

7.2 Table 2 below details the overall capital receipts position, including details of how many house sales: have concluded; have confirmed dates of entry; and are still in progress. Those still in progress are currently at various stages of processing.

7.3 For monitoring outturn purposes, it has been assumed that the 3 applications still in progress will conclude prior to 31 March 2018. Further detail on a ward by ward basis regarding the receipts from house sales and the levels of housing stock is contained in **Appendix 2**.

**Table 2 – Capital Receipts Position**

Receipt Type	Number of House Sales	Monitoring Budget for Year £	Actual Receipts 31 Dec 2017 £	Projected Final Receipts Position £	Projected Increase Monitoring Budget £
Concluded Sales	28	n/a	1,204,795	1,225,195	n/a
Still in Progress	3	n/a	0	77,250	n/a
Total House Sales	31	1,302,445	1,204,795	1,302,445	0
Other Sales (Land)		0	0	0	0
Miscellaneous Receipts		0	0	0	0

<b>Total Capital Receipts</b>		1,302,445	1,204,795	1,302,445	<b>0</b>
Less Estimated Full Year Administration Costs		(25,000)	(25,000)	(25,000)	0
<b>Net Capital Receipts</b>		<b>1,277,445</b>	<b>1,179,795</b>	<b>1,277,445</b>	<b>0</b>

7.4 Members will however note from table 3 below that a total of some £2,260,000 from capital receipts is included in the planned financing of the capital programme this year. This equates to the balance of unapplied receipts received up to 31 March 2017 and which is held in reserve on the Council's balance sheet. As a result it is anticipated that the total net capital receipts received in financial year 2017/18 will be carried forward for use in funding the following year's capital programme.

7.5 Any potential consequences for the funding of the 2017/18 capital programme are addressed in Section 8 below.

## 8 2017/2018 CAPITAL FUNDING UPDATE

8.1 At the time of setting the 2017/18 monitoring budget, estimated resources assumed to be available to finance the capital programme were as detailed in Table 3 below. These resources have been reviewed to reflect the 2017/18 latest estimated capital expenditure and receipts levels, and this position is also detailed in Table 3 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 is reported to specific Communities Committee's throughout the year.

**Table 3 - Capital Funding**

<b>2017/18 Capital Budget</b>	<b>Monitoring Budget £000</b>	<b>Projected Funding Movement £000</b>	<b>Projected Year End Funding £000</b>
<b>Funding Sources:</b>			
- Prudential Borrowing	0	0	0
- Capital Receipts	2,260	0	2,260
- Capital Financed from Current Revenue	7,764	0	7,764
- Transfer from Earmarked Reserves	1,851	(405)	1,446
<b>Total Funding Sources</b>	<b>11,875</b>	<b>(405)</b>	<b>11,470</b>

8.3 As part of the 2018/19 rent setting process, officers have reviewed the financial plan and potential future capital projects to determine the most appropriate use for balances ring-fenced for Scottish Housing Quality Standard/New Build purposes. The rent setting report also on the agenda for this meeting (report 39/18 refers) incorporates plans to utilise these balances over future financial years to reduce borrowing levels and extend future capital spend flexibility.

## 9. 2017/2018 REVENUE BUDGET PERFORMANCE

9.1 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. The statement below indicates the actual spend to 31 December 2017, 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 4 for the eight month period to 31 December 2017 the HRA is currently indicating a surplus of £10,107,000. This occurs as a snapshot position at this point in time as significant financing costs are not charged to the HRA 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.

9.2 Based on information available at this time it is projected that by the end of the 2017/18 financial year the HRA will generate a surplus of £719,000. Officers from Finance and Housing have determined that any net surplus arising within the HRA Revenue Account this year will be

used to reduce outstanding debt, which will allow the HRA capital programme additional flexibility in future years. It can also be seen from Table 4 that there are a number of projected over and underspends within various budget heads of the HRA. The main reasons for these projected over and underspends are highlighted in Section 10 of this report.

**Table 4 – HRA Revenue Monitoring**

	<b>Monitoring Budget £000</b>	<b>Actual to 31/12/17 £000</b>	<b>Budget Spent %</b>	<b>Projected Outturn £000</b>	<b>(Over) / Under Spend £000</b>
<b><u>EXPENDITURE</u></b>					
Financing Charges	10,102	0	0	9,971	131
Supervision & Management	7,880	3,163	40.1	7,394	486
Repairs & Maintenance	7,697	4,571	59.4	7,884	(187)
Loss of Rents	1,087	250	23.0	1,069	18
Other Expenditure	679	533	78.5	541	138
<b>GROSS EXPENDITURE</b>	<b>27,445</b>	<b>8,517</b>	<b>31.0</b>	<b>26,859</b>	<b>586</b>
<b><u>INCOME</u></b>					
Rents & Service Charges	26,458	17,896	67.6	26,608	150
Other Income	215	32	14.9	245	30
Homelessness Funding	772	696	90.2	725	(47)
<b>GROSS INCOME</b>	<b>27,445</b>	<b>18,624</b>	<b>67.9</b>	<b>27,578</b>	<b>133</b>
<b>NET SURPLUS / EXPENDITURE</b>	<b>0</b>	<b>(10,107)</b>	<b>n/a</b>	<b>(719)</b>	<b>719</b>

**Appendix 3** gives further detail in respect of the 2017/18 position on the Housing revenue budget.

## 10 COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES

10.1 Members are asked to note that 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.

### 10.2 Financing Charges.

Payments of interest and expenses are currently forecast to be lower than anticipated by £131,000.

### 10.3 Supervision and Management.

The underspend in this area of £486,000 is mainly due to staff slippage and unfilled posts of £211,000, lower than budgeted support recharges of £158,000, various property costs being lower than budgeted £44,000 and various other minor underspends totalling £73,000

### 10.4 Repairs and Maintenance.

Repairs and Maintenance is likely to overspend by (£187,000) this year, mainly due to overspends on rewiring of (£348,000), and gas maintenance (£210,000) partially offset by underspends on repaints £136,000 stock condition surveys £98,000, gutter replacement £115,000, and various minor variances totalling £22,000

### 10.5 Other Expenditure

Other expenditure is forecast to be £138,000 underspent due to reduced insurance costs.

10.6 Rental Income is likely to be higher than the originally budgeted by £150,000, mainly due to new build properties at higher rents now being included in the council stock.

10.7 There are also more minor net underspends amounting to £1,000.

## 11 FINANCIAL IMPLICATIONS

11.1 The financial implications for the Council detailed in the body of the report, and in accompanying appendices, are summarised in Table 5. There are a number of known commitments for which the HRA balance will be utilised in financial year 2017/18 and beyond, and these are also detailed in Table 5. Members should note that Scottish Government targets and priorities can change over time, but 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**

	<b>Monitoring Budget £000</b>	<b>Projected Outturn £000</b>
Audited Housing Balance as at 01/04/17	4,922	4,922
Less Minimum Balance Requirement	(1,000)	(1,000)
Audited Available Housing Balance as at 01/04/17	3,922	3,922
Add: Anticipated 2017/18 Housing Revenue Account Surplus	0	719
Anticipated Housing Revenue Account Balance as at 31/03/2018	3,922	4,641
<u>Known / Potential Commitments:</u>		
One-Off Expenditure /early Debt Repayment	(1,359)	(2,078)
New Build Housing/ESSH	(2,563)	(2,563)
Total Known / Potential Commitments	(3,922)	(4,641)

**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: Housing Capital Monitoring Statement

Appendix 2: Council House Stock Levels

Appendix 3: Housing Revenue Monitoring Statement