

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 12 FEBRUARY 2019

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2018/19

REPORT BY THE HEAD OF COMMUNITIES

ABSTRACT

This report relates to the Housing Revenue Account (HRA) Capital and Revenue performance to date in 2018/19. It sets out the actual Capital and Revenue spend to 31 December 2018 together with projected outturns for the year to 31 March 2019 and any required updated capital funding proposals.

1 RECOMMENDATION

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 and revenue expenditure as indicated in **Appendix 1** and **2**, and the indicative funding proposals for the programme.

2 ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN / CORPORATE PLAN.

This report contributes to the following local outcomes contained within the Angus Local Outcomes Improvement Plan and Locality Plans:

- Improved physical, mental and emotional health and well-being
- An enhanced, protected and enjoyed natural and built environment
- Safe, secure, vibrant and sustainable communities
- A reduced carbon footprint

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 2018/2019 CAPITAL BUDGET

- 4.1 The H R A capital monitoring budget for 2018/19 is £12,342,000 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 2019 recess.

5 2018/2019 CAPITAL MONITORING OUTTURN POSITION

- 5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2018/19 as at 31 December 2018. The actual spend achieved to that date is £5,891,000 which equates to 47.7% of the monitoring budget of £12,342,000. It is projected at this time, that by the end of the financial year 2018/19 net expenditure will total £8,485,000 which represents a potential underspend of 31.25%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget £000	Actual Expenditure 31 Dec 2018 £000	Latest Estimate £000	Projected (over)/ under Spend £000
New Build and Shared Equity	3,668	3,185	3,681	(13)
Conversion	300	6	253	47
Aids and Adaptations	394	249	422	(28)
Improvements	24	0	4	20
Heating Installations	1,844	10	230	1,614
Window Replacement	195	247	282	(87)
Energy Saving	2,932	1,033	1,566	1,366
Sheltered Housing	200	1	31	169
Kitchen Replacement	1,447	871	1,247	200
Bathroom Replacements	646	95	171	475
Miscellaneous	653	184	533	100
Balances on Completed Projects	39	10	45	(6)
Total Programme	12,342	5,891	8,485	3,857

6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

- 6.1 The slippage or underspend is being caused by a number of factors, not least of which are the challenging pressures on the Council's access to resources, but also the emerging conditions in the construction environment. These are making the Housing Service re-assess methods of delivery for the future. However we deliver our programmes, it is important that projects deliver what our customers want, so taking the time to consult properly to ensure we get things right for our tenants is a critical factor in our programme management. This sometimes means that projects take longer to get on site and to complete. But the quality of the end outcome is more important to us in the long term than a short term time factor. This approach is supported by the quality of our recently completed projects at Viewmount and award winning Academy Court in Forfar, and by the support of our tenants. Our aim with our programmes is to bring additionality so that our work contributes to the outcomes in the Local Outcomes Improvement Plan. This means that most projects now have a level of complexity far beyond pure construction, but that is a challenge which we willingly take on, to ensure the HRA plays a major role in the prosperity of our localities.

Members are asked to note that the commentary provided here on specific projects and programmes is on an exception basis. Where there is no narrative, there are no significant issues to report at this time.

New Build and Shared Equity

- 6.2 There has been a minor change to the overall monitoring budget resulting in an increase of (£13,000). Within the programme there has been movement across a number of projects which been adjusted as follows:

Timmergreens, West Arbroath Affordable Housing – Delay to programme to accommodate contractor's requirements to finalise design drawings and provide a cost plan in line with the direct award procurement process. This includes submitting a suitable scheme for planning approval. This has resulted in an anticipated slippage of £235,000.

Noran Avenue Affordable Housing – Various minor adjustments to the project have resulted in a small overspend of (£60,000).

Damacre Centre Acquisition and Affordable Housing– Adjustments to the anticipated grant income profile has resulted in an anticipated overspend of (£287,000).

Newtyle Affordable Housing – As the project start date has been brought forward and the shared equity element is no longer required this has resulted in an anticipated overspend of (£198,000).

Invertay House Affordable Housing – The ongoing issues with a Community Asset Transfer application has resulted in the appropriation of the site being deferred with a corresponding anticipated slippage of £120,000.

Open Market Acquisition Scheme (OMAS)– Based on the anticipated purchase value of the houses identified as being suitable of purchase under this scheme has resulted in a reduction of funds required with a corresponding anticipated underspend of £150,000.

Conversion

- 6.3 Minor adjustments to cash flows have been made to two conversion projects one which will be completed in the next financial year and one which is anticipated to cost less than the original Financial Plan allowance. This has resulted in an anticipated underspend of £47,000.

Heating

- 6.4 Due to the poor performance of the contractor there have been a limited number of heating installations confirmed as being contractually completed prior to the 14 December 2018. The Council had attempted to work with the contractor to improve the performance, however due to ongoing delays the contract has now been terminate by the council. A subsequent report will be presented to members on the requirement to terminate the contract and the future procurement options. This issue has resulted in an overall anticipated slippage of £1,614,000.

Window Replacement

- 6.5 The original delay due to the lead-in period and start date for the works which slipped from 17/18 to 18/19 has resulted in an anticipated overspend in this financial year of (£87,000), but not on the project as a whole.

Energy Saving

- 6.6 The time required for the preparation of procurement documentation and identification of the extent of works relating to the Energy Saving/Upgrading (EESH) programme has resulted in in overall anticipated slippage of £1,366,000.

Sheltered Housing

- 6.7 Additional time has been required to investigate suitable options and confirm the extent of works required to replace boilers and install specialist call systems at various sheltered housing schemes. This has resulted in an overall anticipated underspend of £169,000.

Kitchen Replacements

- 6.8 Minor delays in the contractors kitchen installation programme has resulted in an anticipated slippage of £200,000, however the contractor has brought on an additional squad and this underspend may be reduced.

Bathroom Replacement Programme

- 6.9 Bathroom replacement programme is anticipated to underspend by £475,000 this year mainly due to slippage resulting from revisions to the programme to accommodate issues identified through the pilot project. In addition there are a number of management issues with the project which have recently been resolved and this allowed the tender document to be issued in November 2018 for the long term bulk programme.

Miscellaneous

- 6.10 The overall programme is anticipated to slip by £100,000 mainly due to the delay in the upgrading of garages. It was anticipated that an additional scheme would be carried out in

18/19 alongside the Elms Area, Arbroath but as these projects have been subject to a number of issues surrounding identifying suitable sites, access to garages and completions the works take longer to arrange.

7 2018/2019 CAPITAL RECEIPTS UPDATE

7.1 The right of tenants to buy their Council Houses ended on 1 August 2016.

7.2 Table 2 below details the overall capital receipts position for 2018/19. It should be noted that the 3 house sales shown reflect the completion of the last of the Right to Buy applications received prior to 1 August 2016 and therefore no further Right to Buy sales will be received.

Table 2 – Capital Receipts Position

Receipt Type	Number of House Sales	Monitoring Budget for Year £	Actual Receipts 31 Dec 2018 £	Projected Final Receipts Position £	Projected Variance From Monitoring Budget £
House Sales	3	77,250	77,250	77,250	0
Shared Equity Sales	1	0	32,000	32,000	32,000
Other Sales (Land)	2	0	30,124	30,124	30,124
Total Capital Receipts	7	77,250	139,374	139,374	62,124
Less Estimated Full Year Administration Costs		(15,000)	(15,000)	(15,000)	0
Net Capital Receipts		62,250	124,374	124,374	62,124

7.3 Any potential consequences for the funding of the 2018/19 capital programme are addressed in Section 8 below.

8 2018/2019 CAPITAL FUNDING UPDATE

8.1 At the time of setting the 2018/19 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 2018/19 latest projected capital expenditure levels, and the projected year end funding position is also detailed in Table 3.

Table 3 - Capital Funding

2018/19 Capital Budget	Monitoring Budget £000	Projected Funding Movement £000	Projected Year End Funding £000
Funding Sources:			
- Prudential Borrowing	2,000	(2,000)	0
- Capital Receipts	1,107	(1,107)	0
- Capital Financed from Current Revenue	8,008	0	8,008
- Transfer from Earmarked Reserves	1,227	(750)	477
Total Funding Sources	12,342	(3,857)	8,485

8.2 Members will note that it is now projected that there will be no need to apply capital receipts as part of the 2018/19 capital funding package. These receipts will instead be retained as unapplied capital receipts on the Council's balance sheet and will instead be utilised as part of the funding package for the 2019/20 capital programme.

8.3 The balance of unapplied capital receipts as at 31 March 2018 is £1,336,247 and with the addition of the net capital receipts from table 2 above, is projected to be £1,460,621 at 31

March 2019. The HRA business plan assumes the use of this balance in full in 2019/20 to reduce borrowing levels and extend future capital spend flexibility.

- 8.3 As part of the 2019/20 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 incorporates plans to utilise these balances over future financial years to reduce borrowing levels and extend future capital spend flexibility.

9. 2018/2019 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 2018, 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 nine month period to 31 December 2018 the HRA is currently indicating a surplus of £5,161,000. 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 2018/19 financial year the HRA will generate a surplus of £869,000. 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

	Monitoring Budget £000	Actual to 31/12/18 £000	Budget Spent %	Projected Outturn £000	(Over) / Under Spend £000
<u>EXPENDITURE</u>					
Financing Charges	10,757	0	0	10,757	0
Supervision & Management	8,021	3,219	40.1	7,397	624
Repairs & Maintenance	8,017	4,567	57.0	7,915	102
Loss of Rents	1,111	365	32.9	1,040	71
Other Expenditure	541	526	97.2	541	0
GROSS EXPENDITURE	28,447	8,677	30.5	27,650	797
<u>INCOME</u>					
Rents & Service Charges	27,613	13,828	50.1	27,684	71
Other Income	209	10	4.8	210	1
Homelessness Funding	625	0	0	625	0
GROSS INCOME	28,447	13,838	48.6	28,519	7
NET SURPLUS / EXPENDITURE	0	(5,161)	n/a	(869)	869

Appendix 2 gives further detail in respect of the 2018/19 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 Supervision and Management.

The underspend in Supervision and Management of £626,000 is mainly due to staff slippage and unfilled posts of £260,000 whilst staffing reviews are completed, lower than budgeted internal support recharges of £359,000 and various other minor underspends totalling £7,000.

10.3 Repairs and Maintenance.

Repairs and Maintenance is likely to underspend by £102,000 this year, mainly due to underspends on planned maintenance totalling £257,000 this is offset partially by overspends in change of tenancy £100,000 and emergency maintenance £20,000.

10.4 Loss of Rents

Loss of Rents is forecast to be £70,000 underspent due to improved performance leading to a reduction in voids..

10.5 Rental Income

Rental income is likely to be higher than budget by £71,000, mainly due to a sustained level of garage rental income.

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 2018/19 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

	Monitoring Budget £000	Projected Outturn £000
Audited Housing Balance as at 01/04/18	4,285	4,285
Less Minimum Balance Requirement	(1,000)	(1,000)
Audited Available Housing Balance as at 01/04/18	3,285	3,285
Add: Anticipated 2018/19 Housing Revenue Account Surplus	0	869
Anticipated Housing Revenue Account Balance as at 31/03/2019	3,285	4,154
<u>Known / Potential Commitments:</u>		
One-Off Expenditure /early Debt Repayment	(1,255)	(2,124)
New Build Housing/EESSH	(2,030)	(2,030)
Total Known / Potential Commitments	(3,285)	(4,154)

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.

KEVIN LUMSDEN
MANAGER (FINANCE)
communities@angus.gov.uk

List of Appendices:

Appendix 1: Housing Capital Monitoring Statement
Appendix 2: Housing Revenue Monitoring Statement