

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 12 NOVEMBER 2019**

**HOUSING CAPITAL MONITORING REPORT – 2019/20**

**REPORT BY THE DIRECTOR OF COMMUNITIES**

**ABSTRACT**

This report relates to the Housing Revenue Account (H R A) Capital performance to date in 2019/20. It sets out the actual Capital spend to 30 September 2019 together with projected out-turns for the year to 31 March 2020 and any required updated capital funding proposals.

**1 RECOMMENDATION**

1.1 It is recommended that the Committee:

- (i) reviews and scrutinise the contents of this report, in particular the projected year end positions on Capital expenditure, and the indicative funding proposals for the programme.
- (ii) approves the purchase of up to eight 'off the shelf' units for social rent to support the new build programme. Section 8 below refers.

**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 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 2019/20 CAPITAL BUDGET**

4.1 The H R A capital monitoring budget for 2019/20 is £18,535,000 as detailed at Appendix 1. It is expected that there will be no changes allowed to this monitoring budget during the year, resulting in this being the budget against which H R A capital monitoring will be carried out for the remainder of the financial year.

**5 2019/20 CAPITAL MONITORING OUTTURN POSITION**

5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2019/20 as at 30 September 2019. It may be noted that the actual spend achieved to 30 September 2019 on the Housing Capital Programme is £3,353,000 which equates to 18.1% of the monitoring budget of £18,535,000. It is projected at this time that by the end of the financial year, net expenditure will total £15,370,000 which represents a potential underspend of £3,165,000 (17.1%). The main reasons for this are contained in section 6 below. However, members are asked to consider the proposal outlined at section 8 below which would reduce the projected underspend by £832,000 to £2,333,000 (12.6%).

**Table 1 – Housing Capital Programme**

<b>Programme</b>	<b>Monitoring Budget</b>	<b>Actual Expenditure 30 September 2019</b>	<b>Latest Estimate</b>	<b>Projected (over)/ under Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
New Build and Shared Equity	9.134	2.284	6.585	2.549
Conversion	0.351	0.305	0.371	(0.020)
Aids and Adaptations	0.415	0.143	0.415	0.000
Improvements	0.014	0.000	0.014	0.000
Heating Installation	1.110	0.000	1.110	0.000
Window Replacement	0.255	0.000	0.255	0.000
Energy Saving	3.183	0.092	3.314	(0.131)
Sheltered Housing	0.505	0.010	0.515	(0.010)
Kitchen Replacement	1.500	0.498	0.900	0.600
Bathroom Replacements	1.350	0.000	1.030	0.320
Miscellaneous	0.708	0.000	0.840	(0.132)
Balances on Completed Projects	0.010	0.021	0.021	(0.011)
<b>Total Programme</b>	<b>18.535</b>	<b>3.353</b>	<b>15.370</b>	<b>3.165</b>
Proposal to purchase up to 8 units to support new build programme. Section 8 below refers	<b>0.000</b>	<b>0.000</b>	<b>0.832</b>	<b>(0.832)</b>
<b>Proposed revised total Programme</b>	<b>18.535</b>	<b>3.353</b>	<b>16.202</b>	<b>2.333</b>

## **6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES**

6.1 Members are asked to note the following projects, either because there are aspects out of the ordinary, or they are potentially more risky for achievement of budgeted spend in 2019/20 due to their stage of development, the scale of expected spend or the involvement of other parties.

- **New Build**

Timmergreens – The design & build project has been delayed whilst agreement is reached on cost variations. It is important to ensure that VFM is achieved.

Cliffburn - Slippage has occurred partly due to difficulties obtaining external structural services. However, the intention is still to complete full construction within 2020/21.

Letham - The project is on hold whilst negotiations take place with an adjacent site owner (at their request) to potentially extend the scope of development.

OMA - A number of properties are currently being assessed in relation to meeting identified particular needs. This area of work is very demand-led and subject to suitable properties being available on the open market.

- **Heating Installation**

Whilst the risk of underspend in this area is relatively low, members may appreciate an update on the re-programming of work previously postponed due to poor contractor performance. The work has now been divided between three separate contracts so that installations can be achieved quickly, and a further contract will be taken forward in 1920/21 to complete the remainder of the works.

- **Energy Saving**

A potential overspend of £131K has been identified, due to a higher than anticipated number of home owners applying to receive free HEEPS ABS works, which has enabled energy upgrades to be carried out on a greater number of H R A properties than originally thought. The absence of spend to date on the main energy efficiency contracts is due to all surveys being front loaded (at contractor's request) with their reasoning being that this will provide a clear picture of works going forward. This certainty will help us communicate the scope of works more accurately to tenants. Works have started on site and based on current contractor performance it is felt that spend will be achieved.

- Kitchen Replacement Programme**  
 A reduction in projected spend is shown due to the contractor experiencing resources issues. Assurances have been provided going forward that resources are now in place to deliver. Options are being reviewed for the potential to accelerate the number of installations each week.
- Bathroom Replacement Programme**  
 A reduction in spend is projected as the contractor has experienced problems with supply of materials and work resources issues. Assurances have been provided that the supply chain is now more robust and suitable resource is now in place to achieve a revised projected spend.
- Miscellaneous - Garage Improvements**  
 An increase in spend is shown due to expansion in the scope of works to include environmental upgrades to paths, retaining walls and stairways in the surrounding area, so that we can take the opportunity to help improve the surrounding environment for residents.

## 7 2019/20 CAPITAL FUNDING

- 7.1 At the time of setting the 2019/20 monitoring budget, resources estimated to be available to finance the capital programme are as detailed in Table 2 below.
- 7.2 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 committee. The following table shows the projected funding for the current programme and the proposed revised programme.

**Table 2 - Capital Funding**

2019/20 Capital Budget	Monitoring Budget Funding	Projected Outturn Funding Current Programme	Projected Outturn Funding Proposed revised Programme
Funding Sources	£m	£m	£m
Prudential Borrowing	7.289	4.124	4.956
Capital Receipts	1.475	1.475	1.475
Capital Financed from Current Revenue	8.451	8.451	8.451
Affordable Housing Reserve	0.500	0.500	0.500
Transfer from Earmarked Reserves	0.820	0.820	0.820
<b>Total Funding Sources</b>	<b>18.535</b>	<b>15.370</b>	<b>16.202</b>

## 8 PURCHASE OF UNITS TO SUPPORT NEW BUILD PROGRAMME

- 8.1 In response to the identified programme slippage detailed above, work has been undertaken to identify possible opportunities to purchase units 'off the shelf' from developers. This involves purchasing units which are already under construction and are being marketed for sale with no input from the Council on design or specification. As purchasing completed units is considered a development opportunity, it does not fall within the requirements of procurement regulations.
- 8.2 Up to eight units have been identified in Arbroath of a type and size required to meet identified need for affordable housing, and which will be completed ready for handover by March 2020. An in-principle agreement has been reached with the developer to purchase the units, subject to Members approval, for up to £1,288,000. The unit costs compare favourably with houses being delivered through the new build programme which are of a similar type and size<sup>1</sup>. The

<sup>1</sup> £1,829m<sup>2</sup> compared to an average of £2,203m<sup>2</sup> delivered in recent projects

purchases will be eligible for Scottish Government grant of up to £456,000 via the Affordable Housing Supply Programme, meaning that the total investment from the Council would be up to £832,000. As figures at this time are subject to finalising unit costs and house type and size, the confirmed financial implications would be reported to a future committee.

## 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 appendix and as summarised in Table 3 below.

9.2 Members will note that the use of audited available H R A balances totalling £3,211,000 are included in Table 3 below, reflecting ongoing investment in existing stock to maintain properties at or above the Scottish Housing Quality Standard (S H Q S) and the Energy Efficiency Standard for Social Housing (E E S S H) as well as delivering on our commitment to continue the New Build Housing Programme over the next 4 years.

**Table 3 - HRA Balances**

	<b>Monitoring Budget £m</b>	<b>Projected Outturn £m</b>
Audited Housing Balance as at 01/04/19	4.211	4.211
Less Minimum Balance Requirement	(1.000)	(1.000)
Audited Available Housing Balance as at 01/04/18	3.211	3.211
<u>Known / Potential Commitments:</u>		
One-Off Expenditure / Early Debt Repayment	(1.181)	(1.181)
New Build Housing / E E S S H	(1.343)	(1.343)
Total Known / Potential Commitments	(3.211)	(3.211)
Audited Available Housing Balance as at 01/04/19 after allowing for known / potential commitments	0	0
Add: Anticipated Housing Revenue Account Surplus	0	0.000
<b>Anticipated Uncommitted Housing Balance at 31/03/20 after applying anticipated surplus for the year.</b>	<b>0</b>	<b>0.000</b>

9.3 The purchase of eight additional units proposed in section 8 above, would require an initial outlay of up to £1,288,000. As the purchases will be eligible for Scottish Government grant of up to £456,000 the total investment from the Council would be up to £832,000. This can be accommodated within the existing Housing Capital Plan.

**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