

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 11 FEBRUARY 2020

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2019/20

JOINT REPORT BY THE DIRECTOR OF COMMUNITIES AND THE DIRECTOR OF FINANCE

ABSTRACT

This report relates to the Housing Revenue Account (HRA) Capital and Revenue performance to date in 2019/20. It sets out the actual Capital and Revenue spend to 31 December 2019 together with projected outturns for the year to 31 March 2020 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 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 2019/20 CAPITAL BUDGET

4.1 The HRA capital monitoring budget for 2019/20 is £18,535,000 and this report presents the latest estimated outturn against the monitoring budget. An update on the final actual outturn position will be presented to members of the Communities Committee following the summer 2020 recess.

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 31 December 2019. The actual spend achieved to that date is £5,559,000 which equates to 30% of the monitoring budget of £18,535,000. It is projected at this time, that by the end of the financial year 2019/20 net expenditure will total £14,314,000 which represents a potential underspend of 23%. The main reasons for this are contained in section 6 below.

Table 1 – Housing Capital Programme 2019/20

Programme	Monitoring Budget £000	Actual Expenditure 31 Dec 2019 £000	Latest Estimate £000	Projected (over)/ under Spend £000
New Build and Shared Equity	9,134	3,270	6,614	2,520
Conversion	351	325	431	(80)
Aids and Adaptations	415	301	516	(101)
Improvements	14	0	0	14
Heating Installations	1,110	41	675	435
Window Replacement	255	0	180	75
Energy Saving	3,183	406	2,702	481
Sheltered Housing	505	10	310	195
Kitchen Replacement	1,500	1,043	1,400	100
Bathroom Replacements	1,350	125	1,030	320
Miscellaneous	708	17	435	273
Balances on Completed Projects	10	21	21	(11)
Total Programme	18,535	5,559	14,314	4,221

6 COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

- 6.1 There continue to be challenging conditions nationally in the construction industry impacting on some contractors' ability to recruit and retain sufficient resources in some trades. This is impacting on a number of project areas locally and officers continue to assess the potential for finding effective procurement options that mitigate these pressures.

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.

6.2 New Build

Timmergreens, Arbroath. Slippage of £2.110m is projected due to delays starting on site. This is partly attributable to issues obtaining Scottish Water technical approval which means construction for the Emislaw site will now commence in Spring 2020. However, the Muirton site is expected to begin in February 2020.

Cliffburn, Arbroath. Slippage of £260,000 has occurred partly due to difficulties obtaining external structural services. However, the Intention is still to complete full construction within 2020/21.

Little Cairnie, Arbroath. In order to utilise underspend, and following members' approval in November 2019, the purchase of six units was completed at a cost of £630,000, net of Scottish Government grant.

Jubilee Park, Letham. The project has been delayed as a result of ongoing negotiations with an adjacent site owner resulting in anticipated slippage of £310,000.

Invertay House. A Community Asset Transfer appeal process has delayed appropriation of the site, resulting in anticipated slippage of £375,000.

6.3 Aids and Adaptations

An overspend of £101,000 is predicted as a result of having to meet specific needs in several complex cases.

- 6.4 Heating
Works continue to mitigate poor performance experienced in a previous heating contract with a predicted slippage of £435,000. Works are being carried out through term gas maintenance contracts to complete properties which were unfinished under that disbanded contract. New Electrical & Gas heating contracts are out to tender with a degree of spend predicted in 2019/20 as they start.
- 6.5 Energy Saving
As previously reported the contractor has chosen to carry out all surveys at commencement of the project to provide a clear picture of works going forwards. Although spend remains within the agreed contractual period, there is a predicted slippage in financial year 2019/20 of £481,000.
- 6.6 Sheltered Housing
Additional time has been required to investigate fully, suitable options and confirm the extent of works required to replace boilers and install specialist call systems at various sheltered housing schemes. This will enable better analysis and consultation with customers, but has resulted in anticipated slippage of £195,000.
- 6.7 Kitchen Replacements
Previous resource issues experienced by the contractor appear to have been resolved. Performance has stabilised at an acceptable level, and continues to be monitored, but there is a projected slippage of £100,000.
- 6.8 Bathroom Replacement Programme
Slippage of £320,000 is anticipated due to the contractor experiencing problems with supply of materials and workforce resources. 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. This continues to be monitored.
- 6.9 Miscellaneous
The underspend of £273,000 is mainly due to tender costs for garage upgrades returning more favourably than anticipated.

7 2019/20 CAPITAL RECEIPTS UPDATE

- 7.1 Table 2 below details the capital receipts position for 2019/20.

Table 2 – Capital Receipts Position 2019/20

Receipt Type	Number of Sales	Actual Receipts 31 Dec 2019 £000	Projected Final Receipts Position £000
Shared Equity Sales	2	36	36
Other Sales	4	270	270
Total Capital Receipts	6	306	306

- 7.2 These receipts will be retained on the Council's balance sheet at 31 March 2020 and applied in the funding of the HRA capital programme in future years.

8 2019/20 CAPITAL FUNDING UPDATE

- 8.1 At the time of setting the 2019/20 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 2019/20 latest projected capital expenditure levels.
- 8.2 As part of the 2020/21 rent setting process, officers have also reviewed the best use of the ring-fenced amount (£1.181m) within HRA balances for the special repayment of debt. The set-aside for this purpose was determined at a time when no borrowing had been undertaken

to fund the HRA capital programme for a number of years. As highlighted in the table below (as well as the forward projections for the HRA capital programme in Appendix 3 to the rent setting report also on the agenda of this meeting), borrowing once again forms a core source of funding for the capital programme. This is projected to be the case for the foreseeable future. Officers have determined that the best use of the special debt repayment amount is to reduce the borrowing requiring to be undertaken in the current year rather than making a special debt repayment. This is therefore reflected in Table 3 below.

- 8.3 Table 3 below therefore details: the original funding of the monitoring budget; the projected funding movements described in the above paragraphs; and the projected year end funding position.

Table 3 - Capital Funding 2019/20

2019/20 Capital Budget	Monitoring Budget £000	Projected Funding Movement £000	Projected Year End Funding £000
Funding Sources:			
- Prudential Borrowing	7,289	(5,402)	1,887
- Capital Receipts	1,475	0	1,475
- Capital Financed from Current Revenue	8,451	0	8,451
- Transfer from Earmarked Reserves	1,320	1,181	2,501
Total Funding Sources	18,535	(4,221)	14,314

Note: the projected year end transfer (£2.501m) from earmarked reserves comprises £2.001m from HRA balances and £0.500m from the Affordable Housing Revenue Account.

- 8.4 As part of the 2020/21 rent setting process, officers have also reviewed the financial plan and potential future capital projects to determine the most appropriate use for HRA 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. 2019/20 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 2019, 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 2019 the HRA is currently indicating a surplus of £6,725,000. 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 2019/20 financial year the HRA will generate a surplus of £196,000. 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 31/12/19 £000	Budget Spent %	Projected Outturn £000	(Over) / Under Spend £000
<u>EXPENDITURE</u>					
Financing Charges	11,389	0	0	11,033	356
Supervision & Management	7,948	3,633	45.7	7,575	373
Repairs & Maintenance	8,443	5,642	66.8	8,846	(403)
Loss of Rents	959	629	65.6	1,625	(666)
Other Expenditure	624	45	7.2	636	(12)
GROSS EXPENDITURE	29,363	9,949	33.9	29,715	(352)
<u>INCOME</u>					
Rents & Service Charges	28,709	16,674	58.1	29,257	548
Other Income	229	0	0	229	0
Homelessness Funding	425	0	0	425	0
GROSS INCOME	29,363	16,674	56.8	29,911	548
NET (SURPLUS) / EXPENDITURE	0	(6,725)	n/a	(196)	196

Appendix 2 gives further detail in respect of the 2019/20 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

Financing charges are anticipated to be less than budgeted by £356,000 mainly due to lower interest costs as a result of: reduced borrowing requirements to support the Capital Programme; and projected lower than anticipated interest rates within the Council's Loans Fund.

10.3 Supervision and Management.

The underspend in Supervision and Management of £373,000 is mainly due to staff slippage and unfilled posts of £103,000 whilst staffing reviews have been implemented, lower than budgeted internal support recharges of £259,000 and various other minor underspends totalling £11,000.

10.4 Repairs and Maintenance.

Repairs and Maintenance is likely to overspend by £403,000 this year, mainly due to increased costs and £463,000 overspend in changes of tenancy, partially offset by a reduction in planned maintenance.

10.5 Loss of Rents

Loss of rents is experienced when properties are void. This can be for a number of reasons, such as changes of tenancy, low demand in some areas, and properties held vacant whilst major maintenance or upgrade works are carried out. In addition this year, the major regeneration in Timmergreens Arbroath has resulted in well over 100 tenants being moved to alternative accommodation so that the properties can be demolished ahead of new homes being built. Whilst these properties remain, they appear as lost rental income, and will inflate void figures until they are demolished. It is anticipated that the 2019/20 figure of £666,000 has peaked and will start to reduce as more phases of the regeneration project go forward.

10.6 Rental Income

Rental income is likely to be higher than budget by £548,000 mainly due to the additional income generated from the transfer of former Angus Community Care Charitable Trust (ACCCT) properties into the HRA stock.

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 2019/20 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 01/04/19	4,211	4,211
Less Minimum Balance Requirement	(1,000)	(1,000)
Audited Available Housing Balance as at 01/04/19	3,211	3,211
Less: Projected capital funding drawdown (per paragraph 8.3)	(820)	(2,001)
Add: Anticipated 2019/20 Housing Revenue Account Surplus	0	196
Anticipated Housing Revenue Account Balance as at 31/03/2020	2,391	1,406
<u>Known / Potential Commitments:</u>		
One-Off Expenditure /early Debt Repayment	(1,181)	(196)
New Build Housing/ESSH	(1,210)	(1,210)
Total Known / Potential Commitments	(2,391)	(1,406)

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: Housing Revenue Monitoring Statement