

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 23 NOVEMBER 2021

HOUSING CAPITAL MONITORING REPORT – 2021/22

**REPORT BY THE INTERIM DIRECTOR OF VIBRANT COMMUNITIES
AND SUSTAINABLE GROWTH**

ABSTRACT

This report relates to the Housing Revenue Account (HRA) Capital performance to date in 2021/22. It sets out the actual Capital spend to 30 September 2021 together with projected outturns for the year to 31 March 2022 and any required updated Capital funding proposals.

1. RECOMMENDATION

1.1 It is recommended that the Committee:

- (i) review 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) Note that the projected outturn overspend position described at 5.1 reflects the intention to make the most of having contractors on site delivering stock improvements ahead of programme, in order to bring maximum benefit to tenants, especially in terms of energy saving works as outlined in the narrative at section 6.1.

2. ALIGNMENT TO THE COUNCIL PLAN/COMMUNITY PLAN

- Angus to be a go to place for business
- To maximise inclusion and reduce **inequalities**
- Our communities to be strong, resilient, and led by citizens
- Angus Council to be efficient and effective

ECONOMY

- An Inclusive and sustainable economy
- Attractive employment opportunities

PEOPLE

- Safe, secure, vibrant sustainable communities

PLACE

- An enhanced, protected and enjoyed natural built environment
- 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. 2021/22 CAPITAL BUDGET

- 4.1 The HRA capital monitoring budget for 2021/22 is £20.145m 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 HRA capital monitoring will be carried out for the remainder of the financial year.

5. 2021/22 CAPITAL MONITORING OUTTURN POSITION

- 5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2021/22 as at 30 September 2021. It may be noted that the actual spend achieved to 30 September 2021/22 on the Housing Capital Programme is £13.155m which equates to 65.3% of the monitoring budget of £20.145m. It is projected at this time that by the end of the financial year, net expenditure will total £22.681m which represents a potential overspend of £2.536m (12.6%) . See section 7.2 for funding sources.

The main reasons for the overspend are contained in section 6 below.

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 30 September 2021	Outturn 2021/22	Projected (over)/ under Spend
	£m	£m	£m	£m
New Build and Shared Equity	10.150	7.333	11.015	(0.865)
Conversion	0.260	0.096	0.260	0.000
Aids and Adaptations	0.340	0.202	0.342	(0.002)
Improvements	0.130	0.001	0.130	0.000
Heating Installation	1.233	0.098	0.847	0.386
Window Replacement	0.520	0.053	0.520	0.000
Energy Saving	4.000	3.851	6.000	(2.000)
Sheltered Housing	0.289	0.039	0.325	(0.036)
Kitchen Replacement	0.800	0.311	0.800	0.000
Bathroom Replacements	1.200	0.724	1.200	0.000
Miscellaneous	1.223	0.428	1.223	0.000
Balances on Completed Projects	0.000	0.019	0.019	(0.019)
Total Programme	20.145	13.155	22.681	(2.536)

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 2021/22 due to their stage of development, the scale of expected spend or the involvement of other parties.

New Build - Overall

New build projects currently live on site are progressing in line with predicted budget spend. Preparation work for phases 3 and 4 at Timmergreens has also been accelerated so that Scottish Government grant can be drawn down in this financial year.

However, members will note the projected overspend under this heading. This is due to the profile of grant drawdown from the Scottish Government changing. This was accelerated in 2020/21 at their request, to facilitate a maximum amount of grant claim against on-site projects during that financial year. This resulted in a higher than projected grant income in 2020/21, which showed as a higher level of slippage in the Capital Plan for that financial year, but then a subsequent lower grant drawdown in this financial year, manifesting itself as an overspend. It should be noted

that the overall level of grant income remains the same as had been projected over the life of the projects, the overall cost of projects themselves will not be affected, and the HRA will not be in deficit for these projects. It is just the timing of the grant drawdown profile that is affected, which needs to have a level of flexibility to enable optimum effective working with partners.

New Build - Inglis Court

Members will be aware that the proposed project at Inglis Court had been delayed to allow Council to have a more informed debate and to determine their preferred option. The next update of the HRA Capital Plan will be adjusted to take account of the recent decision made by Council.

New Build - Shared Equity

The Housing Development Policy Framework (report no:134/20 refers) sets out the Council's approach to delivering affordable housing for social rent, mid market rent and shared equity and aims to enable the Council to maximise opportunities to increase its housing stock through a range of mechanisms.

In line with the proposed principles of the Housing Development Policy Framework, approval was given to purchase 22 units at The Grange, Monifieth and deliver these as shared equity housing to households in the priority client group. The properties provide much needed low-cost home ownership options in Monifieth, which is the area in Angus with highest house values. The units were purchased without any grant subsidy. Sales of properties are progressing. All 22 properties are reserved and 20 of the 22 have now been sold on to qualifying purchasers.

In addition, an opportunity to purchase 6 three-bed units as shared equity, by the end of March 2022, is actively being explored in the North Housing Market Area. If purchased, the units will be delivered through the Scottish Government New Supply Shared Equity Scheme (NSSE) and attract grant subsidy.

Heating Installation and Replacement

The gas heating installation program has been flagged as a concern. Members will be aware that the energy sector is currently experiencing issues with wholesale price rises resulting in some smaller energy companies not being viable. This has meant that larger energy companies are reluctant to take on new customers and this is impacting on tenant engagement with the meter installation process, preventing works from being commenced. This has in turn delayed the overall gas upgrade programme and resulted in an options appraisal being commissioned to review the viability of the original project. Direct engagement with tenants is being made wherever possible to provide appropriate advice and assistance in order to expedite the situation.

The electrical heating upgrade to sheltered properties is currently delayed because of multiple global supply issues, most especially with radiator availability. Works are however programmed to be completed within the current financial year.

Energy Saving/Towards Zero Carbon

Works are progressing well on the energy savings works which has allowed an acceleration of the programme. This has resulted in a much higher than anticipated spend profile, contributing to the projected overspend on original budget. However, this is considered to be a sensible acceleration of the 25 year programme to improve the energy efficiency of tenants' homes and achieve zero carbon across the housing stock by 2045. This faster delivery is especially important, given the considerable increase in fuel bills likely to be experienced by tenants in the coming months. Members should note that although this is an overspend in this financial year, this is an advancement of future spend and the overall cost of the project will not be affected. Funding is already allocated within the overall Capital Plan and can be brought forward to accommodate this change.

Kitchen Replacement Programme

Currently progress is in line with the projected spend. Regular meetings are being held with the contractor to monitor ongoing supply issues, material costs and labour shortages, caused by various global factors and how these are likely to affect future progress.

Bathroom Replacement Programme

Currently progress is in line with the projected spend. Regular meetings are being held with the contractor to monitor ongoing supply issues, material costs and labour shortages, caused by various global factors and how these are likely to affect future progress. Should the labour situation improve, consideration will be given to accelerating installations.

Miscellaneous

The current budget for Garages has been allocated to allow demolition of properties in a dangerous condition and is predicted to be spent within the financial year.

The LD2 smoke alarm installation programme has been flagged as a concern. This is because of poor tenant engagement with the project, and access to properties is below 40%. Tenants already have integrated smoke detectors in their properties, so there seems to be reluctance to allow access into their homes for the extra detectors to be installed, because there may be a perception that there is no huge benefit, even though legislation requires it. In addition to letters being sent to tenants explaining the statutory requirement to install the alarms, communications have been issued on the housing blog. More direct contact with tenants is being planned and further measures may be needed to gain access into the remaining homes to ensure we comply with the statutory requirement.

7. 2021/22 CAPITAL FUNDING

- 7.1 At the time of setting the 2021/22 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 committee.

Table 2 - Capital Funding

2021/22 Capital Budget	Monitoring Budget Funding	Projected Outturn Funding Current Programme
Funding Sources	£m	£m
Prudential Borrowing	7.764	10.300
Capital Receipts	0.072	0.072
Capital Receipts – Shared Equity	2.686	2.686
Capital Financed from Current Revenue	7.714	7.714
Affordable Housing Reserve	0.300	0.300
Transfer from Earmarked Reserves	1.609	1.609
Total Funding Sources	20.145	22.681

NB: the £2.536m projected increased borrowing above reflects the advancement of energy saving spend narrated in section 6 above and there will be a consequential reduction in borrowing in future years.

8. FINANCIAL IMPLICATIONS

- 8.1 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.

8.2 Members will note that the use of audited available HRA balances totalling £5.374m are included in Table 3 below, reflecting ongoing investment in existing stock to maintain properties at or above the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH) as well as delivering on our commitment to continue the New Build Housing Programme over the next 4 years.

Table 3 - HRA Balances

	Monitoring Budget £m	Projected Outturn £m
Audited Housing Balance as at 01/04/21	5.374	5.374
Less Minimum Balance Requirement	(1.000)	(1.000)
Audited Available Housing Balance as at 01/04/21	4.374	4.374
<u>Known / Potential Commitments:</u>		
Affordable Housing Initiatives	(0.687)	(0.687)
SHQS/New Build Housing/Zero Carbon	(3.687)	(3.687)
Total Known / Potential Commitments	(4.374)	(4.374)
Audited Available Housing Balance as at 01/04/21 after allowing for known / potential commitments	0.000	0.000
Add: Anticipated Housing Revenue Account Surplus	0.000	0.000
Anticipated Uncommitted Housing Balance at 31/03/22 after applying anticipated surplus for the year.	0.000	0.000

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