

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 22 NOVEMBER 2022

HOUSING CAPITAL MONITORING REPORT – 2022/23

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

ABSTRACT

This report relates to the Housing Revenue Account (HRA) Capital performance to date in 2022/23. It sets out the actual Capital spend to 30 September 2022 together with projected outturns for the year to 31 March 2023 and any required updated Capital funding proposals.

1. RECOMMENDATIONS

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; and
- (ii) Note the projected outturn underspend position described at 5.1

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. 2022/23 CAPITAL BUDGET

- 4.1 The HRA capital monitoring budget for 2022/23 is £12.703m 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. 2022/23 CAPITAL MONITORING OUTTURN POSITION

- 5.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2022/23 as at 30 September 2022. It may be noted that the actual spend achieved to 30 September 2022/23 on the Housing Capital Programme is £3.189m which equates to 25.1% of the monitoring budget of £12.703m. It is projected at this time that by the end of the financial year, net expenditure will total £11.376m which represents a potential underspend of £1.327m (10.4%) . See section 7.2 for funding sources.

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

Table 1 – Housing Capital Programme

Programme	Monitoring Budget	Actual Expenditure 30 Sept 2022	Outturn 2022/23	Projected (over)/ under Spend
	£m	£m	£m	£m
New Build	4.111	0.635	1.571	2.540
Shared Equity	(0.732)	(0.613)	(0.732)	0.000
Conversion	0.344	0.003	0.262	0.082
Aids and Adaptations	0.400	0.342	0.485	(0.085)
Improvements	0.680	0.000	0.680	0.000
Energy Savings / Towards Zero Carbon	5.828	2.468	7.119	(1.291)
Sheltered Housing	0.194	0.052	0.195	(0.001)
Internal Upgrades	1.460	0.137	1.460	0.000
Miscellaneous	0.400	0.246	0.400	0.000
Balances on Completed Projects	0.018	(0.081)	(0.064)	0.082
Total Programme	12.703	3.189	11.376	1.327

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 achieving budgeted spend in 2022/23 due to their stage of development, the involvement of other parties, or the expected outturn is + or - £100K from the monitoring budget.
- 6.2 **New Build.** Continuing volatility in world markets is still affecting the construction industry, with shortages of components and raw materials causing supply chain and logistical issues for contractors. This is compounded by the global cost of energy, the war in Ukraine, and rising interests rates in the UK and worldwide. As a result, price inflation indices across all forms of construction including new-build, are rising at a much higher rate than the consumer price index (CPI). The resultant uncertainty, increasing costs, and rising tender prices, are leading many housing organisations across the country to review their capital programmes. Council officers are currently looking at ways to manage the situation and to mitigate against the risks wherever possible, but slippage in new build projects is impacting on our programme for the reasons given above, and will continue to do so at least in the short term.
- 6.3 **Energy Saving/Towards Zero Carbon.** This section of the programme now combines energy efficiency, window replacements and heating work, which were previously described individually.

Works continue to progress well on energy savings works. The programme has been accelerated further because of the current energy crisis, particularly where stock performs poorly and the incidence of social deprivation is higher. This has resulted in a higher spend profile, and projected overspend. However, this is considered to be a sensible acceleration of the 25 year programme to improve the energy efficiency of tenants' homes quicker, and achieve zero carbon across the housing stock by 2045. This faster delivery is especially important, given the considerable increase in fuel bills being experienced by tenants.

Members should note that although there is overspend in this category this financial year, this is an advancement of future spend and the overall cost of the project remains broadly on track, but subject to volatility in the market conditions and potential cost impacts described above.

Allowance for the overall cost is already included within the energy upgrades section of the Capital Plan and can be rephased to accommodate this change.

7. 2022/23 CAPITAL FUNDING

7.1 Table 2 below details the resources estimated to be available to finance the capital programme as at the time of setting the 2022/23 monitoring budget. Also detailed is the projected outturn resources position taking account of the monitoring projections above.

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.

Table 2 - Capital Funding

2022/23 Capital Budget	Monitoring Budget Funding	Projected Outturn Funding Current Programme
Funding Sources	£m	£m
Prudential Borrowing	5.091	3.764
Capital Receipts	0.622	0.622
Capital Financed from Current Revenue	5.990	5.990
Affordable Housing Reserve	0.300	0.300
Transfer from Earmarked Reserves	0.700	0.700
Total Funding Sources	12.703	11.376

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 £3.370m over the period of the financial plan 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 (ESSH) as well as delivering on our commitment to continue the New Build Housing Programme over the coming years.

Table 3 - HRA Balances

	Monitoring Budget £m	Projected Outturn £m
Audited Housing Balance as at 01/04/22	4.370	4.370
Less Minimum Balance Requirement	(1.000)	(1.000)
Audited Available Housing Balance as at 01/04/22	3.370	3.370
<u>Known / Potential Commitments:</u>		
SHQS/New Build Housing/Zero Carbon	(3.370)	(3.370)
Total Known / Potential Commitments	(3.370)	(3.370)
Audited Available Housing Balance as at 01/04/22 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
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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