

ANGUS COUNCIL

SPECIAL COMMUNITIES COMMITTEE – 13 FEBRUARY 2024

HOUSING CAPITAL AND REVENUE BUDGET PERFORMANCE REPORT – 2023/24

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

1. ABSTRACT

- 1.1 This Housing Revenue Account (HRA) Capital and Revenue performance report sets out the actual Capital and Revenue spend to 31 December 2023 together with projected outturns for the year to 31 March 2024 and any required updated capital funding proposals.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

- 2.1 Caring for our people
- Reduce inequalities in all our communities.
 - Provide the best start in life for children.
 - Create more opportunities for people to live well and achieve their personal goals.
 - Improve physical, mental health and wellbeing.
- 2.2 Caring for our place
- Protect and enhance our natural and built environment.
 - Enable inclusive, empowered, resilient and safe communities across Angus.

3. RECOMMENDATIONS

- 3.1 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 contained in **Appendix 1 and 2**, and the indicative funding proposals for the programme.

4. BACKGROUND

- 4.1 The responsibilities of Chief Officers regarding 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.

5. 2023/24 CAPITAL BUDGET

- 5.1 The HRA capital monitoring budget for 2023/24 is £11.663 million and this report presents the latest estimated outturn against the revised net monitoring budget. An update on the final actual outturn position will be presented to members of the Communities committee following the summer 2024 recess.

6. 2023/24 CAPITAL MONITORING OUTTURN POSITION

- 6.1 Table 1 below sets out the position of the overall Housing Capital Programme for 2023/24 as at 31 December 2023. The actual spend achieved to that date is £6.169 million which equates to 52.9% of the net monitoring budget of £11.663 million. It is projected at this time, that by the end of the financial year 2023/24 net expenditure will total £11.436 million which represents a projected underspend of 1.9%. The main reasons for this are contained in section 7 below.

Table 1 – Housing Capital Programme 2023/24

Programme	Monitoring Budget £m	Actual Expenditure 31 Dec 2023 £m	Outturn 2023/24 £m	Projected (over)/ under Spend £m
New Build	2.403	1.794	2.762	(0.359)
Shared Equity	0.007	0.000	0.000	0.007
Conversions	0.667	0.287	0.515	0.152
Aids and Adaptations	1.353	0.966	1.363	(0.010)
Improvements	0.375	0.019	0.310	0.065
Energy Savings/Towards Zero Carbon	4.221	1.905	3.519	0.702
Sheltered Housing	0.475	0.406	0.475	0.000
Internal Upgrades	1.688	0.657	1.257	0.431
Miscellaneous/Balances	0.474	0.135	1.235	(0.761)
Total Programme	11.663	6.169	11.436	0.227

Note 1: The figures in the table above are shown after allowing for project specific funding streams to reflect the net capital spend figure being funded from HRA resources. The project specific funding streams are detailed at the bottom of the summary in Appendix 1.

7. COMMENTARY ON SIGNIFICANT CAPITAL BUDGET MONITORING ISSUES

- 7.1 Members are asked to note the following projects, either because there are aspects out of the ordinary, or they potentially carry more risk for achievement of budgeted spend in 2023/24 due to their stage of development, the involvement of other parties, or the expected outturn is + or - £0.100 million from the monitoring budget.
- 7.2 **New Build.** The increased spend on new build relates to a higher than anticipated spend on Open Market Acquisitions (OMA) during the year. OMAs offer a good opportunity for the Council to increase stock, particularly where there is a requirement for particular property types.
- 7.3 **Conversions.** The projected underspend on conversions for 2023/24 is due to programming and resource issues, this spend will be reprofiled and carried over into next year. Delays primarily relate to staffing and delivery problems with contractors, however, there have been some delays associated with resource issues within the Angus Council team. To mitigate this going forward, a new process for approving conversion projects has been established to ensure they are deliverable within the allocated financial year. This process has commenced and the conversion projects for financial year 2024/25 are already identified.
- 7.4 **Energy Saving/Towards Zero Carbon.** There is a projected underspend due to Energy Efficiency Standard for Social Housing (ESSH) projects being targeted towards more rural areas which results in a lower spend profile due to a lower stock density. There has also been some movement within individual projects in the Heating Decarbonisation Programme with the actual costs for PV and Battery installations to Sheltered Housing complexes proving to be lower than anticipated. The projected figures in the plan for 2023–2028 have been reprofiled based upon the actual spend over recent years. The outcome of the Scottish Government consultation on ESSH2 has yet to be released and this information is critically important to these works as it will inform the future programme of energy efficiency works required to social housing across Scotland.

7.5 **Internal Upgrades.** The apparent underspend here is primarily due to a delay in the acceptance of the tender for the current phase of the Bathroom Replacement Programme. This is not an underspend on the overall Programme as the budget will be rephased into future years.

7.6 **Miscellaneous.** An emerging requirement arose to replace obsolete light fittings for more energy efficient LED lighting within sheltered housing complexes. The installation of LED lighting will greatly improve energy performance and reduce maintenance and running costs. Additional expenditure was also required on smoke alarm upgrades to comply with statutory requirements.

8. 2023/24 CAPITAL RECEIPTS UPDATE

8.1 As at 31 December 2023 Capital Receipts amounted to £0.127 million.

8.2 As with previous practice, and subject to the ultimate year-end revenue outturn (section 10 refers), it is intended that these receipts will be retained on the Council's balance sheet at 31 March 2024 and applied in the funding of the HRA capital programme in 2024/25.

9. 2023/24 CAPITAL FUNDING UPDATE

9.1 At the time of setting the 2023/24 monitoring budget, estimated resources assumed to be available to finance the capital programme were as detailed in Table 2 below. These resources have been reviewed to reflect the 2023/24 latest projected capital expenditure levels.

9.2 Table 2 below therefore details: the original funding of the monitoring budget; projected funding movements; and the projected year end funding position.

Table 2 - Capital Funding 2023/24

2023/24 Capital Budget	Revised Monitoring Budget £m	Projected Funding Movement £m	Projected Year End Funding £m
Funding Sources:			
- Prudential Borrowing	6.119	(0.227)	5.892
- Capital Receipts	0.234	0.000	0.234
- Capital Financed from Current Revenue (CFCR)	4.284	0.000	4.284
- Transfer from Earmarked Reserves	1.026	0.000	1.026
Total Funding Sources	11.663	(0.227)	11.436

Note 1: The projected year end transfer of £1.026 million from earmarked reserves comprises £0.800 million from HRA balances and £0.226 million from the Affordable Housing Revenue Account (AHRA).

9.3 As part of the 2024/25 rent setting process, officers have also reviewed the Capital Plan and potential future capital projects to determine the most appropriate profile for the use of 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.

10. 2023/24 REVENUE BUDGET PERFORMANCE

10.1 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 2023, 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 3 that for the 9-month period to 31 December 2023 the HRA is currently indicating a surplus of £10.546 million. This however reflects the position that several significant costs and recharges are only made as part of the year-end accounts process. Such costs include, financing charges (including CFR), bad debt provision, central support recharges, other internal recharges such as ACCESS service and business support.

- 10.2 Based on information available at this time it is projected that by the end of the 2023/24 financial year, the HRA will generate a surplus of £0.950 million.
- 10.3 Should a net surplus ultimately arise within the HRA Revenue Account, this will be set aside within the HRA balances, initially as a contingency against storm Babet recovery costs, including the HRA's share of the £1 million insurance excess once that is determined. Any ultimately unused contingency will be carried forward and used to reduce the 2024/25 capital borrowing requirement, which will allow the HRA Capital Plan additional flexibility in future years.
- 10.4 It can be seen from Table 3 that there are projected over and underspends within various budget heads of the HRA. The main reasons for these projected over and underspends are highlighted in Section 11 of this report.

Table 3 – HRA Revenue Monitoring

	Monitoring Budget £m	Actual to 31/12/23 £m	Budget Spent %	Projected Outturn £m	(Over) / Under Spend £m
<u>EXPENDITURE</u>					
Financing Charges	8.249	0.000	0.0	7.912	0.337
Supervision & Management	9.421	3.986	42.3	9.427	(0.006)
Repairs & Maintenance	11.702	6.440	55.0	11.702	0.000
Loss of Rents	2.550	1.014	39.8	2.143	0.407
Other Expenditure	0.624	0.045	7.2	0.632	(0.008)
GROSS EXPENDITURE	32.546	11.485	35.3	31.816	0.730
<u>INCOME</u>					
Rents & Service Charges	32.397	22.019	68.0	32.546	0.149
Other Income	0.149	0.012	8.1	0.220	0.071
GROSS INCOME	32.546	22.031	67.7	32.766	0.220
NET SURPLUS / EXPENDITURE	0.000	10.546	n/a	0.950	0.950

Appendix 2 gives further detail on the 2023/24 position on the Housing revenue budget.

11. COMMENTARY ON SIGNIFICANT REVENUE BUDGET MONITORING ISSUES

- 11.1 The overall projected outturn includes several year-end recharges that are projected as on-budget. These include elements highlighted at 10.1 above, which could move in either a favourable or unfavourable direction once the year-end process is undertaken. These are elements of the HRA budget that it is intended to review during 2024/25 to ensure that they are services which remain relevant to the HRA and provide Value for Money to the HRA.
- 11.2 The commentary provided below is on an exception basis. Where there is no narrative, there are no significant issues to report.
- 11.3 **Financing Charges.** Financing charges are anticipated to be less than budgeted by £0.377 million. The underspend is mainly due to the amount of new borrowing in 2022/23 being lower than anticipated having the positive impact of lower financing charges.
- 11.4 **Loss of Rents.** This is a service priority area and early indications show this to be an improving picture. However, properties were intentionally held vacant in the early stage of the storm Babet response while assessments of housing need were carried out. This may reduce the impact of performance improvements.
- 11.5 **Rents and Service Charges.** Income is likely to be higher than initially forecast by £0.149 million due to additional properties coming on stream in the current year.

12. FINANCIAL IMPLICATIONS

- 12.1 The financial implications for the Council detailed in the body of the report and in the accompanying appendices, are summarised in Table 4 below.
- 12.2 There are several known commitments for which HRA balances will be utilised in financial year 2023/24 and beyond, and these are also detailed in Table 4. Members should note that Scottish Government targets and priorities can change over time, but the commitments and planned expenditure contained within the Housing Capital Plan are thought sufficient to meet Housing needs at this time.

Table 4 - HRA Balances

	Monitoring Budget £m	Projected Outturn £m
Audited Housing Balance as at 01/04/23	4.186	4.186
Less: Minimum Balance Requirement	(1.000)	(1.000)
Audited Available Housing Balance as at 01/04/23	3.186	3.186
Add: Projected in year surplus	0.000	0.950
Less: Projected capital funding drawdown (per paragraph 8.3)	(0.800)	(0.800)
Anticipated Housing Revenue Account Balance as at 31/03/2024	2.386	3.336
<u>Known / Potential Commitments:</u>		
SHQS/New Build Housing (Future Years)	(2.386)	(2.386)
Storm Babet contingency (see 9.2 above)	(0.000)	(0.950)
Total Known / Potential Commitments	(2.386)	(3.336)

13. ENVIRONMENTAL IMPLICATIONS

- 13.1 Environmental considerations play an important role in the investment in housing stock undertaken by the HRA. This includes improving energy efficiency to meet zero carbon emission targets, as well as considering the overall environmental impact of building new homes.
- 13.2 Whilst there are a number of funds available to assist individuals in managing escalating energy costs, the energy crisis continues to impact social housing tenants in less energy efficient homes. These homes are also more detrimental to the environment and the ability of the Council to meet zero carbon targets. By prioritising our improvements to the poorest performing housing stock, our investment in energy efficiency measures plays a significant role in mitigating poverty, cost of living increases and the environmental impact of our housing.
- 13.3 An ongoing programme of conversions is underway, typically these deliver larger properties with multiple bedrooms by combining two properties into one. These help to satisfy an increasing demand for such homes from tenants. These benefit from 35 percent funding from the Scottish Government and create opportunities to provide upgraded homes which benefit from energy efficiency works including wall, roof and floor insulation upgrades as well as new triple-glazed windows and doors. Photovoltaic panels with battery and Air-Source Heat Pumps can also be included where appropriate.
- 13.4 It is also generally accepted that converting and retrofitting property has a lower carbon footprint than building new. While we remain committed to increasing the supply of good quality affordable housing, we are looking at how we achieve this in the most sustainable and environmentally friendly way possible.

14. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

14.1 A screening assessment has been undertaken and a full Equality Impact Assessment is not required for the following reasons:

- It does not impact on people.
- It is reflective.

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