

EAST RENFREWSHIRE COUNCILCABINET29 September 2016Report by the Chief Financial Officer and Director of EnvironmentHOUSING CAPITAL PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to monitor expenditure as at 6 September 2016 against the approved Capital Programme for 2016/17 and to recommend adjustments where necessary.

RECOMMENDATIONS

2. The Cabinet is asked to:-

- (a) homologate the decision to purchase an additional property under the mortgage to rent arrangements;
- (b) approve the drawdown of £31,000 from commuted sums (2nd homes council tax discount) to assist with the purchase of the additional property;
- (c) approve an expenditure increase of £300,000 to External Structural Works;
- (d) approve the expenditure transfer of £100,000 from Rewiring to External Structural Works; and
- (e) note the shortfall of £26,000 and that this will be managed and reported on a regular basis.

CURRENT POSITION

3.	Total anticipated expenditure (Appendix A)	£ 5,460,000
	Total anticipated resources (Appendix B)	<u>5,434,000</u>
	Shortfall	<u>26,000</u>

INCOME MOVEMENTS

4. Scottish Government grant income of £34,000 and a drawdown of £31,000 from commuted sums (2nd homes council tax discount) have been added to the programme to fund the purchase of a property under the mortgage to rent arrangements (see para. 6i).

5. Estimated capital receipts from right-to-buy sales have been increased by £310,000 above the level reported to Council on 15 June 2016. This increase is based on actual receipts, missives concluded and offers issued to tenants to date. Progress on right-to-buy applications is discussed further within paragraph 7 of this report.

EXPENDITURE MOVEMENTS

6. Expenditure has increased by £365,000 above the level approved by Council on 15 June 2016. The main expenditure movements are:-

Purchase of Property (Mortgage to Rent Acquisition) - £65,000 Increase

- i. The mortgage to rent scheme is a means by which the Council can assist homeowners who are experiencing financial difficulties and who are likely to become homeless. It provides the Council with the opportunity to purchase the property and charge rent to the existing occupiers. This specific property was part of a terrace of four with the other three properties being owned by the Council.

Section 10 of the Financial Regulations allows for approval to be sought from two members of the Cabinet where changes in capital plans are required in cases of urgency. Councillors Devlin and Fletcher were approached and approved this amendment subject to it being reported to Cabinet.

The cost of the acquisition is partially off-set by a grant of £34,000 from the Scottish Government. It is recommended that the balance of £31,000 is funded from the drawdown of commuted sums acquired in previous years through the "council tax discount on second homes" scheme and with the specific purpose of supporting affordable housing.

External Structural Works - £300,000 Increase

- ii. The urgent works at Gilmour Street and Strathaven Road (Montgomery Court sheltered housing complex) with associated costs estimated at £296,000 were reported to Cabinet on 1 September 2016. The report outlined that addressing this urgent issue may result in certain works within the original programme being deferred until the next financial year. The original work remains a high priority and management are keen to avoid further "short-term fix" or temporary repairs. In light of the increased level of capital receipts it is therefore recommended that the provision for external structural works is increased by £300,000 to allow both the additional urgent and originally planned works to progress this financial year.

Transfer £100,000 from Rewiring to External Structural Works

- iii. Results from electrical testing have shown there are fewer houses needing rewired than originally estimated during the budget setting process. As outlined above external structural work is a high priority and costly reactive repair costs could be avoided by accelerating the structural improvements works. It is therefore recommended that the saving of £100,000 on rewiring is transferred to the external structural work project.

COMMENT

7. As outlined in paragraph 5 the estimated receipts from right-to-buy sales have increased by £310,000. The closing date for applications under the right-to-buy scheme was 31 July 2016. The Council received a substantial increase in applications leading up to this date and there are approximately eighty applications still in progress. While the exact monetary value is not certain, these applications will undoubtedly result in a further significant increase in level of capital receipts. Management have assessed the impact on the HRA business model and consider it prudent to reduce the level of borrowing in line with any further increases in capital receipts. The level of capital receipts and the impact on the HRA business model, including the reduced rental income, will continue to be monitored closely.

8. The projected shortfall of £26,000 represents 0.5% of the resources available and is within manageable limits.

RECOMMENDATIONS

9. The Cabinet is asked to:-
- (a) homologate the decision to purchase an additional property under the mortgage to rent arrangements;
 - (b) approve the drawdown of £31,000 from commuted sums (2nd homes council tax discount) to assist with the purchase of the additional property;
 - (c) approve an expenditure increase of £300,000 to External Structural Works;
 - (d) approve the transfer of £100,000 from Rewiring to External Structural Works; and
 - (e) note the shortfall of £26,000 and that this will be managed and reported on a regular basis.

KEY WORDS

A report monitoring capital income and expenditure for Housing during 2016/17.

Key words: Housing, capital, monitoring, borrowing, expenditure.

Further information is available from Paul Parsons, Principal Accountant – Capital, telephone 0141 577 3123.

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20 October, 2016

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HOUSING CAPITAL PROGRAMME

PROGRESS REPORT

2016/2017

COST CODE	PROJECT NAME	LEG COMM	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
			CURRENT YEAR APPROVED 15.06.16	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR		SPENT PRIOR TO 31.03.16	PREVIOUS TOTAL COST	REVISED TOTAL COST
9487	Rewiring (including smoke/carbon monoxide detectors)	Y	422	322	78	Work in progress - £100k transferred to External Structural Works	900	1,322	1,222
9530	External Structural Works	Y	2,424	2,824	335	Work in progress - £100k transferred from Rewiring. Further increase of £300k funded fom increased capital receipts	4,923	7,347	7,747
9486	Estate Works	Y	110	110	11	Work in progress	0	110	110
9483	Energy Efficiency (Including Cavity Wall Insulation)	Y	125	125	0	Work programmed	0	125	125
9447	Aids and Adaptations	Y	274	274	45	Ongoing	0	274	274
9227	Renewal of Heating Systems	Y	643	643	119	Work in progress	1,541	2,184	2,184
9447	Internal Element Renewals (including kitchens, bathrooms and doors)	Y	688	688	55	Work in progress	0	688	688
9480	Communal Door Entry Systems	Y	67	67	0	Work in progress	38	105	105
	Sheltered Housing		235	235	0	Work to be programmed	0	235	235
9491	Mobile/Agile Working	Y	22	22	0	Work in progress	142	164	164
9495	Divernia Way - CPO & Restoration Works		65	65	4	Ongoing	0	65	65
	Purchase of Property (Mortgage to Rent Acquisition)		0	65	0	Funded by £34,000 grant and £31,000 commuted sums	0	0	65
	Retentions		20	20	0		0	20	20
			5,095	5,460	647		7,544	12,639	13,004

EAST RENFREWSHIRE COUNCIL
HOUSING CAPITAL PROGRAMME 2016/17

Appendix B
6 September 2016

PROGRESS REPORT

RESOURCES

	£'000
Borrowing	4,042
Receipts From Sale of Council Houses	800
Commuted Sums - Divernia Way CPO	65
Commuted Sums - 2nd Homes Council Tax Discount (Mortgage to Rent Acquisition)	31
Grant (Mortgage to Rent Acquisition)	34
Recharges to Owner Occupiers	462
Total	5,434