

23RD JANUARY 2020

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING SERVICES AND COMMUNITIES

VIREMENT OF HOUSING REVENUE ACCOUNT CAPITAL BUDGETS

EXEMPT INFORMATION

Non Exempt

PURPOSE

This report seeks approval to vire budgets within the Housing Revenue Account capital programme to allow identified underspends to be used to acquire additional properties under the Housing Acquisitions Programme.

RECOMMENDATIONS

It is recommended that Cabinet Members approve the following budget virement:

- Reduction of the of the following budgets totalling £1,500,000:-
 - a) Other Regeneration [CR7003] £900,000
 - b) Structural [CR2001] £100,000
 - c) Heating [CR2003] £150,000
 - d) Neighbourhood Regeneration [CR2007] £250,000
 - e) Rewiring [CR2009] £100,000
- Increase the Housing Acquisitions Budget [CR7004] by £1,500,000 from the underspends identified above.

EXECUTIVE SUMMARY

There are currently a number of forecast underspends within the Housing Revenue Account capital budgets. It is anticipated that these budgets will remain unspent and uncommitted at year-end and as such would be returned to balances. The forecast underspends are listed below:-

Other Regeneration [CR7003]	£900,000	No regeneration schemes have been identified in the current financial year to expend this budget
Structural [CR2001]	£100,000	The structural budget is spent on an ad-hoc basis in response to issues raised through

		repairs. It is anticipated that the full budget will not be needed in the current financial year.
Heating [CR2003]	£150,000	Budget was carried forward from 2018/19 in anticipation of a claim of increased costs by Wates. This claim has not been agreed and as such the additional budget is not needed.
Neighbourhood Regeneration [CR2007]	£250,000	Insufficient works have been identified in the 2019/20 financial year to take up full spend against this budget.
Rewiring [CR2009]	£100,000	It was anticipated that the ongoing programme of electrical inspections would result in an increased number of rewires being needed. This has proven not to be the case and as such there will be an underspend against this budget.

The budget identified for the acquisition of property for rent is currently close to being fully committed with a number of completions due before year-end. However should any of these purchases be delayed then the costs cannot be counted towards the 1-4-1 spending target for 2019/20.

The Council needs to ensure that it spends a further £778,775.78 on acquiring or building properties by 31st March 2020 in order to avoid having to repay its retained 1-4-1 Right To Buy Receipts. Failure to spend this money will result in the repayment of £233,632.73.

By viring underspends into the acquisitions budget the Council should be able to avoid the need to repay of 1-4-1 monies to MHCLG by giving itself more options to meet the spend target required. Any spend over the target amount for 2019/20 will be used to offset spending targets in 2020/21..

OPTIONS CONSIDERED

Options considered were:-

Return underspends to balances and create new capital bids for 2020/21 – this option has been rejected on the basis that there needs to be spend within the current financial year if we are to limit the repayment of 1-4-1 monies.

Virement in year – this option allows forecast underspends to be used in the most

cost effective manner. Stock will be increased and the amount of 1-4-1 monies that will need to be repaid will be limited so far as is possible.

RESOURCE IMPLICATIONS

Underspends across a number of budgets have already been identified. These will have no detrimental impact on the associated capital programmes and at year-end would have been returned to balances. These programmes have been forecasting underspends for several reporting cycles.

The more property we can acquire and complete on within the current financial year the less 1-4-1 monies will need to be repaid. At present if no further properties are acquired the level of repayment could be £233,632.73.

A financial appraisal is carried out for each property the Council seeks to acquire and properties will only be considered for acquisition if the rental income exceeds the required investment over a 50-year period.

No additional staffing resources are required to deliver the acquisitions and once properties are added back into the stock there will be limited impact on Revenue budgets as they will replace stock sold in-year through the RTB process.

LEGAL/RISK IMPLICATIONS BACKGROUND

Failure to acquire additional properties will result in the repayment of 1-4-1 monies. Additional properties can only be acquired if budget is made available.

A key risk is that there will be insufficient suitable properties available on the market to acquire resulting in an underspend at year-end along with the associated repayment of 1-4-1 monies.

As the properties being acquired are for the most part occupied by the current owners there will often be a chain which means the Council is not in control of the sale timetable. It is possible that some properties where purchase has been agreed will not complete within the current financial year. In this instance we will be required to continue with the purchase but would still have to repay some of the 1-4-1 monies.

EQUALITIES IMPLICATIONS

No specific equalities implications have been identified as a result of these proposals

SUSTAINABILITY IMPLICATIONS

Making use of Housing Revenue Capital and 1-4-1 Right To Buy Receipts goes some way to replenishing the housing stock being sold under the Right To Buy process.

A financial model is completed for each proposed acquisition to ensure that it at least breaks-even financially over a 50 year period.

BACKGROUND INFORMATION

When the Council sells a property under the Right To Buy scheme it is allowed to keep the proceeds which can be used as a contribution towards the cost of acquiring

or building new properties to replenish the housing stock, these are referred to as the 1-4-1 monies. Only 30% of the 1-4-1 monies can be used to acquire or develop new stock, the remaining 70% must be found from the Councils Housing Revenue Account.

Failure to spend the retained 1-4-1 monies within three years will result in a repayment of the 1-4-1 monies with interest applied.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

APPENDICES