

Agenda Item	<b>6</b>
Report No	<b>HP/04/21</b>

## HIGHLAND COUNCIL

**Committee:** Housing and Property Committee

**Date:** 11th March 2021

**Report Title:** Housing Revenue Account (HRA) Capital Monitoring Report to 31st December 2020

**Report By:** Executive Chief Officer Housing and Property

### **1 Purpose/Executive Summary**

- 1.1 This report provides the monitoring position for the Housing Revenue Account Capital Programme for the period from 1st April 2020 to 31st December 2020. It details expenditure to date against both the mainstream HRA Capital Programme and the Council house building programme.

### **2 Recommendations**

- 2.1 Members are invited to:-
- (i) Approve the budget position on the Housing Revenue Account Capital Programme Monitoring Report
  - (ii) Note that any slippage in the current year's programme will be carried forward to the 2021/22 programme.

### **3 Implications**

- 3.1 **Resource** – There are no implications arising from this report.
- 3.2 **Legal** – There are no implications arising from this report.
- 3.3 **Community (Equality, Poverty and Rural)** - This report details continuing investment in adaptations to allow disabled tenants to remain in their homes.

- 3.4 **Climate Change/Carbon Clever** - Continuing investment in heating and energy efficiency in council housing will help meet council objectives in relation to fuel poverty and climate change.
- 3.5 **Risk** - Implications to the budget position, and budget assumptions, will be kept under review and reported to future Committee.
- 3.6 **Gaelic** - There are no Gaelic implications arising from this report.

## **4 Background**

- 4.1 The mainstream HRA Capital Programme is based on the HRA Capital Plan, through which resources are allocated at area level and local projects approved at an Area Committee level.
- 4.2 The new Council house build programme was approved at the Environment, Development & Infrastructure Committee on 7th November 2019 as part of the Council's Strategic Housing Investment Programme 2020-2025.

## **5 Progress Against the Mainstream HRA 2020-21 Programme**

- 5.1 Progress against the mainstream HRA programme continues to be impacted by the Covid-19 restrictions that has currently suspended all capital works in Council housing. More detail on the impact of the pandemic is contained in section 6 of this report below.
- 5.2 Where requested, reports will be submitted to Area Committees detailing progress against local projects including information on anticipated project completion dates.
- 5.3 Expenditure to date and anticipated outturn are detailed at **Appendix 1** of this report. At present £12.117m of slippage is anticipated on the programme, largely as a result of the coronavirus pandemic.
- 5.4 The Council remains committed to carrying out the agreed programme when government guidelines permit. As such, the slippage identified at 5.3 in this report will be carried forward to enable funding for these works as part of an extended 2021/22 programme.

## **6 Impact of the CoVID-19 Pandemic on the Mainstream HRA 2020-21 Programme**

- 6.1 All capital works were stopped on site during the national lockdown period in Spring and early Summer 2020. From 20 July 2020, capital works re-started on several projects. This focused initially on external works and completing outstanding works rather than initiating new works. As of 31 August, all capital projects re-started on site and it was anticipated that all projects which had been on-site before the pandemic would be completed this financial year.
- 6.2 The current national lockdown period has meant that capital works were again suspended in January 2021 and works will not take place on site until the restrictions are eased nationally. The only capital works which are currently taking place relate to health and safety issues. For example, heating is being replaced in cases where there has been a complete boiler breakdown and we are also carrying out medical

adaptations where Occupational Health has identified it as essential to the tenant's immediate wellbeing.

- 6.3 Prior to the pandemic, officers were estimating that the 2020-21 programme would be delivered on time and within budget. This was largely based on progress made in organising projects ahead of schedule as part of the approved 2-year programme 2019-21.
- 6.4 As indicated at 5.3, the slippage on the mainstream HRA capital programme is estimated at £12.117m of which approximately £11m is related to projects delayed by the pandemic. It is estimated that the majority of these projects will be delivered by early 2022 but this is dependent on the current lockdown restrictions being lifted in April 2021.
- 6.5 Information is still being considered, but the early indications are that there will be no additional costs anticipated for the current programme as a result of the pandemic where contractors have had to reschedule works.

## **7 Progress Against the new Council House Build Programme 2020-21**

- 7.1 The new build Council house building programme was suspended on site for over 3 months during the first pandemic lockdown. Following discussion with the Scottish Government, it was agreed that house building could continue on site during the current lockdown period. This is on condition that the contractors employ enhanced site safety measures to minimise the spread of Covid-19.
- 7.2 It is anticipated that the programme will deliver a minimum of 106 new completions within the current financial year plus 38 one-off individual purchases. As a result of increasing the number of individual house purchases, estimated spend will be £2.904m over the budget for this element of the programme. The estimated variance on the overall new build programme this year is £5.504m.
- 7.3 A Strategic Housing Investment Programme for 2021-26 was approved on 4 November 2020 by the Economy & Infrastructure Committee. It has been prepared on the basis that it will be possible to approve at least 500 units each year, of which 70% will be for affordable rent and 30% for intermediate affordable housing (e.g. low-cost home ownership or mid-market rent), in line with overall Scottish Government targets. As approved at the Economy & Infrastructure Committee reports have been, or will be, taken to Area Committees for consultation with local Members.

## **8 2021/22 Mainstream HRA Capital Programme**

- 8.1 A 2021/22 HRA Capital Programme for housing stock improvements of £15.667m was approved by this Committee on 13th August 2020. This includes a £1m Capital budget for fire safety measures approved by the Committee on 10th December 2020.
- 8.2 The 2021/22 area programmes have been discussed with local Members and have been submitted to Area Committees for approval.
- 8.3 The Project Management team has commenced initiation works on a number of 2021/22 projects although this has been confined largely to design specifications and pre-tender administration.

- 8.4 As indicated at section 6 of this report, the pandemic has resulted in most of the current year projects slipping into 2021/22. Officers are currently assessing what the long-term impact of this may be. As indicated at December Committee, works are likely to take longer to be delivered on site as a result of the additional safety measures in place.
- 8.5 Most contractors have yet to identify the long-term impact on their capacity to deliver capital works. While there are some supply chain issues with materials, it is unclear if these will continue into 2021/22 as the pandemic eases. There are indications nationally that contractors are increasing tender costs but this as yet to impact on Highland, partly as the vast majority of this year's programme was tendered prior to the pandemic.
- 8.6 Ongoing discussion is taking place between officers and contractors to ensure that contractors are able to deliver works and they will be supported where possible. Similarly, contractors have been requested to update the Council on any impact of Brexit which again does not seem to have had any impact to date on capital works in Highland. Any delays to projects as a result of these factors, and the mitigating actions to be taken to minimise delays, will be reported to Committee.

Designation: Executive Chief Officer Housing and Property

Date: 10 February 2021

Authors: Brian Cameron, Housing Policy & Investment Manager  
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## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2020 TO 31ST DECEMBER 2020

## SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Actual Net Year to Date	Revised Net Budget	Year End Estimated Net Outturn	Year End Net Variance	(Slippage)/Acceleration Net	Anticipated Year End (Under)/Over	COMMENTS
	£000	£000	£000	£000	£000	£000	
<b>Capital Programme 2019/21</b>							
Equipment and Adaptations	312	1,000	479	(521)	(521)		
Major Component Replacement	512	1,776	822	(954)	(954)		
Heating/Energy Efficiency	1,504	5,346	2,227	(3,119)	(3,326)	207	
External Fabric (Major Component Replacement)	1,937	8,929	2,732	(6,197)	(6,312)	115	
External Fabric (Environmental Improvements)	234	1,465	861	(604)	(599)	(5)	
Healthy, Safe and Secure	132	654	190	(464)	(464)		
Retentions	55		59	59	59		
<b>Total 2019/21 Programme</b>	<b>4,686</b>	<b>19,170</b>	<b>7,370</b>	<b>(11,800)</b>	<b>(12,117)</b>	<b>317</b>	
Insurance Works	76			0	0		
<b>Total 2019/21 Programme</b>	<b>4,762</b>	<b>19,170</b>	<b>7,370</b>	<b>(11,800)</b>	<b>(12,117)</b>	<b>317</b>	
<b>Council House Building Capital Programme</b>							
New Council House Buildings	21,245	39,766	34,261	(5,505)	(5,881)	376	
Individual House Purchases	3,724	1,300	4,200	2,900	2,900		
One-Bed Accommodation		0		0	0		
<b>Total Council Building Programme</b>	<b>24,969</b>	<b>41,066</b>	<b>38,461</b>	<b>(2,605)</b>	<b>(2,981)</b>	<b>376</b>	
<b>OVERALL TOTAL</b>	<b>29,731</b>	<b>60,236</b>	<b>45,831</b>	<b>(14,405)</b>	<b>(15,098)</b>	<b>693</b>	

Funding	Actual Net Year to Date	Revised Net Budget	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
<b>Investment Programme</b>				
Useable Capital Receipts	25	64	89	25
RHI Income	233		260	260
Sale of LIFT Properties				0
Government Grant	9,213	20,017	17,000	(3,017)
Landbank	1,316	3,180	1,736	(1,444)
Borrowing	18,944	36,149	25,920	(10,229)
Capital from Current Revenue		826	826	0
<b>GROSS FUNDING</b>	<b>29,731</b>	<b>60,236</b>	<b>45,831</b>	<b>(14,405)</b>