

Agenda Item	6.
Report No	HP/07/22

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 31 August 2022

Report Title: Housing Revenue Account (HRA) Capital Monitoring: Outturn Report for 2021/22 and Q1 Monitoring Report to 30 June 2022

Report By: Executive Chief Officer Housing and Property

1 Purpose/Executive Summary

- 1.1 This report provides the Outturn Monitoring Statement for the Housing Revenue Account Capital Programme for the 2021/22 financial year. It also provides the monitoring position for the period from 1 April 2022 to 30 June 2022. Both reports provide details of 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) **NOTE** the final outturn figures for the Housing Revenue Account Capital Programme 2021/22.
- (ii) **APPROVE** the budget position on the Housing Revenue Account Capital Programme 2022/2023 for the period to 30 June 2022.

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 Committee on 30 September 2021 as part of the Council's Strategic Housing Investment Programme 2022-2027. An updated Investment Programme will be presented to November Committee.

5 **Final Outturn Monitoring Statement for 2021/22**

5.1 **Appendix 1** details the final outturn figures for the HRA Capital Programme 2021/22. It reports a final outturn figure of £62.840m against a budget of £78.128m. This represents slippage of £17.737m against the total programme, of which £13.777m is slippage against the mainstream programme. Details of this slippage are explained at section 6 of this report.

6 **Progress Against the Mainstream HRA Programme 2022/23 to 30 June 2022**

6.1 Progress against the mainstream HRA programme continues to be affected by the long-term impact of the Covid-19 restrictions that suspended all capital works in Council housing until the lifting of restrictions in April 2021.

6.2 Where requested, reports will be submitted to Area Committees detailing progress against local projects including information on anticipated project completion dates.

6.3 Expenditure to date and anticipated outturn are detailed at **Appendix 2** of this report. At present there is anticipated underspend of £4.103m on current year projects. It should be noted that the current year's mainstream programme of £21.476m includes the £13.777m of slippage carried forward from 2021/22.

6.4 The construction industry at both a Highland and at a national level continues to experience labour and materials shortages. These issues are causing longer lead-in times, higher prices, and price volatility. The unprecedented uncertainty regarding materials, coupled with ongoing resourcing issues, has been demonstrated by no tender returns for some projects and higher than budgeted prices on returned tenders.

6.5 Industry experts predict little improvement until at least the beginning of 2023 with further market and construction industry uncertainty exacerbated by the conflict in the Ukraine and the ongoing energy crisis.

6.6 The above issues are likely to result in ongoing delays. The Council remains committed to carrying out the agreed programme and contractual discussions are ongoing to accelerate works where possible. In particular, efforts are being made to prioritise certain works such as heating replacements and adaptations and to minimise delays.

6.7 Members will be aware of the updated fire detection legislation approved by the Scottish Government. All Council houses are partially-compliant with the new legislation and there remain approximately 300 houses which are not fully compliant as at the date of this report. These houses are scheduled for completion between now and the end of October. There have been delays nationally in materials relating to this work which has prevented full compliance. Non-access (particularly as a result of Covid-19) also remains an issue

and unfortunately officers have had to arrange forced access to ensure the required works are completed on a number of properties.

7 Progress Against the New Council House Build Programme 2022/23 to 30 June 2022

- 7.1 The new build Council House building programme was suspended on site for over 3 months during the first lockdown. However, house building was allowed to continue on site during the 2021 lockdown on condition that contractors employ enhanced site safety measures to minimise the spread of Covid-19.
- 7.2 The new build programme has still been affected by Covid challenges. Outbreaks amongst construction workers have caused delays on site as the requirement for self-isolation has still been enforced. This is alongside supply chain issues with increasing lead in time for materials. The Council has shown flexibility in considering changes to materials specified where the replacement will not be detrimental to quality but can be secured more quickly to support the earlier delivery of contracts
- 7.3 It is anticipated that the programme will deliver a minimum of 452 new completions within the current financial year plus 32 one-off individual purchases. Full spend against budget is currently projected against the new build programme.
- 7.4 Of the above total, an estimated 274 new Council house builds are anticipated to be completed by 31 March 2023. These are part-funded through Housing Revenue Account borrowing.

8 Future Mainstream HRA Capital Programme

- 8.1 Analysis is continuing as to proposals for a 5-year HRA Capital Programme. This includes an assessment of local investment requirements to ensure that our stock continues to meet the Scottish Housing Quality Standard.
- 8.2 The proposals will also include analysis of how Council housing can meet the requirements of the extended Energy Efficiency Standards for Social Housing (EESH2). The Scottish Government has committed to a review of EESH2 in response to national concerns as to the affordability and deliverability of energy works during a time of increasing market and construction and energy industry uncertainty. Recommendations on our approach to improving the energy efficiency of our stock will be submitted to future Committee and will link with corporate discussions as to how to move closer towards targets for net zero emissions across the Council.
- 8.3 Proposed HRA Capital Plan Programme Resources will be submitted to a future Committee along with details of how the investment works will be financed. Further discussion will be scheduled with Members to discuss local priorities and to identify a timescale for future approval of individual area projects.

Designation: Executive Chief Officer Housing and Property

Date: 8 August 2022

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Appendix 1

	Actual	Revised	Year End	Year End	(Slippage)/	
	Net	Net	Net	Net	Acceleration	Year End
Project Description	Year to Date	Budget	Outturn	Variance	Net	(Under)/Over
	£000	£000	£000	£000	£000	£000
Capital Programme 2021/22						
Equipment and Adaptations	903	1,552	903	(649)	(649)	
Major Component Replacement	2,702	3,333	2,702	(631)	(672)	41
Heating/Energy Efficiency	6,780	12,330	6,780	(5,550)	(5,651)	100
External Fabric (Major Component Replacement)	4,963	8,833	4,963	(3,870)	(5,003)	1,133
External Fabric (Environmental Improvements)	595	1,909	595	(1,314)	(1,320)	7
Healthy, Safe and Secure	1,899	1,761	1,899	138	(482)	620
Retentions	18		18	18		18
Total 2021/22 Programme	17,860	29,718	17,860	(11,858)	(13,777)	1,919
Insurance Works	77		77	77		77
Total 2021/22 Programme	17,937	29,718	17,937	(11,781)	(13,777)	1,996
Council House Building Capital Programme						
New Council House Buildings	40,895	45,700	40,895	(4,805)	(5,258)	453
Individual House Purchases	4,008	2,710	4,008	1,298	1,298	
Total Council Building Programme	44,903	48,410	44,903	(3,507)	(3,960)	453
OVERALL TOTAL	62,840	78,128	62,840	(15,288)	(17,737)	2,449

	Actual	Revised	Year End	Year End	
	Net	Net	Estimated Net	Net	
Funding	Year to Date	Budget	Outturn	Variance	
	£000	£000	£000	£000	
Investment Programme					
Useable Capital Receipts	133	0	133	133	
RHI Income	349	150	349	199	
Sale of LIFT Properties	2,356	540	2,356	1,816	
Government Grant	9,969	14,000	9,969	(4,031)	
Landbank	3,570	2,000	3,570	1,570	
Evergreen Infrastructure Loan Fund	728		728	728	
Contribution to Individual Property/VDLF	440		440	440	
Borrowing	45,295	61,438	45,295	(16,143)	
Capital from Current Revenue			0		
GROSS FUNDING	62,840	78,128	62,840	(15,288)	

Appendix 2

Project Description	Year to Date	Budget	Anticipated Year-end Outturn	Variance	Net
	£000	£000	£000	£000	£000
Capital Programme 2022/23					
Equipment and Adaptations	270	1,440	1,440	0	0
Major Component Replacement	713	1,878	1,678	(200)	(200)
Heating/Energy Efficiency	818	9,281	6,322	(2,959)	(2,959)
External Fabric (Major Component Replacement)	510	6,969	5,805	(1,164)	(1,164)
External Fabric (Environmental Improvements)	81	1,356	1,356	0	0
Healthy, Safe and Secure Retentions	101	552	772	220	220
				0	0
Total 2022/23 Programme	2,493	21,476	17,373	(4,103)	(4,103)
Council House Building Capital Programme					
New Council House Buildings	4,384	29,508	29,508	0	
Individual House Purchases	959	3,252	3,252	0	
Total Council Building Programme	5,343	32,760	32,760	0	0
OVERALL TOTAL	7,836	54,236	50,133	(4,103)	(4,103)

	Actual	Revised	Year End	Year End	
	Net	Net	Estimated Net	Net	
Funding	Year to Date	Budget	Outturn	Variance	
	£000	£000	£000	£000	
Investment Programme					
Useable Capital Receipts	6	0	6	6	
RHI Income	29	0	50	50	
Sale of LIFT Properties	0	0	0	0	
Government Grant	2,646	17,000	17,000	0	
Landbank	0	2,500	2,500	0	
Evergreen Infrastructure Loan Fund	0	1,413	1,413	0	
Contribution to Individual Property/VDLF	0		0	0	
Borrowing	5,155	33,323	29,164	(4,159)	
Capital from Current Revenue			0		
GROSS FUNDING	7,836	54,236	50,133	(4,103)	