

Agenda Item	5.
Report No	HP/15/22

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 17 November 2022

Report Title: Housing Revenue Account (HRA) Capital Monitoring: Q2 Monitoring Report to 30 September 2022

Report By: Executive Chief Officer Housing and Property

1 Purpose/Executive Summary

- 1.1 This report provides the monitoring position for the period from 1 April 2022 to 30 September 2022. The report provides 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: -
APPROVE the budget position on the Housing Revenue Account Capital Programme 2022/2023 for the period to 30 September 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.

5 Progress Against the Mainstream HRA Programme 2022/23 to 30 September 2022

- 5.1 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.
- 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 there is anticipated slippage of £3.857m on current year projects.
- 5.4 As reported to Council on 27 October 2022, the delivery of capital investment contracts is at risk because of a number of reasons. With particular regard to housing projects, 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.
- 5.5 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.
- 5.6 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 Progress Against the New Council House Build Programme 2022/23 to 30 September 2022

- 6.1 The new build programme continues to be impacted by similar challenges. This is particularly apparent for supply chain issues with increased lead-in time for material provision. 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.
- 6.2 The agreed development programme includes 483 new homes which will be progressed on site during the current financial year, plus 35 one-off individual purchases. £35.123m spend against the budget of £32.760m is currently projected against the new build programme, of which £1.903m is acceleration of works from future years.

6.3 Of the above programme, an estimated 277 new Council house builds are anticipated to be completed by 31 March 2023. These are part-funded through Housing Revenue Account borrowing with grant provided by The Scottish Government supplemented by a contribution from the Council Landbank Fund.

7 Future Mainstream HRA Capital Programme

7.1 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.

7.2 The proposals will also include analysis of how Council housing can meet the requirements of the extended Energy Efficiency Standard for Social Housing (EESHS2). The Scottish Government has committed to a review of EESHS2 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.

7.3 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: 27 October 2022

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MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2021 TO 31ST DECEMBER 2021

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Actual Net	Revised Net	Year End	Year End	(Slippage)/	Anticipated	COMMENTS
	Year to Date	Net Budget	Estimated Net	Net	Acceleration	Year End	
	£000	£000	Outturn	Variance	Net	(Under)/Over	
Capital Programme 2022/23							
Equipment and Adaptations	502	1,440	1,440	0	0		
Major Component Replacement	1,782	1,878	1,678	(200)	(200)		
Heating/Energy Efficiency	2,039	9,281	6,432	(2,849)	(2,849)		
External Fabric (Major Component Replacement)	2,005	6,859	5,805	(1,054)	(1,054)		
External Fabric (Environmental Improvements)	649	1,466	1,466	0	0		
Healthy, Safe and Secure	406	552	797	245	245		
Retentions	1		1	1	1		
Total 2022/23 Programme	7,384	21,476	17,619	(3,857)	(3,857)	0	
Insurance Works	1						
Total 2022/23 Programme	7,385	21,476	17,619	(3,857)	(3,857)	0	
Council House Building Capital Programme							
New Council House Buildings	12,649	29,508	30,573	1,065	605	460	
Individual House Purchases	3,112	3,252	4,550	1,298	1,298		
Total Council Building Programme	15,761	32,760	35,123	2,363	1,903	460	
OVERALL TOTAL	23,146	54,236	52,742	(1,494)	(1,954)	460	

Funding	Actual Net	Revised Net	Year End	Year End
	Year to Date	Net Budget	Estimated Net	Net
	£000	£000	Outturn	Variance
Investment Programme				
Useable Capital Receipts	8	0	8	8
RHI Income	36	0	50	50
Sale of LIFT Properties	0	0	0	0
Government Grant	4,189	17,000	16,000	(1,000)
Landbank	504	2,500	2,056	(444)
Evergreen Infrastructure Loan Fund	0	1,413	350	(1,063)
Contribution to Individual Property/VDLF	0		0	0
Borrowing	18,409	33,323	34,278	955
Capital from Current Revenue			0	
GROSS FUNDING	23,146	54,236	52,742	(1,494)