

Agenda Item	<b>6.</b>
Report No	<b>HP/13/23</b>

## HIGHLAND COUNCIL

**Committee:** Housing and Property Committee

**Date:** 10 August 2023

**Report Title:** Housing Revenue Account (HRA) Capital Monitoring: Outturn Report for 2022/23 and Q1 Monitoring Report to 30 June 2023

**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 2022/23 financial year. It also provides the monitoring position for the period from 1 April 2023 to 30 June 2023. The 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 2022/23.

(ii) **APPROVE** the budget position on the Housing Revenue Account Capital Programme 2023/2024 for the period to 30 June 2023.

### 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 Rural and Islands)** - 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 **Health and Safety** – Continuing investment in our stock will help meet statutory compliance with health and safety requirements.
- 3.7 **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 2022-2027, 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 27 April 2023 as part of the Council's Strategic Housing Investment Programme 2023-2028.

## **5 Final Outturn Monitoring Statement for 2022/23**

- 5.1 **Appendix 1** details the final outturn figures for the HRA Capital Programme 2022/23. It reports a final outturn figure of £57.979m against a budget of £54.236m.
- 5.2 On the mainstream programme for investment in existing housing stock, the final outturn was £17.368m against the budget of £21.476m. There was £6.801m slippage which relates largely to delays with delivering large energy efficiency and external fabric works.
- 5.3 More details of these ongoing challenges are provided at section 6 of this report. The funding for slippage works has been carried forward and is included in the monitoring report for 2023/24.
- 5.4 On the new build part of the programme, the final outturn was £40.611m against the budget of £32.760m. The difference was due to a substantial increase in opportunities to purchase existing properties as part of the one-off individual purchase scheme.
- 5.5 The one-off purchases have boosted the affordable housing supply in areas of Highland where the additional stock is most needed to meet extreme housing need. There is ongoing discussion with Finance as to the impact of the purchase scheme to ensure that the additional rental income achieved in due course will exceed the borrowing costs of purchasing and maintaining these properties within the overall Council house stock. Governance arrangements are in place to ensure that the individual purchases are within budget for 2023/24.
- 5.6 The agreed Council new build programme 2022/23 delivered 244 new homes and a further 73 homes were delivered through one-off individual purchases.

## **6 Progress Against the Mainstream HRA Programme 2023/24 to 30 June 2023**

- 6.1 Expenditure to date and anticipated outturn are detailed at **Appendix 2** of this report. At present there is anticipated underspend of £6.964m on current year projects. It should be noted that the current year's mainstream programme of £26.161m includes the £6.801m of slippage carried forward from 2022/23.

- 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 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.
- 6.4 Industry experts predict little improvement until at least the beginning of 2024 with further market and construction industry uncertainty exacerbated by the conflict in the Ukraine and the ongoing energy crisis.
- 6.5 The above issues are likely to result in ongoing challenges to deliver projects on time and within budget. The Council remains committed to carrying out the agreed programme and contractual discussions are ongoing to accelerate works where possible.

## **7 Progress Against the new Council House Build Programme 2023/24 to 30 June 2023**

- 7.1 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.
- 7.2 At present there is an anticipated year-end underspend on current year new build projects of £0.609m, which is slippage of works to future years.
- 7.3 The current programme seeks to deliver 179 new homes by 31 March 2024. A further 89 new homes are on site which will be completed in 2024/25. Additional projects which will deliver a further 125 homes in future years are also scheduled to start on site during 2023/24.

Designation: Executive Chief Officer Housing and Property

Date: 14 July 2023

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## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2022 TO 31ST MARCH 2023

Project Description	Revised	Actual	Year End	Year End	(Slippage)/	Anticipated
	Net	Net	Estimated	Net	Acceleration	Year End
	Budget	Year to Date	Net	Variance	Net	(Under)/Over
	£000	£000	£000	£000	£000	£000
<b>Capital Programme 2022/23</b>						
Equipment and Adaptations	1,440	1,117	1,117	(323)	(554)	231
Major Component Replacement	1,878	3,987	3,987	2,109	184	1,925
Heating/Energy Efficiency	9,281	5,700	5,700	(3,581)	(3,690)	109
External Fabric (Major Component Replacement)	6,859	4,959	4,959	(1,900)	(2,128)	228
External Fabric (Environmental Improvements)	1,466	898	898	(568)	(586)	18
Healthy, Safe and Secure	552	685	685	133	(27)	160
Retentions		1	1	1		1
<b>Total 2022/23 Programme</b>	<b>21,476</b>	<b>17,347</b>	<b>17,347</b>	<b>(4,129)</b>	<b>(6,801)</b>	<b>2,672</b>
Insurance Works		21	21	21		21
<b>Total 2022/23 Programme</b>	<b>21,476</b>	<b>17,368</b>	<b>17,368</b>	<b>(4,108)</b>	<b>(6,801)</b>	<b>2,693</b>
<b>Council House Building Programme</b>						
New Council House Buildings	29,508	29,404	29,404	(104)	(430)	326
Individual House Purchases	3,252	11,207	11,207	7,955	7,955	
<b>Total Council Building Programme</b>	<b>32,760</b>	<b>40,611</b>	<b>40,611</b>	<b>7,851</b>	<b>7,525</b>	<b>326</b>
<b>OVERALL TOTAL</b>	<b>54,236</b>	<b>57,979</b>	<b>57,979</b>	<b>3,743</b>	<b>724</b>	<b>3,019</b>

Funding	Revised	Actual	Year End	Year End
	Net Budget	Net Year to Date	Estimated Net Outturn	Net Variance
	£000	£000	£000	£000
<b>Investment Programme</b>				
Useable Capital Receipts	0	28	28	28
RHI Income	0	80	80	80
Sale of LIFT Properties	0	920	920	920
Government Grant	17,000	15,174	15,174	(1,826)
Landbank	2,500	2,053	2,053	(447)
Evergreen Infrastructure Loan Fund	1,413			(1,413)
Contribution to Individual Property/VDLF				0
Borrowing	33,324	39,724	39,724	6,400
<b>GROSS FUNDING</b>	<b>54,237</b>	<b>57,979</b>	<b>57,979</b>	<b>3,743</b>

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 30TH JUNE 2023						
Project Description	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance	(Slippage)/ Acceleration Net	Anticipated Year End (Under)/Over
	£000	£000	£000	£000	£000	£000
<b>Capital Programme 2023/24</b>						
Equipment and Adaptations	1,043	173	1,043	0		
Major Component Replacement	2,240	574	2,206	(34)	(34)	
Heating/Energy Efficiency	17,355	1,968	11,744	(5,611)	(5,611)	
External Fabric (Major Component Replacement)	1,308	138	1,308	0		
External Fabric (Environmental Improvements)	1,249	67	1,249	0		
Healthy, Safe and Secure	1,214	138	997	(217)	(217)	
Retentions/contingencies	1,752	0	650	(1,102)	(1,102)	
<b>Total 2023/24 Programme</b>	<b>26,161</b>	<b>3,058</b>	<b>19,197</b>	<b>(6,964)</b>	<b>(6,964)</b>	<b>0</b>
<b>Council House Building Capital Programme</b>						
New Council House Buildings	37,712	4,544	37,503	(209)	(209)	
Individual House Purchases	5,600	1,616	5,200	(400)	(400)	
<b>Total Council Building Programme</b>	<b>43,312</b>	<b>6,160</b>	<b>42,703</b>	<b>(609)</b>	<b>(609)</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>69,473</b>	<b>9,218</b>	<b>61,900</b>	<b>(7,573)</b>	<b>(7,573)</b>	<b>0</b>

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
<b>Investment Programme</b>				
Useable Capital Receipts				0
RHI Income		6	6	6
Sale of LIFT Properties				0
Government Grant	19,500	1,193	19,500	0
Landbank	2,400		2,400	0
Evergreen Infrastructure Loan Fund	500		500	0
Contribution to Individual Property/VDLF				0
Borrowing	47,073	8,019	39,494	(7,579)
<b>GROSS FUNDING</b>	<b>69,473</b>	<b>9,218</b>	<b>61,900</b>	<b>(7,573)</b>