

The Highland Council

Agenda Item	5
Report No	HP/20/23

Committee: Housing & Property Committee

Date: 9 November 2023

Report Title: Housing Revenue Account (HRA) Capital Monitoring: Quarter 2 Monitoring Report to 30 September 2023

Report By: Executive Chief Officer, Housing & Property

1. Purpose/Executive Summary

1.1 This report provides the monitoring position for the Housing Revenue Account Capital Programme for the period to 30 September 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 asked to:

- i. **APPROVE** the budget position on the Housing Revenue Account Capital Programme 2023/2024 for the period to 30 September 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 (risks arising from changes to plant, equipment, process, or people)** – 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. Progress Against the Mainstream HRA Programme 2023/24 to 30 September 2023

- 5.1 Expenditure to date and anticipated outturn are detailed at **Appendix 1** of this report. At present there is anticipated underspend of £6.648m 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.
- 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 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.
- 5.4 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.
- 5.5 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.

6. Progress Against the New Council House Build Programme 2023/24 to 30 September 2023

- 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 At present there is an anticipated year-end underspend on current year new build projects of £3.710m, which is slippage of works to future years.
- 6.3 The current programme seeks to deliver 175 new homes by 31 March 2024. A further 200 new homes are on site which will be completed in 2024/25. Additional projects which will deliver a further 118 homes in future years are also scheduled to start on site during 2023/24.

Designation: Executive Chief Officer, Housing & Property

Date: 10 October 2023

Author: Brian Cameron, Interim Head of Housing and Building Maintenance

Appendices: Appendix 1 – Monitoring of Capital Expenditure – 1 April 2023 to 30 September 2023

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 30TH SEPTEMBER 2023

SERVICE: HOUSING REVENUE ACCOUNT

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
Capital Programme 2023/24						
Equipment and Adaptations	1,043	552	955	(88)	(88)	
Major Component Replacement	2,240	1,407	2,689	449	449	
Heating/Energy Efficiency	17,355	4,928	12,494	(4,861)	(4,861)	
External Fabric (Major Component Replacement)	1,308	158	842	(466)	(476)	10
External Fabric (Environmental Improvements)	1,249	155	997	(252)	(252)	
Healthy, Safe and Secure	1,214	368	886	(328)	(328)	
Contingencies/Retentions	1,752	0	650	(1,102)	(1,102)	
Total 2023/24 Programme	26,161	7,568	19,513	(6,648)	(6,658)	10
Insurance Works				0		
Total 2023/24 Programme	26,161	7,568	19,513	(6,648)	(6,658)	10
Council House Building Capital Programme						
New Council House Buildings	37,712	12,186	34,102	(3,610)	(3,610)	
Individual House Purchases	5,600	3,594	5,500	(100)	(100)	
Total Council Building Programme	43,312	15,780	39,602	(3,710)	(3,710)	0
OVERALL TOTAL	69,473	23,348	59,115	(10,358)	(10,368)	10

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts				0
RHI Income		6	6	6
Sale of LIFT Properties				0
Government Grant	19,500	6,513	19,500	0
Landbank	2,400		2,192	(208)
Evergreen Infrastructure Loan Fund	500		500	0
Contribution to Individual Property/VDLF				0
Borrowing	47,073	16,829	36,917	(10,156)
GROSS FUNDING	69,473	23,348	59,115	(10,358)