

Agenda Item	7
Report No	HP/16/21

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 30 September 2021

Report Title: Housing Revenue Account (HRA) Capital Monitoring: Outturn Report for 2020/21 and Quarter 1 Monitoring Report to 30 June 2021

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 2020/21 financial year. It also provides the monitoring position for the period from 1 April 2021 to 30 June 2021. Both reports provide 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) **Note** the final outturn figures for the Housing Revenue Account Capital Programme 2020/2021.
- (ii) **Approve** the budget position on the Housing Revenue Account Capital Programme 2021/2022 for the period to 30 June 2021.

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 Economy & Infrastructure Committee on 4 November 2020 as part of the Council's Strategic Housing Investment Programme 2021-2026. An updated Investment Programme is the subject of another report to this Committee.

5 Final Outturn Monitoring Statement for 2020/21

- 5.1 **Appendix 1** details the final outturn figures for the HRA Capital Programme 2020/21. It reports a final outturn figure of £48.799m against a budget of £60.236m. This represents slippage of £13.296m against the total programme.

6 Progress against the mainstream HRA Programme 2021/22 to 30 June 2021

- 6.1 Progress against the mainstream HRA programme continues to be impacted by the Covid-19 restrictions that suspended all capital works in Council housing until the lifting of restrictions on 26 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 £10.812m of slippage is anticipated on the programme, largely as a result of the coronavirus pandemic. It should be noted that the current year's programme includes £13.296m of funding carried forward from 2020/21 when works were suspended for much of the year.
- 6.4 The construction industry at both a Highland and at a national level is experiencing labour and materials shortages. These issues are causing longer lead-in times, higher prices, and price volatility. The 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 These issues are being caused by a range of factors including: reduced productivity from factories and mills, shortage of haulage drivers, port delays and construction demand fluctuations. The Office of National Statistics recently reported an increase in product and material costs of over 10% generally although for timber products this figure rises to 25% and over 100% for sterling boards. Materials currently with longer than normal lead-in times include roofing materials, cement, insulation, and sealants. Industry experts predict little improvement until at least the beginning of 2022.

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.

7 Progress against the new Council house build programme 2021/22 to 30 June 2021

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 It is anticipated that the programme will deliver a minimum of 120 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.

7.3 A Strategic Housing Investment Programme for 2021-26 was approved on 4 November 2020 by the Economy and 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. Details of local programmes are being reported to Area Committees.

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. Recommendations on our heating options approach will be submitted to Members as part of the 5-year Programme development.

8.3 Proposed HRA Capital Plan Programme Resources will be submitted to December 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 at Area Committees in 2022.

Designation: Executive Chief Officer Housing and Property

Date: 13 September 2021

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Appendix 1

MONITORING OF CAPITAL EXPENDITURE - 1 APRIL 2020 TO 3 MARCH 2021

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Actual Net Year to 31.3.21	Revised Net Budget	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 2019/21						
Equipment and Adaptations	468	1,000	468	(532)	(552)	20
Major Component Replacement	825	1,776	825	(951)	(1,078)	127
Heating/Energy Efficiency	2,324	5,346	2,324	(3,022)	(3,522)	500
External Fabric (Major Component Replacement)	2,424	8,929	2,424	(6,505)	(6,660)	155
External Fabric (Environmental Improvements)	429	1,465	429	(1,036)	(1,074)	38
Healthy, Safe and Secure	190	654	190	(464)	(464)	
Retentions	115		115	115	59	56
Total 2019/21 Programme	6,775	19,170	6,775	(12,395)	(13,291)	896
Insurance Works	114		114	114		114
Total 2019/22 Programme	6,889	19,170	6,889	(12,281)	(13,291)	1,010
Council House Building Capital Programme						
New Council House Buildings	36,948	39,766	36,948	(2,818)	(2,752)	(66)
Individual House Purchases	4,962	1,300	4,962	3,662	3,662	
Total Council Building Programme	41,910	41,066	41,910	844	910	(66)
OVERALL TOTAL	48,799	60,236	48,799	(11,437)	(12,381)	944

Funding	Actual Net Year to Date	Revised Net Budget	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts	420	64	420	356
RHI Income	322	0	322	322
Sale of LIFT Properties	19	0	19	19
Government Grant	21,357	20,017	21,357	1,340
Landbank	2,296	3,180	2,296	(884)
Borrowing	24,385	36,149	24,385	(11,764)
Capital from Current Revenue		826	0	(826)
GROSS FUNDING	48,799	60,236	48,799	(11,437)

Appendix 2

MONITORING OF CAPITAL EXPENDITURE – Q1 (1 APRIL 2021 TO 30 JUNE 2021)

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
	£000	£000	£000	£000	£000
Capital Programme 2019/22					
Equipment and Adaptations	154	1,552	1,257	(295)	(295)
Major Component Replacement	231	3,333	3,223	(110)	(110)
Heating/Energy Efficiency	955	12,495	6,838	(5,657)	(5,657)
External Fabric (Major Component Replacement)	738	8,868	4,428	(4,440)	(4,440)
External Fabric (Environmental Improvements)	97	1,946	1,446	(500)	(500)
Healthy, Safe and Secure	184	1,561	1,745	184	184
Retentions	6		6	6	6
Total 2019/22 Programme	2,365	29,755	18,943	(10,812)	(10,812)
Insurance Works	30			0	0
Total 2019/22 Programme	2,395	29,755	18,943	(10,812)	(10,812)
Council House Building Capital Programme					
Individual house purchases	943	2,710	2,710	0	0
New Council house buildings	8,587	45,663	45,663	0	0
Total Council Building Programme	9,530	48,373	48,373	0	0
OVERALL TOTAL	11,925	78,128	67,316	(10,812)	(10,812)

Funding	Actual Net Year to Date	Revised Net Budget	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts		0	0	0
RHI Income	69	150	348	198
Sale of LIFT Properties		540	540	0
Government Grant	2,550	14,000	14,000	0
Landbank	0	2,000	2,000	0
Borrowing	9,306	61,438	50,428	(11,010)
Capital from Current Revenue			0	
GROSS FUNDING	11,925	78,128	67,316	(10,812)