

Agenda Item	<b>5</b>
Report No	<b>HP/21/21</b>

## HIGHLAND COUNCIL

**Committee:** Housing and Property Committee

**Date:** 15 December 2021

**Report Title:** Housing Revenue Account (HRA) Capital: Q2 Monitoring Report to 30 September 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 period from 1 April 2021 to 30 September 2021. The report provides 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) **APPROVE** the budget position on the Housing Revenue Account Capital Programme 2021/2022 for the period to 30 September 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 Progress against the mainstream HRA Programme 2021/22 to 30 September 2021**

- 5.1 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.
- 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 £10.936m of slippage is anticipated on the programme, largely as a result of the coronavirus pandemic.
- 5.4 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.
- 5.5 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.
- 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 2021/22 to 30 September 2021**

- 6.1 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.

- 6.2 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. Slippage of £467k against budget is currently projected against the new build programme.
- 6.3 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.

## **7 Future mainstream HRA Capital Programme**

- 7.1 Proposed HRA Capital Plan Programme Resources are subject to another report to this 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: 3 November 2021

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## Appendix 1

### MONITORING OF CAPITAL EXPENDITURE – Quarter 1 (1 APRIL 2021 TO 30 SEPTEMBER 2021)

	Actual	Revised	Year End	Year End	(Slippage)/	Anticipated
	Net	Net	Estimated	Net	Acceleration	Year End
Project Description	Year to Date	Budget	Outturn	Variance	Net	(Under)/Over
	£000	£000	£000	£000	£000	£000
<b>Capital Programme 2019/22</b>						
Equipment and Adaptations	348	1,552	1,247	(305)	(305)	
Major Component Replacement	910	3,333	3,216	(117)	(117)	
Heating/Energy Efficiency	2,709	12,495	6,945	(5,550)	(5,550)	
External Fabric (Major Component Replacement)	2,166	8,668	4,185	(4,483)	(4,483)	
External Fabric (Environmental Improvements)	166	1,946	1,480	(466)	(466)	
Healthy, Safe and Secure	686	1,761	1,740	(21)	(21)	
Retentions	6		6	6	6	
<b>Total 2019/22 Programme</b>	<b>6,991</b>	<b>29,755</b>	<b>18,819</b>	<b>(10,936)</b>	<b>(10,936)</b>	<b>0</b>
Insurance Works	74			0	0	
<b>Total 2019/22 Programme</b>	<b>7,065</b>	<b>29,755</b>	<b>18,819</b>	<b>(10,936)</b>	<b>(10,936)</b>	<b>0</b>
<b>Council House Building Capital Programme</b>						
New Council House Buildings	18,445	45,663	45,196	(467)	(467)	
Individual House Purchases	1,685	2,710	2,710	0	0	
<b>Total Council Building Programme</b>	<b>20,130</b>	<b>48,373</b>	<b>47,906</b>	<b>(467)</b>	<b>(467)</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>27,195</b>	<b>78,128</b>	<b>66,725</b>	<b>(11,403)</b>	<b>(11,403)</b>	<b>0</b>

Funding	Actual Net Year to Date	Revised Net Budget	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
<b>Investment Programme</b>				
RHI Income	194	150	382	232
Sale of LIFT Properties		540	540	0
Government Grant	4,873	14,000	16,000	2,000
Landbank	966	2,000	1,784	(216)
Borrowing	21,187	61,438	48,019	(13,419)
<b>GROSS FUNDING</b>	<b>27,220</b>	<b>78,128</b>	<b>66,725</b>	<b>(11,403)</b>