

Agenda Item	5
Report No	HP/03/23

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 26 January 2023

Report Title: Housing Revenue Account (HRA) Capital Monitoring: Q3 Monitoring Report to 31 December 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 31 December 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 31 December 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 31 December 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 combined slippage of £7.022m 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 Spring 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 31 December 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 490 new homes which will be progressed on site during the current financial year, plus 45 one-off individual purchases. £33.662m spend against the budget of £32.760m is currently projected against the new build programme, of which £0.413m is slippage of works to future years.

6.3 Of the above programme, an estimated 280 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 (EESH2). The Scottish Government has committed to a review of EESH2 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: 9 January 2022

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MONITORING OF CAPITAL EXPENDITURE - 1 APRIL 2022 TO 31 DECEMBER 2022

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Revised	Actual	Year End	Year End	(Slippage)/	Anticipated
	Net Budget	Net Year to Date	Estimated Net Outturn	Net Variance	Acceleration Net	Year End (Under)/Over
	£000	£000	£000	£000	£000	£000
Mainstream HRA Capital Programme 2022/23						
Equipment and Adaptations	1,440	725	1,037	(403)	(502)	99
Major Component Replacement	1,878	2,112	2,772	894	790	105
Heating/Energy Efficiency	9,281	3,264	4,632	(4,649)	(4,657)	8
External Fabric (Major Component Replacement)	6,859	3,487	4,836	(2,023)	(2,214)	190
External Fabric (Environmental Improvements)	1,466	623	733	(733)	(755)	22
Healthy, Safe and Secure	552	652	867	315	315	0
Retentions		1	1	1	1	0
Total 2022/23 Programme	21,476	10,864	14,878	(6,598)	(7,022)	424
Insurance Works		7				
Total 2022/23 Programme	21,476	10,871	14,878	(6,598)	(7,022)	424
Council House Building Capital Programme						
New Council House Buildings	29,508	19,607	26,662	(2,846)	(3,335)	489
Individual House Purchases	3,252	6,001	7,000	3,748	3,748	
Total Council Building Programme	32,760	25,608	33,662	902	413	489
OVERALL TOTAL	54,236	36,479	48,540	(5,696)	(6,609)	913

Funding	Revised	Actual	Year End	Year End
	Net Budget	Net Year to Date	Estimated Net Outturn	Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts	0	29	30	30
RHI Income	0	60	65	65
Sale of LIFT Properties	0	536	536	536
Government Grant	17,000	8,242	17,000	0
Landbank	2,500	600	2,170	(330)
Evergreen Infrastructure Loan Fund	1,413		350	(1,063)
Borrowing	33,323	27,012	28,389	(4,934)
GROSS FUNDING	54,236	36,479	48,540	(5,696)