

Agenda Item	8
Report No	HP/05/24

# The Highland Council

**Committee:** Housing & Property Committee

**Date:** 31 January 2024

**Report Title:** Housing Revenue Account (HRA) Capital Monitoring: Q3 Monitoring Report to 31 December 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 31 December 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 31 December 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 A review of the current HRA Capital Plan is ongoing to assess affordability and the level of future rent increases required to fund future investment. This will link to the stock viability assessment of Council stock in 2024.

4.3 The new Council house build programme was approved at Committee on 27 April 2023 as part of the Council's Strategic Housing Investment Plan 2023-2028. An updated Strategic Housing Investment Plan 2024-2029 is subject to a separate report to this Committee.

#### **5. Progress Against the Mainstream HRA Programme 2023/24 to 31 December 2023**

5.1 Expenditure to date and anticipated outturn are detailed at **Appendix 1** of this report. At present the anticipated year-end expenditure on current year projects is estimated at £18.779m. It should be noted that the current year's mainstream programme of £26.161m includes the £6.801m 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 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 31 December 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 the anticipated year-end expenditure on current year new build projects is estimated at £43.202m.

6.3 The current programme seeks to deliver 185 new homes by 31 March 2024. A further 206 new homes are on site which are scheduled for completion 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: 11 January 2024

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

Appendices:

Appendix 1 – Monitoring of Capital Expenditure – 1 April 2023 to 31 December 2023

Appendix 1

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 31ST DECEMBER 2023						
SERVICE: HOUSING REVENUE ACCOUNT						
	<b>Revised</b>	<b>Actual</b>	<b>Year End Estimated Net</b>	<b>Year End Net</b>	<b>(Slippage)/ Acceleration</b>	<b>Anticipated Year End</b>
<b>Project Description</b>	<b>Net Budget</b>	<b>Net Year to Date</b>	<b>Net Outturn</b>	<b>Net Variance</b>	<b>Net</b>	<b>(Under)/Over</b>
	£000	£000	£000	£000	£000	£000
<b>Capital Programme 2023/24</b>						
Equipment and Adaptations	1,043	875	1,120	77	<b>77</b>	
Major Component Replacement	2,240	2,538	2,778	538	<b>538</b>	
Heating/Energy Efficiency	17,355	8,035	11,840	(5,515)	<b>(5,515)</b>	
External Fabric (Major Component Replacement)	1,308	190	862	(446)	<b>(456)</b>	<b>10</b>
External Fabric (Environmental Improvements)	1,249	271	1,047	(202)	<b>(202)</b>	
Healthy, Safe and Secure	1,214	491	932	(282)	<b>(282)</b>	
Contingencies/Retentions	1,752	1	200	(1,552)	<b>(1,552)</b>	
<b>Total 2023/24 Programme</b>	<b>26,161</b>	<b>12,401</b>	<b>18,779</b>	<b>(7,382)</b>	<b>(7,392)</b>	<b>10</b>
<b>Council House Building Capital Programme</b>						

New Council House Buildings	37,712	24,891	37,702	(10)	(10)	
Individual House Purchases	5,600	4,921	5,500	(100)	(100)	
<b>Total Council Building Programme</b>	<b>43,312</b>	<b>29,812</b>	<b>43,202</b>	<b>(110)</b>	<b>(110)</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>69,473</b>	<b>42,213</b>	<b>61,981</b>	<b>(7,492)</b>	<b>(7,502)</b>	<b>10</b>
	<b>Revised</b>	<b>Actual</b>	<b>Year End</b>	<b>Year End</b>		
	<b>Net</b>	<b>Net</b>	<b>Estimated</b>	<b>Net</b>		
			<b>Net</b>			
<b>Funding</b>	<b>Budget</b>	<b>Year to</b>	<b>Outturn</b>	<b>Variance</b>		
	£000	£000	£000	£000		
<b>Investment Programme</b>						
Useable Capital Receipts		36	36	36		
RHI Income		6	6	6		
Government Grant	19,500	10,028	21,000	1,500		
Landbank	2,400	1,148	2,192	(208)		
Evergreen Infrastructure Loan Fund	500		500	0		
Contribution to Individual Property/VDLF				0		
Borrowing	47,073	30,995	38,247	(8,826)		
<b>GROSS FUNDING</b>	<b>69,473</b>	<b>42,213</b>	<b>61,981</b>	<b>(7,492)</b>		