

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 28 SEPTEMBER 2021**

**HOUSING REVENUE ACCOUNT CAPITAL PLAN 2020/25**

**REPORT BY ALISON SMITH, INTERIM DIRECTOR OF VIBRANT COMMUNITIES AND SUSTAINABLE GROWTH**

**ABSTRACT**

This report presents to members the updated 2020/25 Housing Revenue Account (HRA) Capital Plan incorporating the 2021/22 capital monitoring budget.

**1 RECOMMENDATIONS**

It is recommended that the Committee:

- 1.1 Notes that the 2020/21 actual position on the HRA Capital Plan as at 31 March 2021 was submitted to the meeting of Angus Council on 24 June 2021, Report 212/21 (paragraphs 4.35-4.39 inclusive and appendix C) refers;
- 1.2 Approves the contents of the updated 2021/22 HRA Capital Plan as attached at Appendix 1;
- 1.3 Notes that the 2021/22 HRA Capital Plan represents the HRA's approved budget for capital monitoring purposes; and
- 1.4 Notes the provisional budget for the 2022/23 – 2024/25 HRA Capital Plan.

**2 ALIGNMENT TO THE ANGUS COMMUNITY PLAN / COUNCIL PLAN.**

This report contributes to the following local outcomes contained within the Angus Community Plan:

- Improved physical, mental and emotional health and well-being
- An enhanced, protected and enjoyed natural and built environment
- Safe, secure, vibrant and sustainable communities
- A reduced carbon footprint

**3 BACKGROUND**

- 3.1 The responsibilities of Chief Officers with regard to the financial plan and capital monitoring are set out in Section 7 of the Council's Financial Regulations. This report seeks to ensure that budgetary control is exercised in line with those Regulations.

**4 2021/22 CAPITAL BUDGET**

- 4.1 If members approve the contents of the updated 2020/25 HRA Capital Plan (Appendix 1), incorporating the 2021/22 capital monitoring budget amounting to £20.145m, the latest monitoring estimates on this position will be presented to members at future Communities Committees during the financial year.
- 4.2 The provisional 2021/22 HRA Capital Plan was agreed at the Communities Committee (Special Meeting) on 9 February 2021 (report 25/21 Appendix 3 refers) and totalled £22.172m taking account of the estimated resources available.

- 4.3 The 2021/22 HRA Capital Plan has subsequently been updated to reflect the effect of the 2020/21 actuals, and a final 2021/22 capital monitoring budget of £20.145m (Appendix 1) has been established following a comprehensive review of the 2020/25 Capital Plan, incorporating an updated position regarding specific projects in 2021/22. Table 1 below shows the variance between the provisional and the proposed final 2021/22 Capital Plan respectively as per 4.2 above.

**Table 1 – HRA Capital Plan: Programme 2021/22**

<b>Programme</b>	<b>Provisional Capital Budget 2021/22</b>	<b>Proposed Final Capital Budget 2021/22</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
New Build and Shared Equity	10.686	10.150	0.536
Conversion	0.120	0.260	(0.140)
Aids and Adaptations	0.250	0.340	(0.090)
Improvements	0.200	0.130	0.070
Heating Installation	2.295	1.233	1.062
Window Replacement	0.530	0.520	0.010
Energy Saving / Towards Zero Carbon	4.500	4.000	0.500
Sheltered Housing	0.291	0.289	0.002
Kitchen Replacement	0.730	0.800	(0.070)
Bathroom Replacements	1.600	1.200	0.400
Miscellaneous	0.970	1.223	(0.253)
<b>Total Programme</b>	<b>22.172</b>	<b>20.145</b>	<b>2.027</b>

#### **4.4 COMMENTARY ON SIGNIFICANT MOVEMENT BETWEEN PROVISIONAL AND FINAL 2021/22 HRA CAPITAL PLAN (MONITORING BUDGET)**

- 4.4.1 There are a number of aspects linked to both the COVID-19 pandemic and Brexit that are affecting the whole of the construction industry and therefore the first part of this narrative on the Capital Plan can be applied to all of the projects in the Programme.
- 4.4.2 Whilst it is re-assuring for the economy that the UK, like many of the developed countries, has moved into recovery phase as the worst effects of the pandemic subside, there are a number of challenges emerging. The pace of the recovery has accelerated into what might be described as a construction boom, not only in Europe and Asia, but also in North America. Huge infrastructure investment activity is driving high demand, which in turn is causing a shortage of commodities, raw materials (such as timber and cement) and components. This is manifesting itself locally in the form of our contractors having supply chain problems and experiencing rationing from builders merchants and other suppliers. This is resulting in delays to contract programmes as well as increasing prices (in some cases by 20%), because demand has outstripped supply. It's likely that the situation will continue into the mid term. The short term situation has been exacerbated by problems at several Chinese container ports, as well as the fall-out from the container ship becoming stuck in the Suez Canal. This has resulted in worldwide logistical problems of containers with materials and components being in the wrong place.
- 4.4.3 The high levels of infrastructure investment in the UK also mean that there is high demand for skilled operatives. This coupled with a reduced workforce available from European countries as a result of Brexit, mean that contractors are having problems recruiting and retaining staff, across all trades and skills. Many contractors in Angus and elsewhere in the North East are experiencing a loss of employees as they are attracted away to more lucrative contracts, often in the Central Belt or further afield. The capacity of the construction industry to deliver zero carbon refurbishment programmes particularly was already in question before the pandemic, but the problem has grown worse. In the short term this is delaying projects, and in the longer term may well result in higher tender prices and a danger of strategic improvement targets not being met.

- 4.4.4 The issues described above are the main reason for movement in project figures. The remaining commentary below is on an exception basis. It is however, important to note that where there is slippage to the HRA Capital programmes, funds are not lost, but are simply re-phased to enable works to take place, all be it at a later date.
- 4.4.5 New Build and Shared Equity: A portion of the expenditure relates to the purchase of properties at the Grange in Monifieth for shared equity. Capital receipts received from the sale of these shared equity properties will be utilised in year to fund the Capital Plan. Future receipts will result in further income being returned to the HRA as customers buy their share of their homes and will be used to fund future Capital programmes.
- 4.4.6 Heating: The figures shown reflect slippage experienced as there is a more in depth discussion with customers on heating choice when replacements are scheduled. This is related to an intentional phased reduction in gas heating as we move towards renewables and efficient modern electric systems.
- 4.4.7 Miscellaneous: The spend profile has been adjusted to accommodate an accelerated programme of upgrading smoke alarms to comply with new standards.

## 5 2021/22 HRA CAPITAL PLAN FUNDING UPDATE

- 5.1 Table 2 estimates the resources available to finance the 2021/22 HRA Capital Plan.
- 5.2 The financing position of the capital programme will be kept under regular review throughout the year and the updated projected potential funding package reported to future Communities Committees during the year.

**Table 2 - Capital Funding**

<b>2021/22 HRA Capital Plan (Monitoring Budget)</b>	<b>Monitoring Budget Funding</b>
<b>Funding Sources</b>	<b>£m</b>
Prudential Borrowing	7.764
Capital Receipts	0.072
Capital Receipts – Shared Equity	2.686
Capital Financed from Current Revenue	7.714
Transfer from Earmarked Reserves (Affordable Housing Reserve)	0.300
Transfer from Earmarked Reserves (HRA Reserves)	1.609
<b>Total Funding Sources</b>	<b>20.145</b>

## 6 FINANCIAL IMPLICATIONS

- 6.1 The financial implications for the Council arising from the recommendations in this report are as detailed in the body of the report, the accompanying appendix and as summarised in Table 3 below.
- 6.2 Members will note that the use of unaudited HRA balances totalling £1.609m are included in Table 3 below (£0.687m+£0.922m), outlining continued investment in existing stock to maintain properties at or above the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH) as well as delivering on our commitment to continue the New Build Housing Programme.

**Table 3 - HRA Balances**

	<b>Monitoring Budget £m</b>
Unaudited HRA balance as at 01/04/21 Less minimum balance requirement	5.374 (1.000)
<b>Unaudited available HRA Balance as at 01/04/21</b>	<b>4.374</b>
<u>Known / Potential Commitments:</u>	
Affordable Housing Initiatives	(0.687)
SHQS / New build housing (2021/22)	(0.922)
SHQS / New build housing (future years)	(2.765)
<b>Total known / potential commitments</b>	<b>(4.374)</b>
Unaudited available HRA Balance as at 01/04/22 after allowing for known / potential commitments	0.000
Add: Anticipated HRA surplus 2021/22	0.000
<b>Anticipated uncommitted HRA balance at 31/03/22 after applying anticipated surplus for the year.</b>	<b>0.000</b>

**NOTE:** No other background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

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List of Appendices:

Appendix 1 Capital Plan 2020/25