

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 27 SEPTEMBER 2022**

**HOUSING REVENUE ACCOUNT CAPITAL PLAN 2021/26**

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

**ABSTRACT**

This report presents to members the updated 2021/26 Housing Revenue Account (HRA) Capital Plan incorporating the 2022/23 capital monitoring budget.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) notes that the 2021/22 actual position on the HRA Capital Plan as at 31 March 2022 was submitted to the meeting of Angus Council on 30 June 2022, Report 179/22 (paragraphs 4.33-4.37 inclusive and appendix C) refers;
- (ii) approves the contents of the updated 2022/23 HRA Capital Plan as attached at Appendix 1;
- (iii) notes that the 2022/23 HRA Capital Plan represents the HRA's approved budget for capital monitoring purposes; and
- (iv) notes the provisional budget for the 2023/24 – 2025/26 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 Capital 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. 2022/23 CAPITAL BUDGET**

4.1 If members approve the contents of the updated 2021/26 HRA Capital Plan (Appendix 1), incorporating the 2022/23 capital monitoring budget amounting to £12.703m, the latest monitoring estimates on this position will be presented to members at future Communities Committees during the financial year.

4.2 The provisional 2022/23 HRA Capital Plan was agreed at the Communities Committee (Special Meeting) on 8 February 2022 (report 32/22 Appendix 3 refers) and totalled £16.089m taking account of the estimated resources available.

4.3 The 2022/23 HRA Capital Plan has subsequently been updated to reflect the effect of the 2021/22 actuals, and a final 2022/23 capital monitoring budget of £12.703m (Appendix 1) has been established following a comprehensive review of the 2021/26 Capital Plan, incorporating an updated position regarding specific projects in 2022/23. Table 1 below shows the variance

between the provisional and the proposed final 2022/23 Capital Plan respectively as per 4.2 above.

**Table 1 – HRA Capital Plan: Programme 2022/23**

<b>Programme</b>	<b>Provisional Capital Budget 2022/23</b>	<b>Proposed Final Capital Budget 2022/23</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
New Build and Shared Equity	5.529	3.379	2.150
Conversion	0.265	0.344	(0.079)
Aids and Adaptations	0.255	0.400	(0.145)
Improvements	0.535	0.680	(0.145)
Energy Saving / Towards Zero Carbon	6.014	5.828	0.186
Sheltered Housing	0.194	0.194	0.000
Internal Upgrades	2.297	1.460	0.837
Miscellaneous	1.000	0.400	0.600
Balances on Completed Projects	0.000	0.018	(0.018)
<b>Total Programme</b>	<b>16.089</b>	<b>12.703</b>	<b>3.386</b>

#### **4.4 COMMENTARY ON SIGNIFICANT MOVEMENT BETWEEN PROVISIONAL AND FINAL 2022/23 HRA CAPITAL PLAN (MONITORING BUDGET)**

- 4.4.1 The lasting impacts of the Pandemic continue to affect the construction industry, with shortages of components and raw materials causing supply chain and logistical issues for contractors. This coupled with spiralling energy costs, and high demand for skilled operatives causing problems with staff retention, has created challenging operating conditions. This volatility is leading to uncertainty with programming, and delays with projects, and may also result in higher tender prices over the mid term.
- 4.4.2 These issues are the main reason for movement in project figures. The remaining commentary below is on an exception basis (ie; movement of more than £100K). It is important to keep in mind 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, albeit at a later date.
- 4.4.3 New Build and Shared Equity: The issues described above are the main reason for slippage to new-build projects. The logistical complexities of the operating environment are making it ever more challenging to predict and keep to project programmes.
- 4.4.4 Aids and Adaptations: As work continues to successfully address the backlog of customer assessments following the pandemic, more throughput of adaptations is being achieved.
- 4.4.5 Improvements: This section of the programme includes resurfacing to HRA owned pathways, where some additional costs have been identified, and works to Garage stock including upgrades, general environmental improvements, and demolitions. Higher than anticipated costs are being incurred for the demolition, access improvements and landscaping of these areas to establish effective car parking areas.

- 4.4.6 Energy Saving / Towards Zero Carbon: This section of the programme now combines energy efficiency, window replacements and heating categories of work, which were previously described individually. Although external insulation projects continue to deliver successfully, massively benefiting customers in the energy crisis, the heating programme has slipped due to national difficulties with utility and meter connections, as well as electrical component shortages.
- 4.4.7 Internal Upgrades: This section of the programme combines kitchen and bathroom categories of work which were previously described individually. Slippage is as a result of difficulties obtaining competitive tenders for bathroom replacements. Officers are exploring a range of procurement options so that best value can be achieved.
- 4.4.8 Miscellaneous: The spend profile shows the progression of the LD2 upgrades in line with statutory requirements. Because we successfully accelerated programme delivery last year, there is a lower than anticipated cost requirement for the outstanding work this financial year. Although there is still a residual amount of work to carry out as a result of non access, a robust process is in place to inform tenants of the need for this work which should allow completion in the coming months.

## 5. 2022/23 HRA CAPITAL PLAN FUNDING UPDATE

- 5.1 Table 2 estimates the resources available to finance the 2022/23 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>2022/23 HRA Capital Plan (Monitoring Budget)</b>	<b>Monitoring Budget Funding</b>
<b>Funding Sources</b>	<b>£m</b>
Prudential Borrowing	5.091
Capital Receipts	0.622
Capital Financed from Current Revenue	5.990
Transfer from Earmarked Reserves (Affordable Housing Reserve)	0.300
Transfer from Earmarked Reserves (HRA Reserves)	0.700
<b>Total Funding Sources</b>	<b>12.703</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 £0.700m are included in Table 3 below, 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 01/04/22 Less minimum balance requirement	4.370 (1.000)
<b>Unaudited available HRA Balance as at 01/04/22</b>	<b>3.370</b>
<u>Known / Potential Commitments:</u>	
SHQS / New build housing (2022/23)	(0.700)
SHQS / New build housing (future years)	(2.670)
<b>Total known / potential commitments</b>	<b>(3.370)</b>
Unaudited available HRA Balance as at 01/04/23 after allowing for known / potential commitments	0.000
Add: Anticipated HRA surplus 2022/23	0.000
<b>Anticipated uncommitted HRA balance at 31/03/23 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.

**REPORT AUTHORS:** **JOHN MORROW**  
**SERVICE LEADER (HOUSING)**  
[communities@angus.gov.uk](mailto:communities@angus.gov.uk)

**KEVIN LUMSDEN**  
**MANAGER (FINANCE)**  
Email: Finance@angus.gov.uk

List of Appendices:

Appendix 1 Capital Plan 2021/26