

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 26 SEPTEMBER 2023**

**HOUSING REVENUE ACCOUNT CAPITAL PLAN 2022/27**

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

**ABSTRACT**

This report presents to members the updated 2022/27 Housing Revenue Account (HRA) Capital Plan incorporating the 2023/24 capital monitoring budget.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) Notes that the 2022/23 actual position on the HRA Capital Plan as at 31 March 2023 was submitted to the meeting of Angus Council on 22 June 2023, Report 189/23 (paragraphs 4.28 – 4.32 inclusive and appendix C) refers;
- (ii) Approves the contents of the updated 2023/24 HRA Capital Plan as attached at Appendix 1;
- (iii) Notes that the 2023/24 HRA Capital Plan represents the HRA's approved budget for capital monitoring purposes; and
- (iv) Notes the provisional budget for the 2024/25 – 2026/27 HRA Capital Plan.

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

This report contributes to the following priorities contained within the Angus Council Plan 2023-2028

**Caring for Our Place**

- ensure the provision of new houses in Angus Council
- ensure delivery of affordable housing via our Strategic Housing Investment Plan (SHIP)
- ensure that our housing estate is well maintained and invest in improvements

**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. 2023/24 CAPITAL BUDGET**

4.1 If members approve the contents of the updated 2022/27 HRA Capital Plan (Appendix 1), incorporating the 2023/24 capital monitoring budget amounting to £11.937m, the latest monitoring estimates on this position will be presented to members at future Communities Committees during the financial year.

4.2 The provisional 2023/24 HRA Capital Plan was agreed at the Communities Committee on 21 February 2023 (report 39/23 Appendix 3 refers) and totalled £13.328m taking account of the estimated resources available.

4.3 The 2023/24 HRA Capital Plan has subsequently been updated to reflect the effect of the 2022/23 actuals, and a final 2023/24 capital monitoring budget of £11.937m (Appendix 1) has been established following a comprehensive review of the 2022/27 Capital Plan, incorporating an

updated position regarding specific projects in 2023/24. Table 1 below shows the variance between the provisional and the proposed final 2023/24 Capital Plan respectively as per 4.2 above.

**Table 1 – HRA Capital Plan: Programme 2023/24**

| <b>Programme</b>                    | <b>Provisional Capital Budget 2023/24</b> | <b>Proposed Final Capital Budget 2023/24</b> | <b>Movement</b> |
|-------------------------------------|---|--|-----------------|
|                                     | <b>£m</b>                                 | <b>£m</b>                                    | <b>£m</b>       |
| New Build and Shared Equity         | 2.931                                     | 2.684  | 0.247           |
| Conversion                          | 0.500                                     | 0.667  | (0.167)         |
| Aids and Adaptations                | 0.550                                     | 1.353  | (0.803)         |
| Improvements                        | 0.550                                     | 0.375  | 0.175           |
| Energy Saving / Towards Zero Carbon | 5.746                                     | 4.221  | 1.525           |
| Sheltered Housing                   | 0.001                                     | 0.475  | (0.474)         |
| Internal Upgrades                   | 3.050                                     | 1.688  | 1.362           |
| Miscellaneous                       | 0.000                                     | 0.474  | (0.474)         |
| <b>Total Programme</b>              | <b>13.328</b>                             | <b>11.937</b>                                | <b>1.391</b>    |

#### **4.4 COMMENTARY ON SIGNIFICANT MOVEMENT BETWEEN PROVISIONAL AND FINAL 2023/24 HRA CAPITAL PLAN (MONITORING BUDGET)**

- 4.4.1 The construction industry is currently impacted by the prevailing economic conditions nationwide. High rates of inflation and energy costs continue to affect material prices and this, combined with increased salary levels, has had a direct consequential impact on the pricing level of tenders. Contractors have experienced difficulties in attracting and retaining staff due to ongoing shortages of suitably skilled workers and variations in wage levels across the industry. This has adversely impacted programmes on some Angus Council projects. There has been an increased level of tender response noted in recent months which suggests the overall picture, in terms of contractor capacity, may be improving.
- 4.4.2 These issues are the main reason for movement in project figures. 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 Conversion: Projects that were delayed last year are now on site this year. In addition to this, we are taking forward this year's programme of 3 conversions.
- 4.4.5 Aids and Adaptations: We have now successfully addressed the backlog of customer assessments following the pandemic and more throughput of adaptations is being achieved.
- 4.4.6 Improvements: This section of the programme includes resurfacing to HRA owned pathways, and this work will continue in the current financial year. In order to balance the overall Capital

Plan, a decision was taken to defer work to the Garage stock such as upgrades, general environmental improvements, and demolitions.

- 4.4.7 Energy Saving / Towards Zero Carbon: Although the figures denote a reduction in planned expenditure, the core EESSH contract has continued to consistently achieve a monthly spend of upwards of £0.250m and is continuing to deliver key fabric improvements for our homes which help mitigate against energy price rises. Due to its success, the programme has been subject to increased funding going forward to take it up to a total of £23.782m over the period of the capital plan (a 40% increase on the original accepted tender figure). This will continue to deliver in 2023/24 and the next stages of EESSH2 are currently under review by the Scottish Government. This section also featured a successful window replacement contract which is part of an ongoing rolling programme.
- 4.4.8 Internal Upgrades: This section of the programme combines kitchen and bathroom categories of work which were previously described individually. Difficulties obtaining competitive tenders for bathroom replacements has impacted the programme. We will shortly be embarking on a contract to deliver approximately 800 bathroom replacements in the Brechin and Montrose areas.
- 4.4.9 Miscellaneous: Due to slippage in the progression of the LD2 upgrades in line with statutory requirement the budget has been increased accordingly. In addition to this, works to install mechanical ventilation with heat recovery systems (MVHR) have been included under this category.

## 5. 2023/24 HRA CAPITAL PLAN FUNDING UPDATE

- 5.1 Table 2 estimates the resources available to finance the 2023/24 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>2023/24 HRA Capital Plan (Monitoring Budget)</b>           | <b>Monitoring Budget Funding</b> |
|---|----------------------------------|
| <b>Funding Sources</b>  | <b>£m</b>                        |
| Prudential Borrowing  | 6.119                            |
| Capital Receipts  | 0.234                            |
| Capital Financed from Current Revenue                         | 4.284                            |
| Transfer from Earmarked Reserves (Affordable Housing Reserve) | 0.500                            |
| Transfer from Earmarked Reserves (HRA Reserves)               | 0.800                            |
| <b>Total Funding Sources</b>                                  | <b>11.937</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 £0.800m 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 (ESSH) as well as delivering on our commitment to do a New Build Housing Programme.

**Table 3 - HRA Balances**

|   | <b>Monitoring<br/>Budget<br/>£m</b> |
|---|-------------------------------------|
| Unaudited HRA balance as at 01/04/23<br>Less minimum balance requirement                                | 4.186<br>(1.000)                    |
| <b>Unaudited available HRA Balance as at 01/04/23</b>   | <b>3.186</b>                        |
| <u>Known / Potential Commitments:</u>   |                                     |
| SHQS / New build housing (2023/24)  | (0.800)                             |
| SHQS / New build housing (future years)   | (2.386)                             |
| <b>Total known / potential commitments</b>  | <b>(3.186)</b>                      |
| Unaudited available HRA Balance as at 01/04/24 after allowing for known / potential commitments         | 0.000                               |
| Add: Anticipated HRA surplus 2023/24  | 0.000                               |
| <b>Anticipated uncommitted HRA balance at 31/03/24 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 2022/27