

EAST RENFREWSHIRE COUNCIL26 June 2024Report by the Chief Financial Officer and Director of EnvironmentHOUSING CAPITAL PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to recommend adjustments to the 2024/25 Housing Capital Programme, approved on 28 February 2024, resulting from the finalisation of the previous year's programme and in light of subsequent information.

**RECOMMENDATIONS**

2. The Council is asked to:
  - note and approve the current movements within the programme; and
  - approve the revised new build expenditure plans at Barrhead Road, Commercial Road and Maidenhill with an overall expenditure increase in the current year of £4.694m, which will be off-set by grant income receivable over the following two financial years; and
  - approve increasing the expenditure in the current year on site acquisition and investigation by £0.300m, this will be funded by Commuted Sums: and
  - approve increasing expenditure in the current year by £1.336m to meet investment priorities on the existing housing stock; and
  - note the shortfall of £143,000 and that income and expenditure on the programme will be managed and reported on a regular basis.

**BACKGROUND**

3. The Housing Capital Programme for 2024-2034 was approved by Council on 28 February 2024. The budgeted expenditure for 2024/25 included in this report was £17.467m.
4. Movements on the 2023/24 programme were approved by Cabinet on 7 March 2024. These changes reflected movements subsequent to the position approved by Council on 28 February 2024.
5. This report will adjust 2024/25 project budgets to allow for outstanding works at the year-end to be completed in the current year and seek approval for further amendments to the programme in the current year.

**CURRENT POSITION**

6.	Total anticipated expenditure (Appendix A)	£ 24.231m
	Total anticipated resources (Appendix B)	<u>£ 24.088m</u>
	Shortfall	<u>£ 0.143m</u>

**FINALISATION OF THE 2023/24 PROGRAMME**

7. The finalisation of the previous year's capital programme has cash flow implications for the 2024/25 programme. i.e. any unfinished works will now be progressed during the current year.
8. Appendix A shows the effect of this cash flow adjustment on the expenditure. This is not new or additional expenditure but simply an adjustment to reflect revised timing of expenditure.
9. This adjustment reflects the movements on the 2023/24 programme which were reported to Cabinet on 7 March 2024 and explanations for these movements were included in the accompanying report.
10. A further £0.253m adjustment has now been added, reflecting the underspend at year end. The majority of this movement can be explained as follows:-
  - Sheltered Housing (£0.184m) where a spectrum of works is continuing into the current year.
  - Rewiring (£0.082m) where again work was in progress at the year-end and work will now continue into the current year.

**RECEIPT FROM LAND DISPOSAL**

11. The Council also received a significant capital receipt on 28<sup>th</sup> March 2024. This was both higher in value and earlier than included in approved plans.
12. The receipt has been placed in the capital reserve at 31 March 2024 and will be used to support future capital investment while also helping to ensure the Council has a sustainable long term business plan for the Housing Revenue Account.
13. The programme approved by Council on 28<sup>th</sup> February 2024 included £4.0m of this capital receipt in the years 2025/26 to 2028/29. The conclusion of the land sale and receipt of income earlier than estimated provides an opportunity to rephase capital expenditure on priority projects. The proposals for increases to the current year plan are detailed in paragraph 16 below.

**NEW BUILD PROGRAMME**

14. There have been two significant developments which impact on the Council's new build plans:-
  - Firstly, the programme approved by Council on 28<sup>th</sup> February included a provision of £19.000m for the delivery of 105 new homes within the Maidenhill development over the current and next financial year. It is now anticipated that

these new homes can be delivered in full this financial year with the cost increasing to £19.337m. This costs increase is a requirement following finalisation of contracts and is not related to the revised delivery schedule.

- Secondly, the Scottish Government grant support for new homes has been revised. Members will note that across Scotland there has been reduction in the Scottish Government's affordable housing programme. This has resulted in an overall reduction in the total grant available to the Council to support new build homes during 2024/25 and 2025/26.

In order to help ensure continued Scottish Government funding for existing schemes and to deliver on its existing new build commitments, it is recommended that Council:-

- Defer further expenditure on the proposed developments at Barrhead Road and Commercial Road to 2026/27 and 2027/28 respectively. The total reduced expenditure in the current year will be £5.143m; and
- Approve an expenditure increase of £9.837m for the purchase of the new homes at the Maidenhill development within the current year. This comprises expenditure of £9.500m accelerated from 2025/26 and a further £0.337m contractual increase.

This increase will be off-set by grant of £5.047m and the expenditure deferral at Barrhead Road and Commercial Road of £5.143m. It should be noted that this grant will not be provided until future years, £4.257m during 2025/26 and £0.790m during 2026/27.

Note, while the overall grant available to support new build developments over the current and next year has reduced, the Council has secured an increased level of support specifically for the Maidenhill site. The increase is £0.388m above the previous estimate and covers the increased cost of £0.377m.

## EXPENDITURE

15. The programme approved during February 2024 has increased from £17.467m to £17.901m for purely cash flow reasons between 2023/24 and 2024/25, as outlined in paragraphs 8 to 10 above.
16. The expenditure is subsequently increased by £6.330m to give a revised projected level of £24.231m. The main expenditure movements are as follows:-

### Revised New Build Expenditure

- New Build Projects £4.694m  
As outlined in paragraph 14 above, expenditure in the current year on new development schemes will increase by £4.694m. This will be off-set by grant over the next two financial years.
- Site Acquisition & Investigation £0.300m  
The provision of new affordable housing is a key priority for the Council. However availability of suitable land remains an ongoing challenge for this initiative. Additional investment is required to help address this issue and will be funded in full by Commuted Sums.

### Revised Expenditure On Existing Housing Stock

- **External Structural Works £0.300m**  
This is primarily targeted at continuing programmes of Roof and Render Renewal and prioritising buildings with roofs well beyond their current lifespan.
- **Energy Efficiency Standard £0.075m**  
Increased survey and forecasting work will be required in the current year in advance of the new Social Housing Net Zero Standard (SHNZS) being introduced during 2025/26.
- **Internal Element Renewals £0.775m**  
Tenant satisfaction and engagement work undertaken has suggested that tenants would like to see greater investment in the internal elements of their home such as kitchens, bathrooms, fans, windows and doors, and improving water management in homes.
- **Communal Door Entry Systems £0.086m**  
A key element of the Scottish Housing Quality Standard (SHQS) is a secure communal door entry system for flatted accommodation. Some of the existing doors systems are reaching the end of their lifecycle and additional investment is required to undertake an upgrade or replacement programme.
- **IT Systems £0.100m**  
Housing Services have an ongoing digital improvement programme which commenced with the implementation of a new housing management system and online services for customers and tenants. This first stage is reaching completion, thereafter digital improvements are required to enhance the repair and maintenance services. This investment aims to deliver significant efficiencies and improved customer care.

### **INCOME**

17. Resources to support the Housing Capital Programme have been adjusted to reflect the changes noted above.
  - **Owner Income**  
Estimated income of £0.050m has been added to the programme. This income is expected as a result of the additional investment in external works and door entry systems.
  - **Commuted Sums**  
This income source has been revised in line with the proposed amendments to the new build and site investigations projects. The drawdown of income from commuted sums has been reduced by £0.649m. In the main this relates to the deferral of the Barrhead and Commercial Road developments.
  - **Grant**  
This income source has also been revised in line with the proposed amendments to the new build projects. The total grant of £9.838m includes

£5.047m which will be received over the next two financial years, £4.257m during 2025/26 and £0.790m during 2026/27.

- Capital Receipts/Capital Reserve  
As outlined in paragraphs 11 to 13 above, the £4.0m capital receipt scheduled for future years has been brought forward to the current year.
- Borrowing for the year has been reduced by £1.893m below the level approved by Council on 28<sup>th</sup> February 2024. There are significant movements within the programme. However the overall borrowing remains below the level approved by Council on 28<sup>th</sup> February 2024, as detailed in the Treasury Management Strategy report.

## COMMENT

18. It should be noted that application of the capital receipt is currently restricted to the rephasing of existing expenditure commitments on the current housing stock.
19. Further work on the Housing Revenue Business Plan including any amendments to longer term capital plans will be included in future reports to Cabinet.
20. Investment in new build properties at the Maidenhill site is being supported by a Scottish Government grant offer of £9.838m. This grant will be received over three financial years, £4.791m during 2024/25, £4.257m during 2025/26 and a final payment of £0.790m during 2026/27. This requires the Council to front fund these purchases. The Housing Revenue Account has resources to fund this cost.
21. The projected shortfall of £143,000 represents 0.6% of the resources available and is within manageable limits.

## PARTNERSHIP WORKING

22. This report has been prepared following consultation with appropriate staff from Housing Services.

## RECOMMENDATIONS

23. The Council is asked to:-
  - note and approve the current movements within the programme; and
  - approve the revised new build expenditure plans at Barrhead Road, Commercial Road and Maidenhill with an overall expenditure increase in the current year of £4.694m, which will be off-set by grant income receivable over the following two financial years; and
  - approve increasing the expenditure in the current year on site acquisition and investigation by £0.300m, this will be funded by Commuted Sums; and
  - approve increasing expenditure in the current year by £1.336m to meet investment priorities on the existing housing stock; and

- note the shortfall of £143,000 and that income and expenditure on the programme will be managed and reported on a regular basis.

Further information is available from Paul Parsons, Principal Accountant, telephone 0141 577 3123.

Margaret McCrossan  
Head of Accountancy Services (Chief Financial Officer)  
MMcC/PP  
13 June 2024

**EAST RENFREWSHIRE COUNCIL****HOUSING CAPITAL PROGRAMME****PROGRESS REPORT****2024/25**

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 28.02.24	ADJUSTED FOR 2023/24 CASHFLOW	PROJECTED OUTTURN FOR CURRENT YEAR		SPENT PRIOR TO 31.03.23	PREVIOUS TOTAL COST	REVISED TOTAL COST
835000002	Renewal of Heating Systems	250	300	300	Work in progress	0	300	300
832000001	Rewiring (including smoke/carbon monoxide detectors)	260	342	342	Work in progress	0	342	342
831000002	External Structural Works	700	700	1,000	At tender stage	0	700	1,000
835000008	Estate Works	50	100	100	Works as required	0	100	100
835000006	Energy Efficiency Standard for Social Housing	50	50	125	Work to be programmed	0	50	125
835000010	Aids and Adaptations	350	350	350	Work in progress	0	350	350
831500001	Internal Element Renewals (including kitchens, bathrooms and doors)	550	475	1,250	Work in progress	0	475	1,250
835000005	Communal Door Entry Systems	0	64	150	Work in progress	137	201	287
835000012	Sheltered Housing	450	634	634	Work in progress	168	1,702	1,702
830500003	Purchase of Property (CPO/Mortgage to Rent Acquisition)	50	50	50	General provision - dependent on Scottish Government referrals.	0	50	50
835000003	IT Systems	134	70	170	Work in progress	0	70	170
	Maidenhill Areas A1-A3 (Estimate 105 units)	9,500	9,500	19,337	Work programmed		19,000	19,337

**EAST RENFREWSHIRE COUNCIL**

**HOUSING CAPITAL PROGRAMME**

**PROGRESS REPORT**

**2024/25**

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 28.02.24	ADJUSTED FOR 2023/24 CASHFLOW	PROJECTED OUTTURN FOR CURRENT YEAR		SPENT PRIOR TO 31.03.23	PREVIOUS TOTAL COST	REVISED TOTAL COST
	Barrhead Road Newton Mearns (Estimate 17 units)	4,000	4,057	0	Deferred to 2026/27	143	5,000	5,000
	Commercial Road Barrhead (Estimate 49 units)	1,000	1,086	0	Deferred to 2027/28	14	10,000	10,000
	Site Investigations	113	113	413	Work to be programmed	0	113	413
N/A	Retentions	10	10	10		0	10	10
		<b>17,467</b>	<b>17,901</b>	<b>24,231</b>		<b>462</b>	<b>38,463</b>	<b>40,436</b>



EAST RENFREWSHIRE COUNCILHOUSING CAPITAL PROGRAMME 2024/25PROGRESS REPORTRESOURCES

	£'000	£'000
Borrowing		8,800
Commuted Sums - New Build		1,350
Grant - New Build		
- 2024/25 Allocation	4,791	
- 2025/26 Allocation	4,257	
- 2026/27 Allocation	<u>790</u>	9,838
Recharges to Owner Occupiers (including HEEPS grant)		50
Capital Receipts/Use of Capital Reserve		4,000
Purchase of Property/Rental off the Shelf		50
<b>Total</b>		<u><b>24,088</b></u>

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