

EAST RENFREWSHIRE COUNCILCabinet2 March 2023Report by the Chief Financial Officer and Director of EnvironmentHOUSING CAPITAL PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to monitor both income and expenditure as at 31 December 2022 against the approved Housing Capital Programme and to recommend adjustments where required.

RECOMMENDATIONS

2. The Cabinet is asked to:-
 - note and approve the current movements within the programme; and
 - note the shortfall of £103,000 and that this will be managed and reported within the final accounts for the year.

BACKGROUND

3. The revised Housing Capital Programme for 2022-2032, reflecting changes to the programme detailed in the updated Strategic Housing Investment Programme (SHIP) was approved by Council on 3 March 2022.
4. Further movements within the 2022/23 programme were approved by Cabinet on 1 September 2022 and 1 December 2022.
5. This report updates project costs and phasings based on progress to date and anticipated to 31 March 2023. This report also revises the levels of grant and borrowing required to support the programme.
6. As highlighted in previous reports, in general, construction costs are rising faster than general inflation due to shortages of materials and labour with bidders also factoring in additional risk into their pricing. Across Scotland, many authorities are reporting cost increases of 20% to 50% on some projects.
7. Consequently, we are constantly monitoring project expenditure so that additional cost pressures on key projects can be covered by deferring or reducing other projects to compensate.

CURRENT POSITION

- | | | |
|----|--|------------------|
| 8. | Total anticipated expenditure (Appendix A) | £ 14.078m |
| | Total anticipated resources (Appendix B) | £ <u>13.975m</u> |
| | Shortfall | £ <u>0.103m</u> |

EXPENDITURE

9. The estimated expenditure has reduced by £2.054m below the level reported to Cabinet on 1 December 2022. The main expenditure movements are as follows:-

Revised Project Timing

- **Rewiring (including smoke/carbon monoxide detectors)**
Tenders for the supply and installation contract, to replace smoke/carbon monoxide detectors that are at the end of their lifespan, are currently being evaluated with the work now scheduled to start during March 2023 and continue into the year 2023/24. Expenditure in the year has been reduced by £125,000.
- **Energy Efficiency (Including Cavity Wall Insulation)**
Only essential works are being progressed and less urgent works deferred while management await revised energy efficiency guidance from the Scottish Government. As a consequence, expenditure in the year has been reduced by £253,000.
- **Communal Door Entry Systems & Internal Element Renewals (incl. Kitchens, Bathrooms & Doors)**
Tenders for the supply and installation of the communal door entry systems are currently being evaluated and the work is now scheduled to start during early spring 2023/24. Expenditure in the year has been reduced by £99,000.
A further £175,000 within the Internal Element Renewal project was earmarked to support the Communal Door Entry Systems project and will also be deferred to 2023/24 in light of the revised start date.
- **Purchase of Property (CPO/Mortgage to Rent Acquisition)**
No properties are likely to be acquired under these schemes before the end of the financial year. Expenditure in the year has been reduced by £100,000.
- **Capital New Build – Phases 1 and 2**
Work on all the approved sites is continuing and further additions to the socially rented housing stock will be delivered during the current and future years. However the new homes at the Malletsheugh site are now scheduled to be delivered in two stages during March 2023 and May 2023. Expenditure during the year has been reduced by £1.409m.

Increase

- **Aids & Adaptations**
As a result of reduced spend on this service during the Covid restrictions (2020/21) and restrictions to progress this type of work in full capacity, there was a backlog of installations to be addressed. This is the first year post Covid that the works have resumed in full capacity and the backlog in the main has been addressed. This is a statutory service which must be provided to tenants who meet the assessment criteria and as a result expenditure in the year has increased by £107,000.

INCOME

10. Resources to support the Housing Capital Programme have been adjusted as follows:-

- Grant New Build Phase 2 & Commuted Sums
Expenditure on new builds is supported by specific government grants and commuted sums with the balance being funded by borrowing. In response to the revised timescale for the delivery of units at the Malletsheugh site, the associated grant income has been reduced by £752,000 and commuted sums reduced by £50,000.
Both the grant and commuted sums remain available to support the expenditure incurred in future years.
- Purchase of Property/Rental Off The Shelf
With no properties being purchased this year the grant drawdown of £50,000 has been removed.
- Borrowing
In light of the expenditure and income movements outlined above the planned use of borrowing during the year has been reduced by £1.100m.

COMMENT

11. The projected shortfall of £103,000 represents 0.7% of the resources available and is within manageable limits.

PARTNERSHIP WORKING

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

RECOMMENDATIONS

13. The Cabinet is asked to:-

- note and approve the current movements within the programme; and
- note the shortfall of £103,000 and that this will be managed and reported within the final accounts for the year.

Further information is available from Paul Parsons, Principal Accountant – Capital, telephone 07741 701 451.

Margaret McCrossan
Head of Accountancy Services (Chief Financial Officer)
MMcC/PP
20 April, 2023

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HOUSING CAPITAL PROGRAMME

Appendix A
8 February 2023

PROGRESS REPORT

2022/2023

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 01.12.22	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR to 31.12.22		SPENT PRIOR TO 31.03.22	PREVIOUS TOTAL COST	REVISED TOTAL COST
835000002	Renewal of Heating Systems	551	551	240	Work in progress	0	799	799
832000001	Rewiring (including smoke/carbon monoxide detectors)	345	220	73	Work in progress	0	470	470
831000002	External Structural Works	2,399	2,399	1,599	Work in progress	0	2,399	2,399
835000008	Estate Works	100	100	66	Work in progress	0	116	116
835000006	Energy Efficiency (Including Cavity Wall Insulation)	303	50	27	Work in progress	0	303	303
835000010	Aids and Adaptations	268	375	319	Work in progress	0	268	375
831500001	Internal Element Renewals (including kitchens, bathrooms and doors)	1,828	1,653	988	Work in progress	0	1,860	1,860
835000005	Communal Door Entry Systems	99	0	0	Work scheduled 2223/24	0	99	99
835000012	Sheltered Housing	875	875	578	Work in progress	0	2,417	2,417
830500003	Purchase of Property (CPO/Mortgage to Rent Acquisition)	100	0	0	No properties identified	0	100	100
835000003	IT Systems	53	53	18	Work in progress	200	256	256
Grouped	Capital New Build Phase 1	1,214	1,267	1,267	Work in progress	13,285	16,015	16,015
Grouped	Capital New Build Phase 2	7,987	6,525	4,466	Work in progress	5,324	48,010	48,010
N/A	Retentions	10	10	2		0	10	10
		16,132	14,078	9,643		18,809	73,122	73,229

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HOUSING CAPITAL PROGRAMME 2022/23

Appendix B
8 February 2023

PROGRESS REPORT

RESOURCES

	£'000
Borrowing	10,365
Commuted Sums - New Build	235
Grant - New Build Phase 1	-
Grant - New Build Phase 2	3,135
Recharges to Owner Occupiers (including HEEPS grant)	240
Capital Receipts	-
Purchase of Property/Rental off the Shelf (ROTS)	-
Total	13,975

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