

EAST RENFREWSHIRE COUNCIL28 June 2023Report 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 2023/24 Housing Capital Programme, approved on 1 March 2023, 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;
  - approve the transfer of £53,000 from Estate Works and £78,000 from Internal Elements Renewal to fund the Communal Door Entry project; and
  - note the shortfall of £188,000 and that income and expenditure on the programme will be managed and reported on a regular basis.

**BACKGROUND**

3. The Housing Capital Programme for 2023-2033 was approved by Council on 1 March 2023. The budgeted expenditure for 2023/24 included in this report was £9.094m.
4. Movements on the 2022/23 programme were approved by Cabinet on 2 March 2023, including a number of changes not reflected in the 10 year programme. At that point, expenditure on the 2022/23 programme had not been finalised and this report now adjusts 2023/24 project budgets to allow for outstanding works at the year-end to be completed in the current year.
5. As highlighted in previous reports, in general, construction costs are rising faster than general inflation due to shortages of materials and labour and also due to bidders factoring in additional risk in their pricing.
6. Consequently, we are constantly monitoring project expenditure so that, where possible, additional cost pressures on key projects can be covered by deferring or reducing other projects to compensate.

**CURRENT POSITION**

- |    |  |                 |
|----|--|-----------------|
| 7. | Total anticipated expenditure (Appendix A) | £ 8.401m        |
|    | Total anticipated resources (Appendix B)   | <u>£ 8.213m</u> |
|    | Shortfall                                  | <u>£ 0.188m</u> |

## FINALISATION OF THE 2022/23 PROGRAMME

8. The finalisation of the previous year's capital programme has cash flow implications for the 2023/24 programme. i.e. any unfinished works will now be progressed during the current year.
9. 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.
10. The majority of this adjustment (£2.054m) reflects the movements on the 2022/23 programme which were reported to Cabinet on 2 March 2023 and explanations for these movements were included in the accompanying report.
11. A further £1.192m adjustment has now been added, reflecting the net underspend at year end. The majority of this movement is as follows:-
  - External Structural Works (£0.583m) where the 2022/23 work is now nearing completion.
  - Capital New Build Phase 2 project (£0.220m) where the delivery time for new homes was revised.
  - Renewal of Heating Systems (£0.212m) where only essential works are being progressed until revised energy efficiency guidance is issued by the Scottish Government.
  - Sheltered Housing (£0.135m) where a range of works is continuing during the current year.
12. Further adjustments to the programme are now necessary as set out below.

## EXPENDITURE

13. The programme approved during March 2023 has increased from £9.094m to £12.340m for purely cash flow reasons between 2022/23 and 2023/24, as outlined in paragraphs 8 to 11 above.
14. The expenditure is subsequently reduced by £3.939m to give a revised projected expenditure level of £8.401m. The main expenditure movements are as follows:-

### Revised Project Timing

- Renewal of Heating Systems & Energy Efficiency (incl. Cavity Wall Insulation)

Revised energy efficiency guidance from the Scottish Government is outstanding. In the meantime, only essential works are being progressed and less urgent works deferred. As a consequence, expenditure in the year has been reduced by £660,000 on the Renewal of Heating Systems and £500,000 on Energy Efficiency (including Cavity Wall Insulation) projects.

- Rewiring (including smoke/carbon monoxide detectors)

This project covers electrical related issues such as smoke/carbon monoxide detectors and compliance works as well as traditional rewiring works. Thorough testing of properties is in place and if necessary the works will be undertaken as homes become void. If not necessary the works will be added to a planned programme. As a consequence expenditure in the year has been reduced by £217,000.

- External Structural Works

Works issued as part of this project will be subject to a revised procurement process, with the design phase completed in advance of the tender for the main construction work being issued. As a result, the works are not expected to start on site until late summer and will continue into the next financial year. Expenditure in the current year has been reduced by £750,000.

- Capital New Build – Phase 2

Planning and procurement 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 only the remaining 10 new homes at the Malletsheugh site will be delivered this year and initial development fees incurred on other sites. Expenditure during the year has been reduced by £1.885m.

#### Increase

- Purchase of Property

A property has been identified for purchase under the Scottish Government mortgage to rent scheme. The estimated level of expenditure has been increased by £55,000 and will in the main be covered by increased grant funding of £52,000.

#### Transfer

- Estate Works & Internal Elements Renewal to Communal Door Entry

As a result of rising tender prices and increased owner participation in the scheme, the budget required for the project has increased by £131,000. It is proposed to fund the increased cost associated with these works by transferring £53,000 from Estate Works and £78,000 from Internal Element Renewals.

**INCOME**

15. Resources to support the Housing Capital Programme have been adjusted to reflect the changes noted above.
- Borrowing for the year has been adjusted downwards by £54,000 to reflect timing variation of spend and resources. This reflects the borrowing unused in 2022/23 (£1.977m) and the reduced borrowing requirements for rephasing of projects into future years (£2.031m).
  - Commuted Sums & Grant New Build Phase 2  
Both these income sources have been updated in line with the revised expenditure levels for the current year. The drawdown of income from commuted sums has been increased by £45,000 and grant reduced by £1.092m.
  - Purchase of Property/Rental Off the Shelf  
Scottish Government grant associated with this scheme has been increased by £52,000 but is subject to confirmation.

**COMMENT**

16. The projected shortfall of £188,000 represents 2.3% of the resources available and is within manageable limits.

**PARTNERSHIP WORKING**

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

**RECOMMENDATIONS**

18. The Council is asked to:-
- note and approve the current movements within the programme;
  - approve the transfer of £53,000 from Estate Works and £78,000 from Internal Elements Renewal to fund the Communal Door Entry project; and
  - note the shortfall of £188,000 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  
23 June, 2023

**EAST RENFREWSHIRE COUNCIL****HOUSING CAPITAL PROGRAMME****PROGRESS REPORT****2023/24**

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 01.03.23	ADJUSTED FOR 2022/23 CASHFLOW	PROJECTED OUTTURN FOR CURRENT YEAR		SPENT PRIOR TO 31.03.23	PREVIOUS TOTAL COST	REVISED TOTAL COST
835000002	Renewal of Heating Systems	798	1,010	350	Work in progress	0	1,010	1,010
832000001	Rewiring (including smoke/carbon monoxide detectors)	375	602	385	Work in progress	0	602	602
831000002	External Structural Works	2,019	2,602	1,852	Work programmed, revised procurement arrangements in place	0	2,602	2,602
835000008	Estate Works	176	176	100	Work in progress - £53k transferred to Communal Door project	0	176	123
835000006	Energy Efficiency (Including Cavity Wall Insulation)	300	575	75	Work in progress	0	575	575
835000010	Aids and Adaptations	200	200	200	Work in progress	0	200	200
831500001	Internal Element Renewals (including kitchens, bathrooms and doors)	972	1,050	972	Work in progress - £78k transferred to communal door project	0	1,050	972
835000005	Communal Door Entry Systems	20	119	250	Work in progress - increase funded by £53k from Estate Works and £78k from Internal Element Renewal	0	119	250
835000012	Sheltered Housing	1,567	1,702	1,702	Alarm and fire replacement works in progress; central heating replacements to be tendered	0	1,702	1,702
830500003	Purchase of Property (CPO/Mortgage to Rent Acquisition)	50	100	155	1 property identified - progress subject to grant confirmation	0	100	155
835000003	IT Systems	203	159	159	Work in progress	297	456	456
Grouped	Capital New Build Phase 1	239	188	229	Work in progress - nearing completion	14,550	14,738	14,779

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Grouped	Capital New Build Phase 2	2,165	3,847	1,962	Work in progress	11,629	45,321	45,321
N/A	Retentions	10	10	10		0	10	10
		<b>9,094</b>	<b>12,340</b>	<b>8,401</b>		<b>26,476</b>	<b>68,661</b>	<b>68,757</b>

**EAST RENFREWSHIRE COUNCIL**  
**HOUSING CAPITAL PROGRAMME 2023/24**

**PROGRESS REPORT**

**RESOURCES**

	<b>£'000</b>
Borrowing	7,050
Commuted Sums - New Build	70
Grant - New Build Phase 1	-
Grant - New Build Phase 2	751
Recharges to Owner Occupiers (including HEEPS grant)	240
Capital Receipts	-
Purchase of Property/Rental off the Shelf (ROTS)	102
<b>Total</b>	<b>8,213</b>

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