

EAST RENFREWSHIRE COUNCILCABINET26 November 2020Report by Head of Accountancy (Chief Financial Officer) and Director of EnvironmentHOUSING CAPITAL PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to monitor expenditure as at 30 September 2020 (Quarter 2) against the approved Capital Programme for 2020/21 and to recommend adjustments where necessary.

RECOMMENDATIONS

2. The Cabinet is asked to:-
 - (a) note and approve the current movements within the programme; and
 - (b) note the shortfall of £0.135m and that income and expenditure on the programme will be managed and reported on a regular basis.

BACKGROUND

3. This report is presented in relation to the following:
 - A revised Housing Capital Programme for 2020-2025, reflecting changes to the programme detailed in the Strategic Housing Investment Programme (SHIP), particularly in relation to new build projects, was approved by Council on 27 February 2020.
 - Adjustments to the 2020/21 programme, reflecting timing movements across the new build programme, were approved by Council on 27 August 2020.

CURRENT POSITION

4.	Total anticipated expenditure (Appendix A)	£ 9.959m
	Total anticipated resources (Appendix B)	£ <u>9.824m</u>
	Shortfall	£ <u>0.135m</u>

EXPENDITURE

5. The total estimated expenditure for 2020/21 has reduced by £2.955m due to the following changes in respect of timing of expenditure and other adjustments.

Building Works Programme – Existing Stock

The impact of COVID-19 resulted in a pause to much of the works in the early part of the financial year with expenditure to date of £0.300m (30/09/2020). A number of timing adjustments are now required across the existing stock programme.

- Renewal of Heating Systems (reduced by £0.426m) – Restricted access due to COVID-19 have resulted in a later start and much of the planned work will now fall into 2021/22
- Aids & Adaptations (reduced by £0.134m) – COVID-19 has impacted on the ability to carry out these works safely and therefore the majority will now fall into 2021/22.
- Internal Element renewals (£0.168m) – a delayed tender process and government restrictions has resulted in a revised start date of January 2021 for these works and an element will now fall into 2021/22
- Communal Door Entry (reduced by £0.039m) – delayed due to restrictions and the need to reach agreement with occupiers.
- Sheltered Housing (reduced by £0.943m) – due to the need to carry out works safely and the increased risk to residents the majority of this work will be delayed until 2021/22.

In addition, some budget transfers are also required:

- Rewiring (increase of £0.159m) – additional expenditure will be required in this line due to the programme of installation of smoke detectors. This increase can be covered from a transfer from Internal Element Renewals (reduction in total budget of £0.159m).
- External Structural Works (increase of £0.176m) – the contract has been awarded with a start date of November 2020 and includes cavity wall insulation therefore an element of the Energy Efficiency budget earmarked for this purpose can be transferred to cover this increase (reduction of £0.176m).

Capital New Build – Phase 1 and 2

With construction at Fenwick Drive, Robertson Street and Blackbyres Road complete, the programme in 2020/21 includes Balgraystone Road, and the Phase 2 sites at Commercial Road, Barrhead; Barrhead Road, Newton Mearns; and the first two sites at Maidenhill. An allocation for retention payments for the completed sites is included in the projected outturn (£0.134m)

The impact of COVID-19 has had a significant effect on the timing and cost of projects due to market forces, inflation and new safe ways of working. Progress has been delayed at all sites as a result of the difficulty to obtain tenders from sub-contractors, inability to undertake site investigations and the requirement to follow government guidance in order to safely mobilise site starts.

- **Balgraystone Road, Barrhead**
The project started on site in October 2020 due to COVID-19 restrictions and planning delays. As a result, 2020/21 outturn for the project is likely to be £2.720m, £1.235m lower than the reported in August. Additional costs as a result of COVID-19 related health and safety measures and other abnormal costs associated with this development can be managed within the budget allocation however additional grant has been secured to cover these costs.
- **Maidenhill Area 6**
Work is underway on this site and the first batch of units are expected to complete in March 2021. A revised outturn of £1.900m in the current year is now expected (an increase of £0.080m) for Area 6 while overall costs remain on track. Initial fees and site investigation for the other Phase 2 projects at Barrhead Road (£0.026m) and Commercial Road (£0.030m) make up the total projected outturn of £1.956m

The impact of any changes will be reflected in the Housing Services 30 year Business Plan which is independently reviewed to ensure the programme remains affordable.

INCOME

6. Resources to support the Housing Capital Programme have been adjusted to reflect the changes noted above.
 - Scottish Government New Build Grant – additional grant has been secured to assist with COVID-19 health and safety measures and some of the abnormal site costs identified at Balgraystone Road (increase of grant available of £0.720m – grant adjusted to match anticipated expenditure).
 - Borrowing – Changes noted above in respect of project timing movements, transfers and additional grant has resulted in a net reduction in borrowing of £3.675m for 2020/21.

COMMENT

7. The projected shortfall of £0.135m represents 1.4% of the resources available and is within manageable limits.

PARTNERSHIP WORKING

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

RECOMMENDATIONS

9. The Cabinet is asked to:-
 - (a) note and approve the current movements within the programme; and
 - (b) note the shortfall of £0.135m and that income and expenditure on the programme will be managed and reported on a regular basis.

Further information is available from Mark Waugh, Principal Accountant – Capital, telephone 0141 577 3123.

Margaret McCrossan
Head of Accountancy Services (Chief Financial Officer)
MMcC/MW
10 December, 2020

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Appendix A

HOUSING CAPITAL PROGRAMME

PROGRESS REPORT

2020/2021

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED AT 27.08.20	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR		SPENT PRIOR TO 31.03.20	PREVIOUS TOTAL COST	REVISED TOTAL COST
835000002	Renewal of Heating Systems	872	446	0	Element of work delayed until 21/22	0	872	872
832000001	Rewiring (including smoke/carbon monoxide detectors)	938	1,097	47	Transfer from Internal Elements	0	938	1,097
831000002	External Structural Works	1,657	1,833	176	Transfer from Energy Efficiency	0	1,657	1,833
835000008	Estate Works	97	97	2	Work in progress	0	97	97
835000006	Energy Efficiency (Including Cavity Wall Insulation)	476	300	29	Transfer to External Structural in respect of Cavity Wall works	0	476	300
835000009	Aids and Adaptations	234	100	4	Element will now take place in 21/22	0	234	234
831500001	Internal Element Renewals (including kitchens, bathrooms and doors)	1,403	1,076	24	Revised start of Jan 2021, element transferred to Rewiring	0	1,403	1,244
835000005	Communal Door Entry Systems	59	20	0	Element of work delayed until 21/22	0	59	59
835000012	Sheltered Housing	978	35	18	Majority of work delayed until 21/22	0	978	978
N/A	Purchase of Property (CPO/Mortgage to Rent Acquisition)	25	25	0	Balance of ROTS budget approval - to be used to bring properties to higher standard	0	25	25
835000003	IT Systems	110	110	38	Work in progress	143	253	253
Grouped	Capital New Build Phase 1	4,179	2,854	107	First three sites complete with work in progress on remaining site	6,995	14,747	14,747
Grouped	Capital New Build Phase 2	1,876	1,956	36	Work in progress	69	22,401	22,401

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Appendix A

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2020/2021

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT
		CURRENT YEAR APPROVED AT 27.08.20	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR	
N/A	Retentions	10	10	0	
		12,914	9,959	481	

TOTAL COST £'000		
SPENT PRIOR TO 31.03.20	PREVIOUS TOTAL COST	REVISED TOTAL COST
0	10	10
7,207	44,150	44,150

HOUSING CAPITAL PROGRAMME 2020/21

PROGRESS REPORT

RESOURCES

	20/21 Revised £'000
Borrowing	5,845
Grant - New Build Phase 1	2,720
Grant - New Build Phase 2	826
Recharges to Owner Occupiers (including HEEPS grant)	433
Total	<u>9,824</u>

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