

EAST RENFREWSHIRE COUNCILCabinet1 December 2022

Report by Head of Accountancy (Chief Financial Officer) and
Head of Environment (Strategic Services)

HOUSING CAPITAL PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to monitor both income and expenditure as at 30 September 2022 against the approved Housing Capital Programme and to recommend adjustments where required.

RECOMMENDATIONS

2. The Cabinet is asked to:-
 - approve the revised level of borrowing required to support the programme from £9.965m to £11.465m, an increase of £1.500m above the level approved by Cabinet on 1 September 2022.
 - note and approve the current movements within the programme;
 - note the shortfall of £0.205m and that income and expenditure on the programme will be managed and reported on a regular basis.

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. The affordability and sustainability of capital plans including borrowing levels for the Housing Capital Programme were the subject of a separate Treasury Management Strategy Report for 2022/23 to both the Audit and Scrutiny Committee and subsequently to Council. The report submitted to the Audit and Scrutiny Committee on 17th February 2022 and subsequently approved by Council on 3 March 2022 estimated the annual borrowing required to support the Housing Capital Programme at £13.726m.
5. Further movements within the 2022/23 programme were approved by Cabinet on 1 September 2022.
6. 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, commuted sums and borrowing required to support the programme.
7. 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 costs increases of 20% to 50% on some projects.

8. 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

9.	Total anticipated expenditure (Appendix A)	£ 16.132m
	Total anticipated resources (Appendix B)	£ <u>15.927m</u>
	Shortfall	£ <u>0.205m</u>

EXPENDITURE

10. The estimated expenditure has reduced by £3.136m below the level reported to Cabinet on 1 September 2022. The main expenditure movements are as follows:-

Revised Project Timing

- **Renewal of Central Heating Systems**
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 £248,000.
- **Rewiring (including smoke/carbon monoxide detectors)**
Work on this project was delayed as a result of a management decision to change the contractor. A new contractor is now in place and the works are being progressed. Expenditure in the year has been reduced by £125,000.
- **Sheltered Housing**
This project covers a range of works at various sheltered complexes including lift replacement, warden call systems and central heating systems. In the main the reduced level of expenditure relates to the warden call system and central heating systems.

The warden call system is dependent on wider IT initiatives within the Council and is now likely to start during 2023/24. The central heating tender for two complexes was placed on hold while alternative options were investigated. The alternatives proved too costly and while the tender will be issued this financial year the work is now likely to start during 2023/24. Expenditure in the year has been reduced by £1.542m.

- **Capital New Build – Phases 1 and 2**
Work is progressing at various sites within the authority and following a review of units estimated to be completed this year expenditure has been reduced by £1.173m across both phases. Work on all the approved sites will continue and further additions to the socially rented housing stock will be delivered in future years.

Budget Transfer

- **External Structural Works/Energy Efficiency (Incl. Cavity Wall Insulation)**
In response to the increased expenditure on external wall insulation £500,000 has been transferred from energy efficiency to external structural improvements. This will be the subject of a separate report to Cabinet in January 2023.

INCOME

11. 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. Following a review of the sites being progressed this year, taking into account those expected to be completed and ensuring the grant income is properly aligned with the expenditure incurred the estimated grant income has been reduced by £4.256m and the commuted sums by £426,000.

The expenditure on new builds progressed in future years will still be supported in part by government grant and commuted sums.

- **Borrowing**
In light of the expenditure movements and the reduced levels of income from grant and commuted sums outlined above it is necessary to increase borrowing. The borrowing required to support the programme approved by Cabinet on 1 September 2022 was £9.965m. The level of borrowing required to support the revised programme is £11.465m, an increase of £1.500m.

The revised level of annual borrowing remains below the £13.726m within the Treasury Management Strategy Report for 2022/23 approved by Council on 3 March 2022.

COMMENT

12. The projected shortfall of £0.205m represents 1.3% of the resources available and is within manageable limits.

PARTNERSHIP WORKING

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

RECOMMENDATIONS

14. The Cabinet is asked to:-

- approve the revised level of borrowing required to support the programme from £9.965m to £11.465m, an increase of £1.500m above the level approved by Cabinet on 1 September 2022.
- note and approve the current movements within the programme;
- note the shortfall of £0.205m 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 – Capital, telephone 07741 701 451.

Margaret McCrossan

Head of Accountancy Services (Chief Financial Officer)

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8 December, 2022

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HOUSING CAPITAL PROGRAMME

PROGRESS REPORT

2022/2023

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 01.09.22	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR to 30.09.22		SPENT PRIOR TO 31.03.22	PREVIOUS TOTAL COST	REVISED TOTAL COST
835000002	Renewal of Heating Systems	799	551	181	Work in progress	0	799	799
832000001	Rewiring (including smoke/carbon monoxide detectors)	470	345	60	Work in progress	0	470	470
831000002	External Structural Works	1,899	2,399	1,329	Work in progress - £500k transferred from Energy Efficiency	0	1,899	2,399
835000008	Estate Works	116	100	50	Work in progress	0	116	116
835000006	Energy Efficiency (Including Cavity Wall Insulation)	803	303	8	Work in progress - transferred £500k to External Structural Works	0	803	303
835000009	Aids and Adaptations	250	268	193	Work in progress - £18k funded from Internal Elements	0	250	268
831500001	Internal Element Renewals (including kitchens, bathrooms and doors) 2018/19	1,878	1,828	334	Work in progress - £18k transferred to Aids & Adaptations	0	1,878	1,860
835000005	Communal Door Entry Systems	99	99		Work scheduled Q4 2022/23	0	99	99
835000012	Sheltered Housing	2,417	875	372	Work in progress	0	2,417	2,417
830500003	Purchase of Property (CPO/Mortgage to Rent Acquisition)	100	100		Schemes to be identified	0	100	100
835000003	IT Systems	53	53		Work in progress	200	256	256
Grouped	Capital New Build Phase 1	2,730	1,214	984	Work in progress	13,285	16,015	16,015
Grouped	Capital New Build Phase 2	7,644	7,987	3,893	Work in progress	5,324	48,010	48,010
N/A	Retentions	10	10	2		0	10	10

52
EAST RENFREWSHIRE COUNCIL
HOUSING CAPITAL PROGRAMME

Appendix A
 14 November 2022

PROGRESS REPORT

2022/2023

COST CODE	PROJECT NAME	ANNUAL COSTS £'000			COMMENT	TOTAL COST £'000		
		CURRENT YEAR APPROVED 01.09.22	PROJECTED OUTTURN FOR CURRENT YEAR	ACTUAL EXPENDITURE IN YEAR to 30.09.22		SPENT PRIOR TO 31.03.22	PREVIOUS TOTAL COST	REVISED TOTAL COST
		19,268	16,132	7,406		18,809	73,122	73,122

HOUSING CAPITAL PROGRAMME 2022/23

Appendix B
14 November 2022

PROGRESS REPORT

RESOURCES

	£'000
Borrowing	11,465
Commuted Sums - New Build	285
Grant - New Build Phase 1	-
Grant - New Build Phase 2	3,887
Recharges to Owner Occupiers (including HEEPS grant)	240
Capital Receipts	-
Rental off the Shelf (ROTS)	50
Total	15,927

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