



**COUNCIL EXECUTIVE**

**2019/20 HOUSING CAPITAL REPORT – MONTH 6 MONITORING REPORT**

**REPORT BY DEPUTE CHIEF EXECUTIVE**

**A. PURPOSE OF REPORT**

To provide the Council Executive with a report on the financial position in relation to the Housing Capital Programme following the completion of the month 6 monitoring exercise.

**B. RECOMMENDATION**

It is recommended that Council Executive note the outcome of the month 6 Housing capital monitoring exercise and the projected outturn for 2019/20.

**C. SUMMARY OF IMPLICATIONS**

<b>I. Council Values</b>	Focusing on customers' needs, being honest, open and accountable, making best use of our resources, working in partnership.
<b>II. Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The council's Housing Capital Programme is managed within the stringent requirements set out in the Prudential Code.
<b>III. Implications for Scheme of Delegations to Officers</b>	None.
<b>IV. Impact on performance and performance Indicators</b>	None.
<b>V. Relevance to Single Outcome Agreement</b>	"Outcome 10 – We live in well designed, sustainable places where we are able to access the services we need."
<b>VI. Resources - (Financial, Staffing and Property)</b>	Council Executive approved a revised four year capital programme of £118.771 million for 2019/20 to 2022/23 on 25 June 2019. The 2019/20 revised budget is £36.398 million.
<b>VII. Consideration at PDSP</b>	Not applicable.
<b>VIII. Other consultations</b>	Consultation has taken place with Housing Customer and Building Services, tenants and Finance & Property Services.

## D. TERMS OF REPORT

### D.1 Introduction

The council approved a four year programme for Housing capital investment in February 2019. An updated 2019/20 Housing capital investment programme of £36.398 million was approved by Council Executive on 25 June 2019, taking account of the 2018/19 outturn and updated phasing profiles. This report contains detail of expenditure to date in the Housing capital programme and provides a projected outturn for the financial year.

### D.2 Summary of Month 6 Financial Information

The summarised position for actual and projected expenditure is shown below. The table shows actual investment of £14.088 million in the housing stock to 30 September 2019. The forecast expenditure for the year is £34.967 million. The investment programme comprises the creation of new build social housing and refurbishment of existing stock, which includes large scale housing projects, energy efficiency works and planned programmes, much of which is undertaken by Building Services.

<b>Table 1</b>	<b>2019/20 Revised Budget £'000</b>	<b>Actual Expenditure at Month 6 £'000</b>	<b>2019/20 Projected Outturn £'000</b>	<b>2019/20 Projected Variance £'000</b>
New Housing Supply	16,489	6,290	15,968	(521)
Major Refurbishment	1,815	510	1,375	(440)
Major Elemental Upgrades	3,724	1,823	3,553	(171)
Planned Programmes	3,247	1,164	3,246	(1)
Environmental Upgrading	829	303	726	(103)
Compliance Works	9,957	3,719	9,800	(157)
Miscellaneous	337	279	399	62
<b>Total</b>	<b>36,398</b>	<b>14,088</b>	<b>35,067</b>	<b>(1,331)</b>

#### New Housing Supply

Significant resources continue to be invested in the creation and acquisition of new homes, with budgeted resources of £16.489 million in 2019/20. New housing supply includes increasing the existing council housing stock through new builds, open market acquisitions and mortgage to rent properties. Good progress is being made, with many of the new build projects on site and progressing, and projected spend for 2019/20 is £15.968 million. To date in 2019/20, 229 new build council houses have been completed. The council has also acquired 14 houses through the Open Market Acquisitions scheme.

A number of the new build sites were completed during 2018/19, and further sites have now been completed in 2019/20 at Deans South in Livingston, Drumshoreland in Pumpherston and Kirkhill in Broxburn. The sites at Almondvale Stadium, Livingston and Wester Inch, Bathgate have handed over approximately half of their complement and are anticipated to complete by the end of 2019. Two additional developments, at the former Vion site in Broxburn and at Brucefield in Livingston, are well underway. The former Vion development will be complete by the end of 2019 and the Brucefield development is programmed for initial handovers in summer 2020.

A contractor has now been appointed to commence works at the Standhill site in Bathgate. A delay in the contractor starting on site, principally due to issues in securing sub-contractors for the project, has resulted in slippage of £600,000 being expected in this project for 2019/20.

## **Major Refurbishments**

Major refurbishment works include planned works on streets, beyond traditional roof and render renewal works. Expenditure of £1.375 million is expected on these projects during 2019/20. A saving of £440,000 is now anticipated at Bathville Flats, due to a redesign of the project to remove the new build element and due to design changes in phase three and phase four of the project.

## **Major Elemental Upgrades**

Planned expenditure of £3.553 million is expected on major elemental upgrades in 2019/20. Projects largely include roof and roughcasting work undertaken, or managed, by Building Services.

Works to properties in the Lanrigg area of Fauldhouse are progressing well, and major works in the Glebe Road and Jubilee Road area of Whitburn have progressed ahead of schedule and are now complete. Potential savings have been identified in the projects in Balbardie Avenue and Race Road in Bathgate, due to a reduction in the number of owner occupiers participating in upgrading works and therefore reducing the overall programme of works required. An overspend is now forecast for the works in the Lanrigg area of Fauldhouse, due to additional properties being added to the project, with the overspend being offset by the identified underspends in other major elemental upgrade projects.

## **Planned Programmes**

Planned programmes maintain the safety of houses and components, with expenditure of £3.246 million expected across the programme during 2019/20. This includes new kitchens and bathrooms, window and door refurbishments and renewals, stair upgrades, fencing programmes and high value repairs. The programme consists of approximately: 150 kitchens and bathrooms, external painting and internal decoration to a combined total of 1,918 properties, rhone cleaning and upgrading to 1,618 properties and various common stair upgrades such as painting and new security entrance doors in 24 blocks.

Based on current levels of demand, an overspend is anticipated at month 6 in planned reactive projects due to the volume of works that have been identified. This overspend will be offset by forecast underspends in other demand led projects where levels of demand have been lower than previously expected, mainly kitchens and bathrooms and fencing works.

## **Environmental / External Upgrading**

Forecast expenditure of £726,000 is anticipated on environmental programmes and external upgrading in 2019/20. These works encompass a range of environmental, street improvement and drainage projects, planned in conjunction with tenants and other council services, and works are progressing well at various sites throughout West Lothian. Forecast slippage in tenant environmental works has reduced from the position reported at month 4 due to an increase in the number of projects that have been identified for delivery during 2019/20.

## **Compliance Works**

Compliance works to housing stock include asbestos management works, legionella upgrades, periodic testing and electrical upgrades and a number of energy efficiency projects aimed at meeting the requirements of Scotland's Energy Efficiency Standard for Social Housing (EESH) regulations by the end of December 2020.

These works include central heating upgrades, enhanced investment in external wall insulation and PV panels. The programme consists of approximately: 803 central heating replacements, periodic testing of 2,460 houses and the installation of hard wired smoke detectors in 6,740 properties.

As an integral part of the council's Energy Efficiency Standard for Social Housing Programme (EESH), an air source heat pump project is to be undertaken in all none gas areas to improve energy efficiency, which will include over 100 properties being fitted with new air source heat pump heating systems. PV Panel installations will continue in Westfield, in conjunction with programmed roof and render repair works.

External Wall Insulation (EWI) is being progressed in 220 council houses in the Knightsbridge area of Livingston, with works being carried out in conjunction with the HEEPS:ABS programme.

The month 6 monitoring exercise has identified accelerated spend in the ongoing projects to install hard wired smoke detectors and to carry out periodic testing and electric upgrades, with some the works now being aligned to the gas servicing contact to facilitate access to properties.

### **Miscellaneous**

Works are ongoing in various miscellaneous projects throughout West Lothian, which includes feasibility studies, the home safety service and home security for older council tenants, with anticipated spend of £399,000 in 2019/20.

## **D.3 Capital Resources**

The table below shows the capital resources available to fund the housing capital programme in 2019/20. It should be noted that the investment programme is largely funded through a mix of borrowing and Capital Funded from Current Revenue (CFCR), with additional funding sources from government grants, developer contributions and council tax on second homes.

The CFCR is the amount of income raised through the housing revenue account that is not spent directly on revenue costs, but is earmarked to fund capital works, mainly consisting of refurbishment and upgrade programmes to maintain and improve the housing stock. The mix between CFCR and Borrowing is largely dependent on the required level of borrowing and associated capital financing charges as well as the level of CFCR affordable to the Housing Revenue Account, and is subject to confirmation at the end of the financial year.

<b>Table 2</b>	<b>2019/20 Revised Budget £'000</b>	<b>2019/20 Income to Month 6 £'000</b>	<b>2019/20 Projected Outturn £'000</b>	<b>2019/20 Projected Variance £'000</b>
CFCR	6,195	4,333	8,666	2,471
Borrowing	28,108	12,153	24,305	(3,803)
Government Grants	1,760	1,011	1,760	0
Developer Contributions	250	0	250	0
Council Tax (Second Homes)	85	86	86	1
<b>Total Income</b>	<b>36,398</b>	<b>17,583</b>	<b>35,067</b>	<b>(1,331)</b>

## **CFCR**

At this stage, the contribution of Capital Funded from Current Revenue (CFCR) is anticipated to be £8.666 million. This is due to an increased forecast level of rental income within the Housing Revenue Account, based on latest estimates of stock changes, and also due to revised capital financing charges resulting from a review of loans fund operations. Following the introduction of new capital finance and accounting regulations, a review of both the general fund and HRA loans fund advance repayments was carried out, and discussions held with the council's treasury advisors. Changes to the way that current and future loans fund advances are calculated were approved by Council as part of the Annual Treasury Management Plan on 19 February 2019. On 24 September 2019, Council further approved changes to the method of repaying historic loans fund advances meaning that they will also be repaid over a longer period of time.

The debt repayments on prior year loans fund advances have been recalculated following the Council's decision, resulting in a forecast underspend of £1.480 million in loans fund principal repayments in 2019/20. It is proposed that the level of CFCR is increased by the same amount to reflect this updated forecast. This underspend, generated from the recalculation of loans fund principal repayments, will be retained within the approved four year capital budget and, as approved by Council on 24 September 2019, proposals to utilise this saving will be developed through the normal HRA budget governance route. As such, proposals will be brought to the Services for the Community Policy Development and Scrutiny Panel for discussion before being presented to full Council for approval.

It should be noted the final contribution can be subject to capital borrowing requirements and related costs, as well as affordability within the Housing Revenue Account, subject to pressures such as rent arrears and reactive repair costs, and the anticipated CFCR contribution will continue to be reviewed throughout the year.

## **Borrowing**

The programme approved in June 2019 outlined anticipated borrowing requirements of £28.108 million. At this stage it is anticipated that £24.305 million of borrowing will be required to meet projected 2019/20 expenditure levels, taking into account the forecast increase in CFCR noted above.

## **E. CONCLUSION**

Progress is being made in the 2019/20 Housing capital programme. Within the new housing supply projects, there have been a number of completions and construction work is progressing well on a number of sites.

Significant investment is also being made in the housing stock to both improve the overall standard of the stock, meet energy efficiency standards and to increase the number of available houses for West Lothian residents. Much of the focus of this work in 2019/20 continues to be on work undertaken, where possible and within the terms of the Best Value framework, by Building Services. All project budgets will continue to be closely monitored and the position managed by appropriate lead officers.

Appendices/Attachments: One

Contact Person: [pamela.bell@westlothian.gov.uk](mailto:pamela.bell@westlothian.gov.uk) – Tel No: 01506 281282

**Graeme Struthers**  
**Depute Chief Executive**  
**12 November 2019**