

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

2020/21 HOUSING CAPITAL REPORT – MONTH 9 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 9 monitoring exercise.

B. RECOMMENDATION

It is recommended that Council Executive notes the outcome of the month 9 monitoring exercise and the projected outturn for 2020/21.

C. SUMMARY OF IMPLICATIONS

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| I. Council Values | Focusing on customers' needs, being honest, open and accountable, making best use of our resources, working in partnership. |
| II. Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) | The council's Housing Capital Programme is managed within the stringent requirements set out in the Prudential Code. |
| III. Implications for Scheme of Delegations to Officers | None. |
| IV. Impact on performance and performance Indicators | None. |
| V. Relevance to Single Outcome Agreement | "Outcome 10 – We live in well designed, sustainable places where we are able to access the services we need." |
| VI. Resources - (Financial, Staffing and Property) | Council Executive approved a revised three year capital programme of £107.615 million for 2020/21 to 2022/23 on 23 June 2020. The 2020/21 revised budget is £29.241 million. |
| VII. Consideration at PDSP | Not applicable. |

VIII. Other consultations

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 three year programme for Housing capital investment in February 2020. An updated 2020/21 Housing capital investment programme of £29.241 million was approved by Council Executive on 23 June 2020, taking account of the 2019/20 outturn, the most recent assumptions available regarding the potential effect of the Covid-19 situation on the programme for 2020/21 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 9 Financial Information

The summarised position for actual and projected expenditure is shown below. The table shows actual investment of £13.644 million in the housing stock to 31 December 2020. The forecast expenditure for the year is £23.270 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.

Table 1	2020/21 Revised Budget £'000	Actual Expenditure at Month 9 £'000	2020/21 Projected Outturn £'000	2020/21 Projected Variance £'000
New Housing Supply	11,800	6,111	9,669	(2,131)
Major Refurbishment	2,669	1,212	2,045	(624)
Major Elemental Upgrades	3,239	1,189	3,047	(192)
Planned Programmes	2,742	1,376	2,056	(686)
Environmental Upgrading	468	83	301	(167)
Compliance Works	7,855	3,558	5,771	(2,084)
Miscellaneous	468	115	381	(87)
Total	29,241	13,644	23,270	(5,971)

New Housing Supply

Significant resources continue to be invested in the creation and acquisition of new homes, with budgeted resources of £11.800 million in 2020/21. New housing supply includes increasing the existing council housing stock through new builds, open market acquisitions and mortgage to rent properties.

The Covid-19 shutdown period has had a major impact on new build provision for 2020/21, with planned construction works being halted for approximately three months. However, works have now recommenced at the sites that were operational before the shutdown, and progress is now being made, with projected spend for 2020/21 of £9.669 million. Work has now fully concluded at the site in Brucefield in Livingston, with 17 completions in September 2020 and the remaining 16 houses completed and handed over in November 2020. At Standhill in Bathgate, work is now progressing ahead of schedule, resulting in accelerated spend, with a number of completed properties expected to be handed over during 2020/21. The final property at Wester Inch was handed over in June 2020, completing the project at this site.

As at 31 December 2020, 12 houses have been acquired through the Open Market Acquisitions scheme, with a further 17 acquisitions currently in progress. This represents an acceleration to the number of acquisitions planned this year, and is in addition to the 191 open market acquisitions that have been added to the housing stock in previous years since the scheme was introduced.

The new build programme was reviewed and updated in June 2020, in light of current restrictions in place at the time, estimates of when these restrictions were likely to be eased and the likely impact that these changes would have on the various types of projects required to be carried out as part of the housing capital investment programme. For projects that had not yet started before the Covid-19 lockdown was announced, the impact is proving to be considerably greater than anticipated when the budget was updated in June.

The sites at Deans South and Eagle Brae are expected to start later than was anticipated when the budget was updated in June, due to delays in the tender process as a result of the Covid-19 situation. Although contracts have now been awarded for both sites, there have been delays in contractors being able to start works on site due to issues with availability of materials resulting from the pandemic. As a result, slippage of approximately £1.6 million is now anticipated in the budgeted spend for these projects in 2020/21, an increase of £500,000 from the position anticipated at month 6.

Similarly, the project to acquire 20 additional new build units directly from the developer at Eliburn in Livingston is also now forecast to be further delayed than anticipated at month 6. This is due to the developers returning from furlough later than originally anticipated and a change to the Development Agreement which includes staged payments on completion of whole units as opposed to interim monthly valuations. The work on site is progressing well with eight units due for handover in March 2021, however the financial impact of the revised payment profile has resulted in forecast slippage of £1.6 million in the budgeted spend for the year, an increase of £1 million from the position anticipated at month 6.

Whilst it is anticipated that a number of areas within the new supply budget are now expected to be more adversely affected by the coronavirus pandemic than was anticipated when this budget was updated in June 2020, officers will continue to review all available options for delivery of the programme and will actively seek every opportunity to minimise delays in the delivery of the plan.

Future year budgets are continually being reviewed to determine if any projects can be accelerated, and substantial progress has been made in delivering some of the Open Market Acquisitions originally planned for 2021/22, however contractor and supplier availability continues to be impacted by the pandemic which makes it difficult to accelerate certain types of work.

Major Refurbishments

Major refurbishment works include planned works on streets, beyond traditional roof and render renewal works. Expenditure of £2.045 million is expected on these projects during 2020/21.

The project at Bathville in Armadale is now projecting slippage of £907,000 due to further delays in the tender process and the ability to progress demolition works in advance of other planned works at the site, an increase of £279,000 on the position reported at month 6. However, the project programmed for 2020/21 at the Lochs scheme in Whitburn has been reviewed, with additional properties originally planned for next financial year now able to be progressed in the current year instead, resulting in accelerated spend for 2020/21 of £283,000.

Major Elemental Upgrades

Planned expenditure of £3.047 million is expected on major elemental upgrades in 2020/21.

Projects largely include roof and roughcasting work undertaken, or managed, by Building Services. Most of the elemental upgrade programme is still expected to be delivered substantially to budget, with the exception of the project at Strathlogie in Westfield, which has been delayed in starting due to Covid-19 related issues with the contractor, resulting in forecast slippage of £191,000.

Planned Programmes

Planned programmes maintain the safety of houses and components, with expenditure of £2.056 million expected across the programme during 2020/21. 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: 80 kitchens and bathrooms, external painting and internal decoration to a combined total of 1,811 properties, rhone cleaning and upgrading to 1,717 properties and various common stair upgrades such as painting and new security entrance doors in 22 blocks.

The ongoing pandemic and resulting working restrictions are having a material effect on the planned programmes for 2020/21. The move to Level 4 restrictions from November 2020 has greatly reduced the amount of work that can be completed in this area, as most of the works are internal but not essential, and are therefore against current guidance.

Work on common stair upgrades has been accelerated, as this is external, as has work on kitchens and bathrooms in void properties, as these works don't involve access to occupied houses. However, the remainder of the planned programme projects are now expected to slip due to restricted access to properties, per current Scottish Government legislation, and also due to drop in demand from tenants, due to requirements to self-isolate and reluctance to permit access.

At the moment, it assumed that the current restrictions will remain in place until the end of the financial year however, if they are relaxed before then, every effort will be made to progress with these works as soon as is practicable and reduce slippage where possible.

Environmental / External Upgrading

Forecast expenditure of £301,000 is anticipated on environmental programmes and external upgrading in 2020/21. These works encompass a range of environmental, street improvement and drainage projects, planned in conjunction with tenants and other council services.

Works have restarted and are progressing well at various sites throughout West Lothian, however there is now expected to be some slippage in the projects to improve bin stores and to carry out tenant street improvement projects due to delays in procurement and consultation on the projects as a result of the pandemic.

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. These works include central heating upgrades, enhanced investment in external wall insulation and PV panels. The 2020/21 programme consists of 347 central heating replacements, periodic testing of 1,746 houses and the installation of hard wired smoke detectors in 6,300 properties.

As noted above for the planned programme projects, the Level 4 restrictions have also had a material effect on the amount of compliance works that have been undertaken since November 2020, and that can be planned for the remainder of the financial year. While essential emergency works are continuing, there is now likely to be substantial slippage in the central heating, energy efficiency and external wall insulation planned projects, due to the severely reduced access to properties in line with current Scottish Government legislation.

At the moment, it is assumed that the current restrictions will remain in place until the end of the financial year however, if they are relaxed before then, every effort will be made to progress with these works as soon as is practicable and reduce slippage where possible.

Despite the central heating programme having a short window of operations of only 14 weeks, from when works were able to resume after the lockdown in the spring of 2020 until the introduction of the Scottish Government restrictions to move to Level 4, there has been significant progress made. There have been over 195 central heating upgrades in customers properties, which is equivalent to 56% of the overall programme. Where customers encounter central heating boiler failures, emergency upgrades continue to be arranged within strictly controlled, risk assessed conditions.

Similarly, the periodic inspection programme has been severely affected by the numbers of properties that council operatives have been unable to access. So far this year, there have been 1,517 appointments made of which operatives were unable to gain access to 340 properties, meaning that 1,177 inspections have been successfully carried out to date. This is equivalent to 67% of the overall planned programme for 2020/21. Despite the disruptions, the expectation is that the programme will be met.

Likewise, the performance on the Smoke Detector programme continues to be positive in similar challenging circumstances. To date, there have been over 3,500 smoke and fire detection systems upgraded. This is equivalent to 56% of the planned programme for 2020/21. Initially the programme was subject to a high no access rate of 25% on the appointments made. This has reduced somewhat as a result of council communication and social media channels advising customers of the legislative requirement to have their systems upgraded. Although the programme is currently behind on its original plan, the overall programme will be met in line with the recent changes made by the Scottish Government to recommend an extended completion date to February 2022.

Start dates for remedial works at Orlit properties and at The Vennel in Linlithgow are now also expected to be delayed, due to Covid-19 related issues with appointment of consultants and legal approvals.

Miscellaneous

Works are ongoing in various miscellaneous projects throughout West Lothian, which includes feasibility studies, the home safety service, the home security for older people and provision for works required as a result of new unsuitable accommodation legislation introduced by the Scottish Government, with anticipated spend of £381,000 in 2020/21.

D.3 Capital Resources

The table below shows the capital resources available to fund the housing capital programme in 2020/21. 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 council house sales, government grants and council tax on second homes.

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.

Table 2	2020/21 Revised Budget £'000	2020/21 Income to Month 9 £'000	2020/21 Projected Outturn £'000	2020/21 Projected Variance £'000
CFCR	10,379	7,340	9,786	(593)
Borrowing	15,312	7,204	9,605	(5,707)
Government Grants	3,120	1,815	3,120	0
Developer Contributions	250	0	250	0
Council Tax (Second Homes)	80	145	145	65
Capital Receipts	100	300	364	264
Total Income	29,241	16,804	23,270	(5,971)

CFCR

At this stage, the contribution of Capital from Current Revenue (CFCR) is anticipated to be £9.786 million. As set out in the 2020/21 Housing Revenue Account – Month 9 Monitoring Report, guidance provided by Audit Scotland has stipulated that non-productive costs resulting from capital funded staff are required to be charged to the HRA, rather than to the capital programme. This additional cost pressure in the revenue account has resulted in a lower than budgeted CFCR for 2020/21.

Although the lower than budgeted CFCR will be offset by the forecast slippage in 2020/21, the CFCR forms part of the overall funding package for the three year capital programme for 2020/21 to 2022/23 and therefore the overall forecast reduction in the CFCR will need to be replaced to ensure that the three year programme remains fully funded. It is proposed that the loss of CFCR income is replaced in the first instance by surplus forecast income from council tax from second homes and from capital receipts. The balance will be funded through project savings in the three year programme, with any savings generated within the programme earmarked to fund the loss in CFCR.

It should be noted the final CFCR 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 be reviewed as Treasury forecasts are updated.

Borrowing

The programme approved in June 2020 outlined anticipated borrowing requirements of £15.312 million. At this stage it is anticipated that £9.605 million of borrowing will be required to meet projected expenditure levels, taking into account the forecast slippage in the programme and the forecast decrease in CFCR noted above.

E. CONCLUSION

Progress is being made in the 2020/21 Housing capital programme, following an initial period of shutdown within the construction sector as a result of the Covid-19 pandemic, and continuing restrictions on working practices since the move to Level 4 in November 2020.

Within the new housing supply projects, work is ongoing on a number of sites, although there are expected to be further delays to some projects as a result of the ongoing current situation. Open Market Acquisitions have been progressing well, however, and it is now anticipated that a total of 29 properties can be acquired in the current financial year, rather than the 16 originally planned.

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. Although works have now recommenced on works to achieve energy efficiency standards, there is a risk that full compliance may not be achievable due to the time lost during the lockdown period and continuing restrictions. Much of the focus of this work in 2020/21 continues to be on work undertaken, where possible and within the terms of the Best Value framework, by Building Services.

As set out in the updated budget report to Council Executive in June 2020, although the capital programme has been reviewed and updated based on current guidance and assumptions, there remains a material risk that circumstances may change.

There also remains a substantial risk around the affordability of the current approved programme. Although identified savings from within the programme were used in the update to offset assumed increased costs as a result of the pandemic, the full impact of any increased costs is not likely to be known until restrictions are eased further. There may be further increased costs due to construction inflation, there may be further increased costs and delays due to lack of availability of materials, and there may be issues around availability of contractors as some companies may not survive the current crisis.

Given the ongoing uncertainty around the Covid-19 situation, officers will continue to review the programme and will continue to report on the impact to Council Executive as part of the established budget monitoring exercise. Officers will also endeavour to pursue all options for delivery of the programme and to minimise any further delays where possible. All project budgets will continue to be closely monitored and the position managed by appropriate lead officers.

Appendices/Attachments: One

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Depute Chief Executive
9 February 2021

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**West Lothian Council
Housing Capital Programme Month 9 Monitoring
Council Executive**

APPENDIX 1

EXPENDITURE	Annual Budget 2020/21 £'000	Actual to Date 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000	Variance Analysis
NEW HOUSING SUPPLY					
New Build	10,225	4,765	6,619	(3,606)	Slippage
Open Market Acquisition Scheme	1,425	1,346	3,000	1,575	Accelerated Spend
Mortgage to Rent	150	0	50	(100)	Saving
NEW SUPPLY TOTAL	11,800	6,111	9,669	(2,131)	
REFURBISHMENT AND INVESTMENT					
Major Refurbishment					
Bathville Flats, Armadale	1,628	409	721	(907)	Slippage
Harrison Houses - Loch Scheme, Whitburn	1,041	803	1,324	283	Accelerated Spend
	2,669	1,212	2,045	(624)	
Major Elemental Upgrades					
57 - 117 Lower Bathville	0	1	1	1	Overspend
Anderson Avenue, Armadale	497	172	545	48	Overspend
Auldhill Crescent, Bridgend	15	0	0	(15)	Saving
Badallan Place, Fauldhouse	287	20	287	0	On Budget
Balbodie Av & Cres, Rosemary & Slate Roofs, Bathgate	72	48	72	0	On Budget
Bedlormie	113	96	96	(17)	Saving
Church Place, Fauldhouse	0	1	1	1	Overspend
Cuthill, Stoneyburn	1	0	0	(1)	Saving
Dedridge Area, Livingston	1,680	598	1,680	0	On Budget
Drummond Place, Blackridge	289	173	249	(40)	Slippage
Empire St, Baillie St, Bog Rd, Park View, Dean St, Whitburn	1	0	1	0	On Budget
Glebe Rd, Union Rd & Dr, Armadale Rd, Jubilee Rd, Whitburn	10	5	5	(5)	Saving
Lanrigg Area, Fauldhouse - Ogilvy Crescent & Scott Place	38	72	65	27	Overspend
Race Road & Glasgow Road, Bathgate	5	0	5	0	On Budget
Strathlogie, Westfield	231	2	40	(191)	Slippage
	3,239	1,189	3,047	(192)	
Planned Programmes					
Assisted Decoration and Internal Upgrade Scheme	150	5	8	(142)	Slippage
Common Access Door Upgrades	231	64	141	(90)	Slippage
Common Stair Upgrades	105	189	236	131	Accelerated Spend
Fencing	105	14	83	(22)	Saving
Kitchens and Bathrooms	315	251	330	15	Accelerated Spend
Painting	210	125	140	(70)	Saving
Planned Reactive/ HIO Investment	1,061	581	890	(171)	Slippage
Rainwater Goods Testing and Upgrading	232	136	200	(32)	Saving
Windows & Doors Refurbishment / Renewal	333	12	28	(305)	Slippage
	2,742	1,376	2,056	(686)	
Environmental / External Upgrading					
Aerial Upgrades	30	18	30	0	On budget
Almondell, Broxburn	10	16	16	6	Overspend
Bin Store Improvements	78	0	5	(73)	Slippage
Play Areas	50	0	50	0	On budget
Programmed Drainage	100	17	100	0	On budget
Tenant Environmental Projects	200	32	100	(100)	Slippage
	468	83	301	(167)	
Compliance Works					
Aids and Adaptations - Building Services	507	214	357	(150)	Saving
Aids and Adaptations - Occupational Therapists	250	87	150	(100)	Saving
Asbestos Management	690	631	738	48	Overspend
Central Heating	1,496	566	820	(676)	Slippage
Energy Efficiency/PV Panels	600	321	346	(254)	Slippage
Stock Condition Surveys/Energy Performance Certificates	200	34	100	(100)	Slippage
External Wall Insulation	1,498	332	1,135	(363)	Slippage
Firewalls	13	3	5	(8)	Saving
Smoke and heat detector upgrades	1,487	1,000	1,450	(37)	Slippage
Legionella Upgrades	19	0	0	(19)	Saving
Periodic testing and Electric Upgrades	618	357	618	0	On Budget
Orlit Remedial Upgrades	252	0	40	(212)	Slippage
The Vennel Remedial Works	197	5	5	(192)	Slippage
Renewal of walls and footpaths	28	7	7	(21)	Saving
	7,855	3,558	5,771	(2,084)	
Miscellaneous					
Deans South, Livingston	120	11	50	(70)	Saving
Feasibility Surveys	18	4	9	(9)	Saving
Home Safety Service	170	0	170	0	On Budget
Home Security for Senior People	13	3	5	(8)	Saving
IT	50	44	50	0	On Budget
Unsuitable Accommodation Works	97	53	97	0	On Budget
	468	115	381	(87)	
REFURBISHMENT & INVESTMENT TOTAL	17,441	7,533	13,601	(3,840)	
TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME	29,241	13,644	23,270	(5,971)	

On Budget	3,160	1,155	3,160	0
Slippage	20,156	8,302	12,697	(7,459)
Accelerated Spend	2,886	2,588	4,890	2,004
Saving	1,804	704	1,157	(647)
Overspend	1,235	894	1,366	131
	29,241	13,644	23,270	(5,971)