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**COUNCIL EXECUTIVE**

**2021/22 HOUSING CAPITAL PROGRAMME – 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 2021/22.

**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 two year capital programme of £89.191 million for 2021/22 to 2022/23 on 22 June 2021. The 2021/22 revised budget is £49.027 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 two year programme for Housing capital investment in February 2021. An updated 2021/22 Housing capital investment programme of £49.027 million was approved by Council Executive on 22 June 2021, taking account of the 2020/21 outturn, the most recent assumptions available regarding the potential effect of the Covid-19 situation on the programme for 2021/22 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 £18.245 million in the housing stock to 30 September 2021. The forecast expenditure for the year is £48.886 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>2021/22<br/>Revised<br/>Budget<br/>£'000</b> | <b>Actual<br/>Expenditure<br/>at Month 6<br/>£'000</b> | <b>2021/22<br/>Projected<br/>Outturn<br/>£'000</b> | <b>2021/22<br/>Projected<br/>Variance<br/>£'000</b> |
|--------------------------|---|--|--|---|
| New Housing Supply       | 29,123  | 10,873   | 28,484   | (639)   |
| Major Refurbishment      | 1,452   | 723  | 1,537  | 85  |
| Major Elemental Upgrades | 3,434   | 1,578  | 3,966  | 532   |
| Planned Programmes       | 2,775   | 828  | 2,765  | (10)  |
| Environmental Upgrading  | 569   | 113  | 521  | (48)  |
| Compliance Works         | 10,945  | 3,863  | 10,994   | 49  |
| Miscellaneous            | 729   | 267  | 619  | (110)   |
| <b>Total</b>             | <b>49,027</b>                                   | <b>18,245</b>  | <b>48,886</b>                                      | <b>(141)</b>  |

#### New Housing Supply

Significant resources continue to be invested in the creation and acquisition of new homes, with budgeted resources of £29.123 million in 2021/22. 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 had a major impact on new build provision during 2020/21, with planned construction works being halted for approximately three months, and further delays incurred due to ongoing restrictions. However, works are now progressing well at the sites programmed for 2021/22, with the new supply programme forecasting to spend substantially on budget at month 6.

The construction works at Eliburn in Livingston have now completed, with all 20 units handed over and, at Standhill in Bathgate, the construction works that began during 2020 are ongoing and handovers are forecast for late 2021. Work commenced at sites at Deans South and Eagle Brae in Livingston in April and May 2021, with the first handovers expected by early 2022. Projects at Wellhead Farm and Mossend in Livingston are now underway, and first handovers at these sites are expected by winter 2021.

As at 30 September 2021, 16 houses have been acquired through the Open Market Acquisition scheme, with further acquisitions currently in progress. This is in addition to the 225 open market acquisitions that have been added to the housing stock in previous years since the scheme was introduced.

There is now expected to be slippage in the planned programme for 2021/22 due to current housing market conditions. A buoyant market has meant that demand for properties has increased in recent months resulting in higher prices, in many cases well above home report values. Increased competition for properties has also meant that many properties are sold before viewings can be arranged to assess suitability under OMAS policy guidelines. As a result, spend forecasts have been revised and slippage of £694,000 is now anticipated against the approved budget.

### **Major Refurbishments**

Major refurbishment works include planned works on streets, beyond traditional roof and render renewal works. Expenditure of £1.537 million is expected on these projects during 2021/22. Both projects programmed for 2021/22, at Bathville in Armadale and at the Lochs scheme in Whitburn, are progressing well.

As noted at month 4, it is proposed to extend the project to refurbish properties at the Lochs scheme in Whitburn to include properties recently acquired through the open market acquisition scheme, which will result in additional costs for the project. Additional capital resources and/or savings resulting from efficiencies elsewhere in the programme will be earmarked to mitigate these additional costs as they are identified through the budget monitoring process during 2021/22.

### **Major Elemental Upgrades**

Planned expenditure of £3.966 million is expected on major elemental upgrades in 2021/22. Projects largely include roof and roughcasting work undertaken, or managed, by Building Services. Most of the programme is expected to be delivered substantially to budget, with accelerated spend expected at the project in Fallas Place, Walker Road and Main Street in Fauldhouse.

Similarly to the Lochs scheme project noted above, it is proposed to extend the approved projects at Drummond Place in Blackridge and Strathlogie, Westfield to include recent open market acquisition properties, with the additional costs expected to be incurred to be funded from additional capital resources and/or underspends elsewhere in the programme.

### **Planned Programmes**

Planned programmes maintain the safety of houses and components, with expenditure of £2.765 million expected across the programme during 2021/22. 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: 100 kitchens and bathrooms, external painting, rhone cleaning and upgrading and internal decoration to a combined total of 2,968 properties, and various common stair upgrades such as painting and new security entrance doors in 22 blocks.

## **Environmental / External Upgrading**

Forecast expenditure of £521,000 is anticipated on environmental programmes and external upgrading in 2021/22. These works encompass a range of environmental, street improvement and drainage projects, planned in conjunction with tenants and other council services, and works have restarted and are progressing well at various sites throughout West Lothian.

## **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 2021/22 programme consists of 1,100 central heating replacements, periodic testing of 5,728 houses and the installation of hard wired smoke detectors in 3,780 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 50 properties being fitted with new air source heat pump heating systems. External Wall Insulation (EWI) is being progressed in the last remaining council houses in the Dedridge, Eliburn, Polbeth, and Fauldhouse areas, with works being carried out in conjunction with the HEEPS:ABS programme.

## **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 £619,000 in 2021/22.

The planned migration to a new housing management IT system has been rescheduled to summer 2022 to minimise risk around year end processes, with slippage of £100,000 now forecast against the current year budget as a result.

## **D.3 Capital Resources**

The table below shows the capital resources available to fund the housing capital programme in 2021/22. 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.

| <b>Table 2</b>             | <b>2021/22<br/>Revised<br/>Budget<br/>£'000</b> | <b>2021/22<br/>Income to<br/>Month 6<br/>£'000</b> | <b>2021/22<br/>Projected<br/>Outturn<br/>£'000</b> | <b>2021/22<br/>Projected<br/>Variance<br/>£'000</b> |
|----------------------------|---|--|--|---|
| CFCR                       | 11,162  | 5,997  | 11,994   | 832   |
| Borrowing                  | 29,154  | 7,866  | 27,733   | (1,421)   |
| Government Grants          | 8,286   | 3,759  | 8,286  | 0   |
| Developer Contributions    | 250   | 0  | 250  | 0   |
| Council Tax (Second Homes) | 75  | 190  | 190  | 115   |
| Capital Receipts           | 100   | 433  | 433  | 333   |
| <b>Total Income</b>        | <b>49,027</b>                                   | <b>18,245</b>                                      | <b>48,886</b>                                      | <b>(141)</b>  |

## CFCR

At this stage, the contribution of Capital from Current Revenue (CFCR) is anticipated to be £11.994 million. This is due to forecast underspends within the housing revenue account which are being partially offset by an anticipated under recovery of rental income as a result of Covid-19 related delays in new housing supply over 2020/21 and 2021/22.

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 when Treasury forecasts are updated.

## Borrowing

The programme approved in June 2021 outlined anticipated borrowing requirements of £29.154 million. At this stage it is anticipated that £27.833 million of borrowing will be required to meet projected expenditure levels, taking into account the forecast increase in CFCR noted above.

## D.4 Risks

The housing capital investment programme was reviewed and updated in June 2021, in light of current Covid-19 guidance and 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. However, there remain substantial risks which will continue to be monitored throughout the year.

The ongoing effect of the pandemic and resulting restrictions continues to be a significant risk to both the affordability and deliverability of the housing capital programme. There are continuing risks around increases in construction costs due to longer programmes and need to implement measures relating to infection control and social distancing, and lead in times for the supply of building components are increasing due to backlogs created by the restrictions and lockdown periods.

There have been significant price increases in building components, particularly timber, concrete and UPVC windows and doors. A national reduction in availability of trade resources is also having a negative impact on the delivery of the programmes. Although identified savings from within the programme have been used to offset assumed increased costs as a result of the pandemic, the full impact of any increased costs is not likely to be known for months or possibly years as contractors and the supply chain for resources recover from the events of the past year.

As well as risks related to the pandemic, the UK's exit from the EU also continues to cause uncertainty and risk around affordability and deliverability. Construction contracts remain sensitive to further risks around price inflation and availability of materials due to the knock-on effect on supplier pricing and volatility in major commodity markets that are priced in euros or US Dollars.

## **E. CONCLUSION**

Good progress is being made in the 2021/22 Housing capital programme, following restrictions and construction shutdown periods throughout 2020/21 as a result of the Covid-19 pandemic. Within the new housing supply projects, work has commenced on a number of new sites, and the programme is expected to be delivered as planned at month 6.

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 2021/22 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 2021, although the capital programme has been reviewed and updated based on current guidance and assumptions, there remains a material risk that circumstances may change, with any further restrictions as a result of the pandemic likely to have a detrimental impact on the deliverability of the approved programme for 2021/22.

There also remains a substantial risk around the affordability of the current approved programme, with both the ongoing effects of the pandemic and the UK's exit from the EU causing substantial risk and uncertainty around the cost and supply of resources.

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 delays that emerge 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**  
**16 November 2021**

**West Lothian Council**  
**Housing Capital Programme Month 6 Monitoring**  
**Council Executive**

**APPENDIX 1**

| <b>EXPENDITURE</b>                                      | <b>Annual Budget<br/>2021/22</b> | <b>Actual to Date<br/>2021/22</b> | <b>Projected Outturn<br/>2021/22</b> | <b>Projected Variance<br/>2021/22</b> | <b>Variance Analysis</b> |
|---|----------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|--------------------------|
| <b><u>NEW HOUSING SUPPLY</u></b>                        |                                  |                                   |                                      |                                       |                          |
| New Build   | 23,770                           | 9,093                             | 23,825                               | 55                                    | Overspend                |
| Open Market Acquisition Scheme                          | 5,253                            | 1,722                             | 4,559                                | (694)                                 | Slippage                 |
| Mortgage to Rent  | 100                              | 58                                | 100                                  | 0                                     | On budget                |
| <b>NEW SUPPLY TOTAL</b>                                 | <b>29,123</b>                    | <b>10,873</b>                     | <b>28,484</b>                        | <b>(639)</b>                          |                          |
| <b><u>REFURBISHMENT AND INVESTMENT</u></b>              |                                  |                                   |                                      |                                       |                          |
| <b>Major Refurbishment</b>                              |                                  |                                   |                                      |                                       |                          |
| Bathville Flats, Armadale                               | 1,002                            | 291                               | 1,002                                | 0                                     | On budget                |
| Harrison Houses - Loch Scheme, Whitburn                 | 450                              | 432                               | 535                                  | 85                                    | Overspend                |
|   | <b>1,452</b>                     | <b>723</b>                        | <b>1,537</b>                         | <b>85</b>                             |                          |
| <b>Major Elemental Upgrades</b>                         |                                  |                                   |                                      |                                       |                          |
| Anderson Avenue, Armadale                               | 10                               | 20                                | 24                                   | 14                                    | Overspend                |
| Badallan Place, Fauldhouse                              | 74                               | 82                                | 82                                   | 8                                     | Overspend                |
| Balbardie Avenue, Bathgate                              | 0                                | 2                                 | 2                                    | 2                                     | Overspend                |
| Church Place, Fauldhouse                                | 277                              | 211                               | 291                                  | 14                                    | Overspend                |
| Croftmalloch Estate - Harrison Houses, Whitburn         | 500                              | 238                               | 500                                  | 0                                     | On Budget                |
| Dedridge Area, Livingston                               | 1,453                            | 676                               | 1,453                                | 0                                     | On Budget                |
| Drummond Place, Blackridge                              | 320                              | 338                               | 535                                  | 215                                   | Overspend                |
| Fallas Place, Walker Road, Main Street, Fauldhouse      | 220                              | 0                                 | 450                                  | 230                                   | Accelerated Spend        |
| Preston Area - Linlithgow                               | 292                              | 0                                 | 292                                  | 0                                     | On Budget                |
| Race Road & Glasgow Road, Bathgate                      | 3                                | 0                                 | 3                                    | 0                                     | On Budget                |
| Strathlogie, Westfield                                  | 285                              | 11                                | 334                                  | 49                                    | Overspend                |
|   | <b>3,434</b>                     | <b>1,578</b>                      | <b>3,966</b>                         | <b>532</b>                            |                          |
| <b>Planned Programmes</b>                               |                                  |                                   |                                      |                                       |                          |
| Assisted Decoration and Internal Upgrade Scheme         | 250                              | 10                                | 250                                  | 0                                     | On budget                |
| Common Access Door Upgrades                             | 50                               | 2                                 | 40                                   | (10)                                  | Saving                   |
| Common Stair Upgrades                                   | 100                              | 16                                | 100                                  | 0                                     | On budget                |
| Fencing   | 100                              | 30                                | 100                                  | 0                                     | On budget                |
| Kitchens and Bathrooms                                  | 400                              | 221                               | 400                                  | 0                                     | On budget                |
| Painting  | 200                              | 116                               | 200                                  | 0                                     | On budget                |
| Planned Reactive/ HIO Investment                        | 811                              | 395                               | 811                                  | 0                                     | On budget                |
| Rainwater Goods Testing and Upgrading                   | 150                              | 27                                | 150                                  | 0                                     | On budget                |
| Windows & Doors Refurbishment / Renewal                 | 714                              | 11                                | 714                                  | 0                                     | On budget                |
|   | <b>2,775</b>                     | <b>828</b>                        | <b>2,765</b>                         | <b>(10)</b>                           |                          |
| <b>Environmental / External Upgrading</b>               |                                  |                                   |                                      |                                       |                          |
| Aerial Upgrades   | 25                               | 22                                | 25                                   | 0                                     | On budget                |
| Bin Store Improvements                                  | 78                               | 0                                 | 30                                   | (48)                                  | Saving                   |
| Play Areas  | 50                               | 24                                | 50                                   | 0                                     | On budget                |
| Programmed Drainage                                     | 100                              | 19                                | 100                                  | 0                                     | On budget                |
| Tenant Environmental Projects                           | 316                              | 48                                | 316                                  | 0                                     | On budget                |
|   | <b>569</b>                       | <b>113</b>                        | <b>521</b>                           | <b>(48)</b>                           |                          |
| <b>Compliance Works</b>                                 |                                  |                                   |                                      |                                       |                          |
| Aids and Adaptations - Building Services                | 426                              | 302                               | 475                                  | 49                                    | Accelerated Spend        |
| Aids and Adaptations - Occupational Therapists          | 150                              | 76                                | 150                                  | 0                                     | On Budget                |
| Asbestos Management                                     | 945                              | 286                               | 945                                  | 0                                     | On Budget                |
| Central Heating   | 3,841                            | 821                               | 3,841                                | 0                                     | On Budget                |
| Energy Efficiency/PV Panels                             | 371                              | 50                                | 371                                  | 0                                     | On Budget                |
| Stock Condition Surveys/Energy Performance Certificates | 217                              | 107                               | 217                                  | 0                                     | On Budget                |
| External Wall Insulation                                | 1,632                            | 1,364                             | 1,632                                | 0                                     | On Budget                |
| Firewalls   | 10                               | 0                                 | 10                                   | 0                                     | On Budget                |
| Smoke and heat detector upgrades                        | 1,088                            | 456                               | 1,088                                | 0                                     | On Budget                |
| Periodic testing and Electric Upgrades                  | 1,825                            | 388                               | 1,825                                | 0                                     | On Budget                |
| Orlit Remedial Upgrades                                 | 250                              | 13                                | 250                                  | 0                                     | On Budget                |
| The Vennel Remedial Works                               | 190                              | 0                                 | 190                                  | 0                                     | On Budget                |
|   | <b>10,945</b>                    | <b>3,863</b>                      | <b>10,994</b>                        | <b>49</b>                             |                          |
| <b>Miscellaneous</b>                                    |                                  |                                   |                                      |                                       |                          |
| Deans South, Livingston                                 | 40                               | 24                                | 40                                   | 0                                     | On Budget                |
| Feasibility Surveys                                     | 20                               | 12                                | 20                                   | 0                                     | On Budget                |
| Home Safety Service                                     | 170                              | 0                                 | 170                                  | 0                                     | On Budget                |
| Home Security for Senior People                         | 20                               | 1                                 | 10                                   | (10)                                  | Saving                   |
| IT  | 150                              | 38                                | 50                                   | (100)                                 | Slippage                 |
| Unsuitable Accommodation Works                          | 329                              | 192                               | 329                                  | 0                                     | On Budget                |
|   | <b>729</b>                       | <b>267</b>                        | <b>619</b>                           | <b>(110)</b>                          |                          |
| <b>REFURBISHMENT &amp; INVESTMENT TOTAL</b>             | <b>19,904</b>                    | <b>7,372</b>                      | <b>20,402</b>                        | <b>498</b>                            |                          |
| <b>TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME</b>       | <b>49,027</b>                    | <b>18,245</b>                     | <b>48,886</b>                        | <b>(141)</b>                          |                          |

|                   |               |               |               |              |
|-------------------|---------------|---------------|---------------|--------------|
| On Budget         | 17,644        | 5,991         | 17,644        | 0            |
| Slippage          | 5,403         | 1,760         | 4,609         | (794)        |
| Accelerated Spend | 646           | 302           | 925           | 279          |
| Saving            | 148           | 3             | 80            | (68)         |
| Overspend         | 25,186        | 10,189        | 25,628        | 442          |
|                   | <b>49,027</b> | <b>18,245</b> | <b>48,886</b> | <b>(141)</b> |