

DATA LABEL: PUBLIC

**COUNCIL EXECUTIVE****HOUSING CAPITAL 2021/22 OUTTURN AND UPDATED 2022/23 BUDGET****REPORT BY DEPUTE CHIEF EXECUTIVE****A. PURPOSE OF REPORT**

To provide the Council Executive with a report on the financial outturn in relation to the Housing Capital Programme for 2021/22 and an updated 2022/23 Housing Capital Budget.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the final outturn position for financial year 2021/22; and
2. Approves the updated 2022/23 Housing Capital Budget.

C. SUMMARY OF IMPLICATIONS

I. Council Values	Being honest, open and accountable, focusing on our customers' needs, making the 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)	<p>Council Executive approved a revised 2021/22 Housing Capital budget of £49.027 million on 22 June 2021.</p> <p>An updated capital programme for 2022/23 was approved by Council on 15 February 2022, with a total budget of £40.947 million.</p>
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

This report provides information on the financial position in relation to the Housing Capital programme as at 31 March 2022. It also sets out an updated budget position for 2022/23, to take account of the outturn position, latest circumstances and funding assumptions.

D.2 2021/22 Summary of Financial Information

A revised 2021/22 Housing Capital programme of £49.027 million was approved by Council Executive on 22 June 2021. Actual expenditure to 31 March 2022 was £45.500 million.

Table 1 below summarises the final outturn position over broad expenditure headings, and Appendix 1 provides a breakdown on a programme by programme basis. A more detailed commentary on each of the main expenditure headings is also provided for information.

The investment programme is comprised of new build social housing, refurbishment of existing stock and energy efficiency works, with a number of large scale housing projects undertaken by Building Services.

Table 1: Capital Expenditure Outturn 2021/22

	2021/22 Budget £'000	2021/22 Out-turn £'000	2021/22 Variance £'000
New Housing Supply	29,123	26,189	(2,934)
Major Refurbishment	1,452	1,343	(109)
Major Elemental Upgrades	3,434	3,981	547
Planned Programmes	2,775	2,913	138
Environmental / External Upgrading	569	151	(418)
Compliance Works	10,945	10,074	(871)
Miscellaneous	729	849	120
Total	49,027	45,500	(3,527)

New Housing Supply

Expenditure on the creation and acquisition of new homes amounted to £26.189 million in 2021/22. This included 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 in the previous financial year, with delays incurred due to ongoing restrictions, however good progress resumed during 2021/22, with overall spend on new build projects and open market acquisitions of £26.189 million during the year.

The construction works at Eliburn in Livingston have completed, with all 20 units handed over. At Standhill in Bathgate, works are also now complete, with 17 of the total 22 units handed over by 31 March 2022 and the remaining handovers finalised in early April 2022. Although revised spend profiles against the planned works at Wellhead Farm in Livingston resulted in overall slippage, the first phase of 4 units was handed over in March 2022, with further phases underway and expected to complete over 2022/23. A total of 41 new build completions were handed over during 2021/22. Works at Mossend in West Calder continue to progress well, with accelerated spend of £1.5 million in 2021/22, and the first handovers achieved in April 2022. The project at Deans South also achieved accelerated spend of £675,000 during the year.

Issues around supply of labour and supply chain weaknesses caused delays at Eagle Brae in Livingston, with slippage of £551,000 against the project, and ongoing site investigation and due diligence works have caused delays at the proposed Westerinch site, resulting in slippage of £1.5 million for this site in the 2021/22 financial year. Along with slippage of £1.7 million at Wellhead Farm due to updated spend profiles from the contractor, these are the main contributors to the overall net slippage position of £1.659 million for new build provision in 2021/22.

In 2021/22, 31 houses were acquired through the Open Market Acquisition scheme. 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.

A buoyant market has meant that demand for properties has increased rapidly 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 often sold before viewings can be arranged to assess suitability under OMAS policy guidelines. As a result, slippage of £1.233 million against the approved budget was incurred for 2021/22. The scheme will continue into 2022/23, with Scottish Government grant funding continuing to be available to support the purchases.

This major investment in new housing supply through both new build provision and open market acquisitions will provide new houses in areas across West Lothian of different sizes and styles, with many designed to support the occupation by people with limited movement ability, including wheelchair users.

Major Refurbishment

Major refurbishment encompasses major works on streets beyond traditional roof and render renewal works, and investment totalled £1.343 million during the year.

The completion of the work at Bathville in Armadale was delayed due to contractor performance issues which resulted in termination of the existing contract, and the process to appoint new contractors to carry out the remaining works at the site is underway. The budget expenditure slipped by £277,000 as a result of this delay, with a revised completion timescale of summer 2022.

As noted in budget monitoring updates throughout 2021/22, the refurbishment of properties at the Lochs scheme in Whitburn were extended to include recently purchased properties through the Open Market Acquisition scheme and, in addition to this, additional costs were projected due to increased materials costs and work required to the walkways between the properties, which resulted in an overspend of £168,000.

Savings resulting from efficiencies elsewhere in the programme have been set aside to mitigate these additional costs and latest cost assumptions are reflected in the proposed updated budget for 2022/23.

Major Elemental Upgrades

Expenditure of £3.981 million was incurred on major elemental repairs projects, representing net slippage of budgeted resources. Projects largely encompass roof and roughcasting work undertaken or managed by Building Services.

Good progress at the projects in Fallas Place, Walker Road and Main Street in Fauldhouse, the Croftmalloch Estate in Whitburn and the Dedridge Area in Livingston resulted in accelerated spend, with other projects incurring minor overspends due to increases in materials costs and other Covid related pressures, such as additional scaffolding costs as a result of projects taking longer than originally planned to facilitate social distancing measures.

Savings resulting from efficiencies elsewhere in the programme have been set aside to mitigate these additional costs and latest cost assumptions are reflected in the proposed updated budget for 2022/23.

Planned Programmes

Planned programmes maintain the safety of houses and include components such as windows and doors. Expenditure of £2.913 million was incurred across the programme during 2021/22, with work including new kitchens and bathrooms, window and door refurbishments and renewals, stair upgrades and high value repairs.

Accelerated spend was incurred against the Kitchens and Bathrooms and Planned Reactive programmes, while savings were made in other areas due to levels of demand throughout the year.

Environmental and External Upgrading

Expenditure on environmental programmes and external upgrading amounted to £151,000 during 2021/22. These works encompass a range of environmental, street improvement and drainage projects, planned in conjunction with tenants and other council services.

Staffing and resource issues impacted the tenant environmental projects, with slippage of £267,000 incurred during 2021/22. Officers are continuing to explore all available options to progress approved projects as soon as is practically possible in 2022/23.

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, and total spend on compliance works during 2021/22 was £10.074 million.

Slippage was incurred in the periodic testing, energy efficiency and central heating programmes, due to resourcing and access issues, however the aids and adaptations and external wall insulation budgets achieved accelerated spend, due to additional and backlog demand for these areas.

Miscellaneous

Works are ongoing in various miscellaneous projects throughout West Lothian, which includes feasibility studies, the home safety service, home security for older people and provision for works required as a result of new unsuitable accommodation legislation introduced by the Scottish Government, with spend of £849,000 incurred during 2021/22.

D.3 2021/22 Capital Resources

Table 2 below shows the capital resources used to fund the housing capital programme in 2021/22.

The investment programme is funded through a mix of borrowing, Capital Funded from Current Revenue (CFCR), government grants, council tax on second homes, capital receipts and developer contributions.

Table 2: Capital Resources Outturn 2021/22

	2021/22 Budget £'000	2021/22 Out-turn £'000	2021/22 Variance £'000
Borrowing	29,154	23,265	(5,889)
CFCR	11,162	11,680	518
Government Grants	8,286	9,852	1,566
Council Tax on Second Homes	75	190	115
Capital Receipts	100	449	349
Developer Contributions	250	64	(186)
Total Income	49,027	45,500	(3,527)

Borrowing

Borrowing requirements were less than budgeted estimates, due to a higher than budgeted level of CFCR, additional and accelerated government grant funding and overall slippage in the programme, all of which reduced the overall borrowing requirement.

CFCR

The final CFCR was £11.680 million, based on affordability to the Housing Revenue Account after all other service issues had been taken into consideration. The CFCR was higher than budgeted due to expenditure savings within the Housing Revenue Account, mainly from lower than anticipated capital financing charges.

Government Grants

Total Scottish Government grants of £9.852 million were received, comprised of £9.130 million for new build properties and £722,000 to support open market acquisitions.

Other Contributions

Council Tax from second homes, capital receipts and developer contributions continue to be directed towards the construction of new build housing and a total of £703,000 was applied in 2021/22.

D.4 Updated Housing Capital Investment Programme 2022/23

On 15 February 2022, the Council approved an updated Housing Capital Programme of £40.947 million for 2022/23. As noted in this report, 2022/23 is the final year of the current approved programme, and officers have begun work to develop a new five-year housing capital investment programme and rent strategy. It is anticipated that the future capital programme will also take a longer-term approach to asset investment and planning, with a ten year capital investment pipeline being developed beyond the five year programme, to consider the longer term needs of the council's housing assets in future years in order that plans are developed to meet those needs.

The Housing Capital Investment Programme includes significant resources invested in the creation of new homes and a strong focus on the maintenance of quality standards across the housing stock. The proposed programme is based on reports to Council Executive on the Strategic Housing Investment Plan (SHIP) and Local Housing Strategy (LHS), as well as the Housing Rent Consultation and Capital Investment Strategy, which outlined proposals to be taken forward in relation to new housing supply and housing infrastructure. The updated programme will see continued investment to increase housing supply with new affordable homes, and external upgrading will continue in areas identified as in greatest need.

The Covid-19 pandemic and the resulting restrictions have had a material impact on the housing capital programme over the last two years, and this has been taken into account in the revised proposed budget for 2022/23. The programme has been reviewed in light of current assumptions and the likely impact that these will have on the various types of projects required to be carried out as part of the housing capital investment programme.

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 are also substantial risks around the affordability of the current approved programme. 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 two years. The UK's exit from the European Union and the current situation in Ukraine are also having a material impact on costs. There may be further increased costs due to construction price inflation, which is at unprecedented levels, with further increased costs and delays due to lack of availability of materials. There is also an emerging risk regarding contractors as some companies may not survive the current economic conditions, and potential risks to delivery of new build sites as site condition surveys continue to be carried out.

Given the ongoing material disruption and uncertainty arising from the pandemic, 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.

Taking into account the challenges and assumptions outlined above, the proposed updated programme is summarised below:

Table 3: Updated Capital Investment 2022/23

Investment Area	2022/23 £'000
New Housing Supply	29,256
Major Refurbishment	750
Major Elemental Upgrades	3,379
Planned Programmes	3,373
Environmental Upgrading	828
Compliance Works	7,668
Miscellaneous	801
Total Expenditure	46,055

D.5 Updated Capital Resources – 2022/23

As noted by Council as part of the housing budget strategy on 15 February 2022, capital financing costs in respect of monies borrowed for the purpose of improving the housing asset stock, or acquiring new stock through new build or open market acquisition, must be charged to the HRA account under Schedule 15 of the Housing (Scotland) Act 1987. As such, the level of sustainable capital expenditure is coterminous with the Housing Rent strategy over the five-year period and must be deemed as prudent and affordable, based on the Prudential Indicators contained within the General Fund Revenue Budget report.

The level of capital financing charges and CFCR associated with the proposed programme are considered to be at an affordable level within the HRA Revenue Budget. The ratio of gross rental income to capital financing charges is projected to increase from 22.2% in 2021/22 to 24.2% in 2022/23.

The capital resources to fund the updated 2022/23 capital investment programme have

been reviewed in light of the 2021/22 outturn position and the updated proposed resources are outlined below:

Table 4: Updated Capital Resources 2022/23

Investment Area	2022/23 £'000
CFCR	11,521
Borrowing	28,325
Government Grants	6,014
Developer Contributions	25
Council Tax on Second Homes	70
Capital Receipts	100
Total Funding	46,055

The Prudential Code requires the council to take account of a number of factors when agreeing capital spending plans. In overall terms, the revised Housing Capital budget for 2022/23 is affordable, and revenue implications can be incorporated within the agreed HRA Revenue budget. Loans charges projections continue to indicate that plans are prudent, affordable and sustainable in the longer term.

E. CONCLUSION

There was material investment in the 2021/22 Housing Capital programme with a continuing high level of expenditure of £45.500 million in the financial year, which included £26.189 million of investment in new supply housing. Despite the ongoing challenges of delivering additional new housing supply during the pandemic, there were 41 new build completions in Livingston and Bathgate, and more handovers of new stock are anticipated in the coming period.

Significant investment was also made in the housing stock to both improve the overall standard of the stock and to meet energy efficiency standards. Much of the focus of refurbishment projects and planned programmes, during 2021/22 continued to be on work undertaken within the terms of the Best Value framework, by Building Services.

Material investment will continue on the new build programme over the next year, alongside work on major refurbishment and elemental repairs projects. There is a strong focus within the programme on the creation of additional social housing including delivering new affordable houses and continuing with a programme of open market acquisitions. These measures will increase the availability of social housing within communities for both existing residents and future generations.

Alongside investment in new and additional housing stock, there will be continued investment in existing council housing stock and the environment, to improve homes and local amenity. Energy efficiency is recognised as a continuing priority, with an emphasis on meeting the requirements of the Energy Efficiency Standards for Social Housing (ESSH2) legislation.

Revised budgets take into account estimated delays due to the ongoing impact of the pandemic, however there remains a material risk to the delivery of the programme if recovery does not progress in the manner currently assumed or if further economic issues continue to affect affordability. Officers will continue to monitor the impact of the current situation on the housing capital investment programme and will continue to make every effort to minimise any further delays where possible.

The updated planned programme of works for 2022/23 includes £29.256 million for new housing supply and £16.799 million investment in the core housing stock.

Appendices/Attachments:

Appendix 1 – Housing Capital Programme Outturn 2021/22

Appendix 2 – Updated Housing Capital Investment Programme 2022/23

Contact Person: Pamela Bell, Senior Service Accountant

pamela.bell@westlothian.gov.uk – Tel No: 01506 281282

Graeme Struthers
Depute Chief Executive
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Appendix 1

West Lothian Council
Housing Capital Programme Outturn 2021/22

	2021/22 Budget £'000	2021/22 Actual £'000	2021/22 Variance £'000	Variance Analysis
NEW SUPPLY HOUSING				
New Build	23,770	22,111	(1,659)	Slippage
Open Market Acquisitions	5,253	4,020	(1,233)	Slippage
Mortgage to Rent	100	58	(42)	Saving
NEW SUPPLY TOTAL	29,123	26,189	(2,934)	
REFURBISHMENT AND INVESTMENT				
Major Refurbishment				
Bathville Flats, Armadale Building Services	1,002	725	(277)	Slippage
Harrison Houses - Loch Scheme, Whitburn	450	618	168	Overspend
Major Refurbishment Total	1,452	1,343	(109)	
Major Elemental Upgrades				
Anderson Avenue, Armadale	10	45	35	Overspend
Badallan Place, Fauldhouse	74	83	9	Overspend
Balbardie Avenue, Bathgate	0	2	2	Overspend
Church Place, Fauldhouse	277	293	16	Overspend
Croftmalloch Estate - Harrison Houses, Whitburn	500	609	109	Accelerated
Dedridge Area, Livingston	1,453	1,763	310	Accelerated
Drummond Place, Blackridge	320	372	52	Overspend
Fallas Place, Walker Road, Main Street, Fauldhouse	220	294	74	Accelerated
Lanrigg Area, Fauldhouse - Ogilvy Crescent & Scott Place	0	1	1	Overspend
Preston Area - Linlithgow	292	245	(47)	Slippage
Race Road & Glasgow Road, Bathgate	3	2	(1)	Saving
Strathlogie, Westfield	285	272	(13)	Slippage
Major Elemental Upgrades Total	3,434	3,981	547	
Planned Programmes				
Assisted Decoration and Internal Upgrade Scheme	250	130	(120)	Saving
Common Access Door Upgrades	50	47	(3)	Saving
Common Stair Upgrades	100	88	(12)	Saving
Fencing	100	87	(13)	Saving
Kitchens and Bathrooms	400	703	303	Accelerated
Painting	200	169	(31)	Saving
Planned Reactive/ HIO Investment	811	917	106	Accelerated
Rainwater Goods Testing and Upgrading	150	137	(13)	Saving
Windows & Doors Refurbishment / Renewal	714	635	(79)	Saving
Planned Programmes Total	2,775	2,913	138	
Environmental / External Upgrading				
Aerial Upgrades	25	24	(1)	Saving
Bin Store Improvements	78	0	(78)	Saving
Play Areas	50	50	0	On Budget
Programmed Drainage	100	28	(72)	Slippage
Tenant Environmental Projects	316	49	(267)	Slippage
Environmental / External Upgrading Total	569	151	(418)	
Compliance Works (Direct and Assistive)				
Aids and Adaptations - Building Services	426	755	329	Accelerated
Aids and Adaptations - Occupational Therapists	150	182	32	Accelerated
Asbestos Management	945	867	(78)	Saving
Central Heating	3,841	3,427	(414)	Slippage
Energy Efficiency/PV Panels	371	128	(243)	Slippage
Stock Condition Surveys/Energy Performance Certificates	217	171	(46)	Saving
External Wall Insulation	1,632	2,075	443	Accelerated
Firewalls	10	0	(10)	Saving
Smoke and heat detector upgrades	1,088	1,132	44	Accelerated
Periodic Testing and Electric Upgrades	1,825	1,147	(678)	Slippage
Orlit Remedial Upgrades	250	67	(183)	Slippage
The Vennel Remedial Works	190	123	(67)	Saving
Compliance Works Total	10,945	10,074	(871)	
Miscellaneous				
Deans South, Livingston	40	22	(18)	Saving
Feasibility Surveys	20	26	6	Accelerated
Home Safety Service	170	170	0	On Budget
Home Security for Senior People	20	9	(11)	Saving
IT	150	49	(101)	Slippage
Unsuitable Accommodation Works	329	573	244	Accelerated
Miscellaneous Total	729	849	120	
REFURBISHMENT AND INVESTMENT TOTAL	19,904	19,311	(593)	
TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME	49,027	45,500	(3,527)	

Variance Analysis			
On Budget	220	220	0
Accelerated	7,029	9,029	2,000
Overspend	1,131	1,414	283
Saving	3,192	2,569	(623)
Slippage	37,455	32,268	(5,187)
Total	49,027	45,500	(3,527)
Net Slippage/Acceleration	44,484	41,297	(3,187)
Net Saving/Overspend	4,323	3,983	(340)
Total			(3,527)

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Appendix 2

HOUSING CAPITAL INVESTMENT PROGRAMME 2022/23

Budget
2022/23
£'000

NEW SUPPLY HOUSING

New Build	24,873
Open Market Acquisitions	4,283
Mortgage to Rent	100
NEW SUPPLY TOTAL	29,256

REFURBISHMENT AND INVESTMENT**Major Refurbishment**

Bathville Flats, Armadale Building Services	750
Major Refurbishment Total	750

Major Elemental Upgrades

Almond View & Cousland Terrace, Seafield	800
Croftmalloch Estate - Harrison Houses, Whitburn	991
Dedridge Area, Livingston	390
Fallas Place, Walker Road, Main Street, Fauldhouse	376
Mansefield Court & Waverley Street, Bathgate	556
Preston Area - Linlithgow	180
Strathlogie, Westfield	86
Major Elemental Upgrades Total	3,379

Planned Programmes

Assisted Decoration Scheme	200
Common Access Door Upgrades	50
Common Stair Upgrades	75
Fencing	75
Kitchens and Bathrooms	900
Painting	220
Planned Reactive/ HIO Investment	1,224
Rainwater Goods Testing and Upgrading	150
Windows & Doors Refurbishment / Renewal	479
Planned Programmes Total	3,373

Environmental / External Upgrading

Aerial Upgrades	30
Play Areas	50
Programmed Drainage	100
Tenant Environmental Projects	648
Environmental / External Upgrading Total	828

Compliance Works (Direct and Assistive)

Aids and Adaptations - Building Services	500
Aids and Adaptations - Occupational Therapists	150
Asbestos Management	646
Central Heating	3,415
Energy Efficiency/PV Panels	293
External Wall Insulation	400
Firewalls	5
Orlit Remedial Upgrades	792
Periodic Testing and Electric Upgrades	850
Smoke and heat detector upgrades	400
Stock Condition Surveys/Energy Performance Certificates	217
Compliance Works Total	7,668

Miscellaneous

Feasibility Surveys	14
Home Safety Service	170
Home Security for Senior People	10
IT	251
Unsuitable Accommodation Works	356
Miscellaneous Total	801

REFURBISHMENT AND INVESTMENT TOTAL**16,799****TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME****46,055**