

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

2022/23 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 2022/23.

C. SUMMARY OF IMPLICATIONS

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 capital programme of £46.055 million for 2022/23 on 21 June 2022.
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 2022/23 programme for Housing capital investment in February 2022. An updated 2022/23 Housing capital investment programme of £46.055 million was approved by Council Executive on 21 June 2022, taking account of the 2021/22 outturn, the most recent assumptions available regarding the potential effect of the Covid-19 situation on the programme for 2022/23 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 £15.914 million in the housing stock to 30 September 2022. The forecast expenditure for the year is £43.769 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	2022/23 Revised Budget £'000	Actual Expenditure at Month 6 £'000	2022/23 Projected Outturn £'000	2022/23 Projected Variance £'000
New Housing Supply	29,256	8,158	27,121	(2,135)
Major Refurbishment	750	247	750	0
Major Elemental Upgrades	3,379	1,333	3,033	(346)
Planned Programmes	3,373	1,437	3,373	0
Environmental Upgrading	828	32	828	0
Compliance Works	7,668	4,292	7,863	195
Miscellaneous	801	415	801	0
Total	46,055	15,914	43,769	(2,286)

New Housing Supply

Significant resources continue to be invested in the creation and acquisition of new homes, with budgeted resources of £29.256 million in 2022/23. 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 2022/23 is £27.121 million

The new build programme has continued in 2022/23 with sites currently underway at Mossend in West Calder, Wellhead Farm in Murieston, and Eagle Brae and Deans South in Livingston, which will result in the addition of 169 new homes to the housing stock. Since 1 April 2022, 17 units have been handed over at Mossend and 26 at Wellhead Farm. Further handovers at Mossend are forecast for late 2022 and, at Wellhead Farm, the next phase of handovers is expected in early 2023.

The projects at Marjoribanks Street and Mid Street in Bathgate continue to be delayed as a result of checks in relation to Common Good legislation. As a result, £2.135 million worth of slippage has been reported across these projects.

As at 30 Sept 2022, 10 houses have been acquired through the Open Market Acquisition Scheme (OMAS), with further acquisitions currently in progress. This is in addition to the 256 open market acquisitions that have been added to the housing stock in previous years since the scheme was introduced.

Major Refurbishments

Major refurbishment works include planned works on streets, beyond traditional roof and render renewal works. There is one project being carried out in 2022/23 at Bathville Flats in Armadale, which is currently forecast to spend to budget with anticipated expenditure of £750,000. There is some potential for savings on this project and updates will be provided throughout the year.

Major Elemental Upgrades

Planned expenditure of £3.033 million is expected on major elemental upgrades in 2022/23. 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.

At Month 4, a potential overspend was noted for works in the Dedridge area due to the discovery of asbestos, and this overspend is still anticipated at month 6. This discovery has caused a delay to the project due to the Health and Safety Executive notification process and the subsequent costs to remove the asbestos. This overspend will be managed within the overall programme.

Slippage has been identified at the project in Mansfield Court and Waverley Street in Bathgate. This is due to delays caused by consultation with owners/occupiers of the property regarding issues surrounding the Tenement Management Scheme.

Planned Programmes

Planned programmes maintain the safety of houses and components, with expenditure of £3.373 million expected across the programme during 2022/23. 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: 128 kitchens and bathrooms, external painting, rhone cleaning and upgrading and internal decoration to a combined total of 1,555 properties, and various common stair upgrades such as painting and new security entrance doors in 24 blocks.

Environmental / External Upgrading

Forecast expenditure of £828,000 is anticipated on environmental programmes and external upgrading in 2022/23. 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.

There is a potential risk in regards to Tenant Environmental Projects due to consultation work taking place. Updates will be provided on this throughout the year.

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 2022/23 programme consists of 1,000 central heating replacements, periodic testing of 4,511 houses and the installation of hard-wired smoke detectors in 1,400 properties.

Compliance works to deliver central heating replacements, electrical testing and smoke detection projections are progressing well. The new arrangements introduced to engage with tenants in order to gain access to undertake the programmes has seen positive results and ensures tenants properties are safe and that the service meets our compliance responsibilities.

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.

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.

The Aids and Adaptions budget is expected to overspend by £105,000, based on month 6 forecasts. This work is demand led and there is a risk that demand may continue to rise throughout 2022/23, as more tenants request work that they have deferred during the pandemic restrictions. An overspend is also now anticipated within periodic testing and electrical upgrades work, due to the volume of associated follow up works required and increases in forced access costs to gain access to properties. This overspend will be managed within the overall 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 £801,000 in 2022/23.

D.3 Capital Resources

The table below shows the capital resources available to fund the housing capital programme in 2022/23. 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	2022/23 Revised Budget £'000	2022/23 Income to Month 6 £'000	2022/23 Projected Outturn £'000	2022/23 Projected Variance £'000
CFCR	11,521	4,853	11,092	(429)
Borrowing	28,325	8,917	26,421	(1,904)
Government Grants	6,014	1,939	6,014	0
Developer Contributions	25	0	25	0
Council Tax (Second Homes)	70	117	117	47
Capital Receipts	100	88	100	0
Total Income	46,055	15,914	43,769	(2,286)

CFCR

At this stage, the contribution of Capital from Current Revenue (CFCR) is anticipated to be £11.092 million. This is due to an anticipated under recovery of rental income within the housing revenue account as a result of delays within the new supply programme.

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 2022 outlined anticipated borrowing requirements of £28.325 million. At this stage it is anticipated that £26.421 million of borrowing will be required to meet projected expenditure levels, taking into account the forecast decrease in CFCR and slippage of new housing supply projects noted in this report.

D.4 Risks

The housing capital investment programme was reviewed and updated in June 2022, to take account of the 2021/22 outturn position, latest circumstances and funding assumptions.

The UK's exit from the European Union and the current situation in Ukraine are 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.

Covid-19 still presents a risk to the programme when entering into the autumn and winter period as this comes with it the potential for an increase in covid-19 cases, which may have an adverse effect on the programme due to staff sickness causing delays in completion of projects.

Further social distancing measures of one metre on sites have now been relaxed, however there is a risk of further restrictions due to the uncertainty the winter will bring. The impact of any potential new restrictions and the resulting impact on projects will be monitored throughout the year.

Sites have inevitably been affected, in terms of delivery timescales, by the impact of the Covid-19 pandemic. Current estimates suggest that the impact across all programmes of work have resulted in delay of between six and twelve months due to a range of issues, namely the initial lockdown of sites, furloughed staff, supply chain and ongoing restrictions to site operations.

There is a risk in terms of the current housing market. Interest rates have risen for mortgages and this may cool the previously buoyant housing market and create even more unpredictable housing market conditions. This may present a risk to delivery of additional OMAS properties as less properties may enter the market, resulting in less availability under OMAS policy guidelines.

E. CONCLUSION

Good progress is being made in the 2022/23 Housing capital programme. Within the new housing supply projects, work is continuing on a number of sites which are expected to complete within this financial year.

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 2022/23 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 2022, 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, with the ongoing effects of the pandemic, the UK's exit from the EU and the current situation in Ukraine 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 these events, 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: 1

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

Graeme Struthers
Depute Chief Executive
15 November 2022

DATA LABEL: PUBLIC

West Lothian Council
Housing Capital Programme Month 6 Monitoring
Council Executive

APPENDIX 1

EXPENDITURE	Annual Budget 2022/23	Actual to Date 2022/23	Projected Outturn 2022/23	Projected Variance 2022/23	Variance Analysis
<u>NEW SUPPLY HOUSING</u>					
New Build	24,873	7,014	22,738	(2,135)	Slippage
Open Market Acquisitions	4,283	1,144	4,283	0	On Budget
Mortgage to Rent	100	0	100	0	On Budget
NEW SUPPLY TOTAL	29,256	8,158	27,121	(2,135)	
<u>REFURBISHMENT AND INVESTMENT</u>					
Major Refurbishment					
Bathville Flats, Armadale Building Services	750	247	750	0	On Budget
	750	247	750	0	
Major Elemental Upgrades					
Almond View & Cousland Terrace, Seafield	800	329	800	0	On Budget
Church Place, Fauldhouse	0	1	1	1	Overspend
Croftmalloch Estate - Harrison Houses, Whitburn	991	36	991	0	On Budget
Dedridge Area, Livingston	390	530	442	52	Overspend
Fallas Place, Walker Road, Main Street, Fauldhouse	376	319	376	0	On Budget
Mansefield Court & Waverley Street, Bathgate	556	0	150	(406)	Slippage
Preston Area - Linlithgow	180	25	180	0	On Budget
Strathlogie, Westfield	86	93	93	7	Overspend
	3,379	1,333	3,033	(346)	
Planned Programmes					
Assisted Decoration Scheme	200	12	200	0	On Budget
Common Access Door Upgrades	50	1	50	0	On Budget
Common Stair Upgrades	75	14	75	0	On Budget
Fencing	75	3	75	0	On Budget
Kitchens and Bathrooms	900	305	900	0	On Budget
Painting	220	111	220	0	On Budget
Planned Reactive/ HIO Investment	1,224	853	1,224	0	On Budget
Rainwater Goods Testing and Upgrading	150	65	150	0	On Budget
Windows & Doors Refurbishment / Renewal	479	73	479	0	On Budget
	3,373	1,437	3,373	0	
Environmental / External Upgrading					
Aerial Upgrades	30	21	30	0	On Budget
Play Areas	50	0	50	0	On Budget
Programmed Drainage	100	11	100	0	On Budget
Tenant Environmental Projects	648	0	648	0	On Budget
	828	32	828	0	
Compliance Works					
Aids and Adaptations - Building Services	500	503	605	105	Overspend
Aids and Adaptations - Occupational Therapists	150	66	150	0	On Budget
Asbestos Management	646	525	646	0	On Budget
Central Heating	3,415	1,758	3,415	0	On Budget
Energy Efficiency/PV Panels	293	68	293	0	On Budget
Stock Condition Surveys/Energy Performance Certificates	217	61	217	0	On Budget
External Wall Insulation	400	4	400	0	On Budget
Firewalls	5	0	5	0	On Budget
Smoke and heat detector upgrades	400	252	400	0	On Budget
Periodic testing and Electric Upgrades	850	863	940	90	Overspend
Orlit Remedial Upgrades	792	192	792	0	On Budget
	7,668	4,292	7,863	195	
Miscellaneous					
Feasibility Surveys	14	1	14	0	On Budget
Home Safety Service	170	266	170	0	On Budget
Home Security for Senior People	10	(8)	10	0	On Budget
IT	251	0	251	0	On Budget
Unsuitable Accommodation Works	356	156	356	0	On Budget
	801	415	801	0	
REFURBISHMENT AND INVESTMENT TOTAL	16,799	7,756	16,648	(151)	
TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME	46,055	15,914	43,769	(2,286)	

On Budget	18,800	6,910	18,800	0
Slippage	25,429	7,014	22,888	(2,541)
Accelerated Spend	0	0	0	0
Saving	0	0	0	0
Overspend	1,826	1,990	2,081	255
	46,055	15,914	43,769	(2,286)