



**COUNCIL EXECUTIVE**

**2010/11 HOUSING CAPITAL BUDGET – MONTH 9 MONITORING REPORT**

**REPORT BY DEPUTE CHIEF EXECUTIVE**

**A. PURPOSE OF REPORT**

To advise the Council Executive on the monitoring of the 2010/11 Housing Capital budget.

**B. RECOMMENDATION**

It is recommended that the Council Executive:

- Notes the outcome of the month 9 monitoring exercise,
- Agrees that officers should take the necessary action to ensure that the projected outturn is contained within the approved budget.

**C. SUMMARY OF IMPLICATIONS**

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|---|---|
| <b>I Council Values</b>   | Focusing on our customers' needs.<br>Being honest, open and accountable.<br>Making best use of our resources.   |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | The council's capital programme is managed within the stringent requirements set out in the Prudential Code. The code allows councils to determine capital investment strategy on the basis that plans are affordable, prudent and sustainable.   |
| <b>III Resources - (Financial, Staffing and Property)</b>   | At this point an under spend of £1.037 million is forecast, with a number of projects delayed until 2011/12. This is largely as a result of revised start dates on phase 2 of the new build, however the severe winter weather which resulted in the loss of working days has also impacted. House sales income is projected to be £240,000 higher than budgeted. |
| <b>IV Consultations</b>   | Consultation has taken place with housing management and technical staff as well as with tenants and with the Head of Finance and Estates.  |

## D. TERMS OF THE REPORT

### 1. Introduction

This report provides information on the financial position in relation to the 2010/11 Housing Capital programme as at 31 December 2010. The report details the expenditure and resources as well as providing a projection to the year-end.

### 2. Capital Expenditure

The Council Executive approved a capital programme in May 2010 for 2010/11 of £26.415 million including £5 million for new Build council houses. In October 2010, the Council Executive approved £1.055m of projects to be brought forward to 2010/11 after a number of projects were delayed.

A summarised version of the programme is shown in the table below.

	<b>Approved Budget £'000</b>	<b>Spend to Month 9 £'000</b>	<b>Projected Outturn £'000</b>	<b>Projected Variance £'000</b>
SHQS work	12,272	4,762	8,972	(3,300)
External Upgrading	2,765	1,755	3,145	380
Energy Efficiency	2,163	1,060	2,163	0
New Build	5,000	1,865	4,122	(878)
Miscellaneous	4,215	2,187	3,160	(1,055)
	<b>26,415</b>	<b>11,629</b>	<b>21,562</b>	<b>(4,853)</b>
Programme Management	(3,816)	0	0	3,816
<b>Total</b>	<b>22,599</b>	<b>11,629</b>	<b>21,562</b>	<b>(1,037)</b>

An underspend of £1.037m is now forecast, a commentary on some of the variances and budget headings is provided below.

#### **Scottish Housing Quality Standard**

As well as the previously reported delays in the commencement date of projects due to design and contract issues, the loss of working days due to the severe weather has led to a forecast underspend of £3.300 million. Council Executive approved additional SHQS projects totalling £650,000 in October, the severe winter weather has resulted in reduced spending of £229,000 on these projects. This slippage will be incorporated into the 2011/12 programme, and the council remains on course to meet the SHQS targets by 2015.

#### **External Upgrading**

The severe winter weather will result in lower spend of £102,000 from the previously reported position, mainly due to reduced fencing work. The garage upgrade programme, with the exception of some garages that await demolition, has been completed. Additional projects of £405,000 were approved by Council Executive in October and these are all expected to fully spend.

#### **Energy Efficiency**

The latest financial projections indicate that expenditure will be on budget.

## New Build

Phase 1 is now complete. The forecast for Phase 2 has reduced by £878,000 due to later than anticipated starts on site. The sites at Uphall and Ladeside will commence in February, and planning applications for the remaining sites will also be submitted in February. The forecast is dependent on planning approvals being received by 31 March which would allow the developer contributions of £1.750 million to be paid in 2010/11, if the approval is not received in time then the costs will slip into 2011/12 and the forecast will reduce by £1.750 million.

At the Council Budget Setting meeting on 11 January 2011, the executive councillor for Services for the Community called for a report to be brought to the Services for the Community PDSP prior to the end of the financial year detailing the amount of money available for a Phase 3 of council new build houses for rent including, where possible, a site in Broxburn. A proposal is being worked on and a detailed report will be prepared.

## Miscellaneous

Aids and Adaptations expenditure is expected to under spend by £664,000 due to a reduction in the number of aids and adaptations for the disabled. Further work is being carried out to determine if this trend will continue in future years.

## 3. Capital Resources

The table below shows the capital resources available to fund the housing capital programme in 2010/11.

	<b>Draft Revised Budget £'000</b>	<b>Income to Month 9 £'000</b>	<b>Projected Outturn £'000</b>	<b>Projected Variance £'000</b>
House Sales	3,000	2,487	3,240	240
Borrowing	12,122	3,534	10,845	(1,277)
CFCR	7,477	5,608	7,477	0
AHP Contributions	0	0	0	0
<b>Total Income</b>	<b>22,599</b>	<b>11,629</b>	<b>21,562</b>	<b>(1,037)</b>

### House Sales

As at 31 December, receipts from council house sales totalled £2.487 million from the sale of 59 properties. Sales projections are now estimated at 78 for the year, and income is forecast to be £240,000 more than budgeted.

### Borrowing

Borrowing is currently set at £10.845 million. Should planning permission not be received by 31 March for the new build sites, then this figure will fall by £1.750 million to £9.095 million. The UK Coalition governments' emergency budget in June 2010 put no restrictions on borrowing, however there remains a risk that restrictions may be introduced in future years, as part of a package to control and reduce public sector debt. This would require reappraisal of the capital programme, especially if the proposals to abolish the right to buy council houses are implemented.

### CFCR

CFCR remains in line with budget at £7.477 million.

## **Affordable Housing Policy**

Currently no income is forecast for 2010/11 from the Affordable Housing Policy in line with assumptions.

### **4. Strategic Issues**

The Prudential Code requires the council to take account of a number of factors when agreeing capital spending plans and these are set out below.

#### **Stewardship of Assets**

The stock condition survey undertaken by independent consultants identified the extent of the work required to ensure the council's houses comply with or exceed the SHQS by 2015. The ten-year investment strategy, approved by Committee in April 2005, and subsequently revised and updated in December 2008, was linked to the outcome of this survey and has been an important step in integrating the capital planning process with the management of the council's housing stock. In addition to the stock survey, the council also has in place a Corporate Asset Management Plan and a capital planning and option appraisal framework.

#### **Practicality and Risk Management**

Ongoing monitoring and control arrangements are in place to ensure that officers remain focused on delivery of the capital programme within approved budgets and timescales. There is however a number of risks that needs to be managed including the re-phasing of the New Build programme as well as the risks around falling house sales numbers.

#### **Value for Money and Best Value**

All aspects of the programme are geared to securing value for money and best value and a mix of internal and external provision is being utilised depending on the nature of the work required. Procurement and tendering processes continue to be undertaken in line with the council's standing orders and Best Value framework.

#### **Affordability, Prudence and Sustainability**

Following consultation with the Head of Finance and Estates, I would assess that the revised capital investment plan remains affordable, subject to risks being managed. Such risks include the phasing of spend, particularly with new build. I can advise that the revenue implications of approved capital spending plans are fully incorporated within agreed revenue budgets. The loan charges projections are monitored on a regular basis and these continue to indicate that spending plans are prudent, affordable and sustainable over a longer period. However, it should be noted that a recovery in council house sales and affordable housing contributions over the remainder of the ten-year programme will be crucial to the long term viability of the capital programme.

## **E CONCLUSION**

At this point an under spend of £1.037 million is forecast largely due to a delay in the start of the New Build and the loss of work days due to the severe winter weather. Service managers will continue to explore options for bringing forward projects to

maintain expenditure levels. The programme and the funding will continue to be closely monitored. A recovery in future year council house sales and affordable housing contributions will be crucial to the long term viability of the capital programme. A review of capital resources is currently being undertaken to consider the most appropriate balance of resources over the medium and longer terms.

Appendices/Attachments: One – Month 9 Monitoring - Analysis of Expenditure  
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**Date: 24 January 2011**