



# West Lothian Council

## COUNCIL EXECUTIVE

### 2011/12 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 the Council Executive:

- Notes the outcome of the month 9 monitoring exercise and the projected out-turn,
- Notes the steps being taken to minimise the risk of severe winter weather on the delivery of the programme, and
- Agrees that officers should take the necessary action to ensure that the projected out-turn is contained within the overall budget.

#### C. SUMMARY OF IMPLICATIONS

|     |  |  |
|-----|--|--|
| I   | <b>Council Values</b>  | Focusing on our customers' needs<br>Being honest, open and accountable<br>Making best use of our resources           |
| II  | <b>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. |
| III | <b>Implications for Scheme of Delegations to Officers</b>  | None   |
| IV  | <b>Impact on performance and performance Indicators</b>  | None   |
| V   | <b>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.          |
| VI  | <b>Resources - (Financial, Staffing and Property)</b>  | At this point programme management of £1.505 million has been identified out of a target of £2.3 million.            |
| VII | <b>Consideration at PDSP</b>   | Not applicable   |

## VIII Other consultations

Consultation has taken place with housing management and technical staff as well as with tenants and the Head of Finance & Estates.

## D. TERMS OF REPORT

### 1. Introduction

This report provides information on the financial position in relation to the Housing Capital Programme as at 31 December 2011 and provides a projection to the year end.

### 2. Month 9 Capital Expenditure

The revised Housing Capital Programme of £39.568 million was approved by the Council executive on 4 October 2011. To date spend of £24.613 million has been incurred compared to £11.629 million at the same stage in 2010/11, an increase of 112%. The forecast spend for the year is £38.063 million which means Programme Management of £1.505 million has been found to date out of the £2.3 million target. The table below summarises the programme and a commentary on some of the variances and budget headings is provided below.

|                      | <b>Draft Revised Budget</b> | <b>Spend to Month 9</b> | <b>Projected Out-turn</b> | <b>Projected Variance</b> |
|----------------------|-----------------------------|-------------------------|---------------------------|---------------------------|
|                      | <b>£'000</b>                | <b>£'000</b>            | <b>£'000</b>              | <b>£'000</b>              |
| SHQS Work            | 14,484                      | 8,793                   | 13,204                    | (1,280)                   |
| External Upgrading   | 2,791                       | 2,150                   | 3,095                     | 304                       |
| Energy Efficiency    | 2,249                       | 1,883                   | 2,249                     | 0                         |
| New Build            | 16,204                      | 8,796                   | 15,254                    | (950)                     |
| Miscellaneous        | 3,840                       | 2,991                   | 4,261                     | 421                       |
|                      | <b>39,568</b>               | <b>24,613</b>           | <b>38,063</b>             | <b>(1,505)</b>            |
| Programme Management | (2,300)                     | 0                       | 0                         | 2,300                     |
| Total                | <b>37,268</b>               | <b>24,613</b>           | <b>38,063</b>             | <b>795</b>                |

### Scottish Housing Quality Standard (SHQS)

Overall, the council remains on target to meet the SHQS targets by 2015. As previously noted, the projected under spend is mainly as a result of delays in the commencement dates of projects at Mooreland Gardens which has now started, Moorelands which has an anticipated start date of February and Main Street Fauldhouse which is delayed until 2012/13.

In addition, Felt and Rosemary roof repairs at Uphall Station commenced in January and will carry into 2012/13, while structural works at Rowan Street in Blackburn will also complete in 2012/13.

### External Upgrading

As previously reported, the painting programme is progressing more quickly than expected and further expenditure of £200,000 is expected.

### Energy Efficiency

The programme of 550 central heating upgrades is on target at this point.

## New Build

Work has commenced at the Eliburn and Alderstone Road sites. Negotiations have been ongoing to ensure there is a suitable resolution to the planning issues at Little Boghead and an agreement has now been reached regarding noise reduction at the factory. While no units can be constructed on the site until the noise reduction works are completed in April, spend will be incurred on infrastructure works and developer contributions.

## Miscellaneous

There has been a reduction in spend on the new IT system for Housing due to the go live date moving from January to April. Currently, 18 homes have been purchased under the Mortgage to Rent scheme with a number of applications currently being progressed and the forecast remains for 30 houses to be purchased under the scheme by 31 March.

### 3. Severe Winter Weather

A number of projects are at risk from a period of severe winter weather. In order to minimise this risk, Building Services are planning to use enclosed scaffolding to allow staff to continue working outdoors. At this point the weather has had no material impact on the capital programme.

### 4. Capital Resources

The table below shows the capital resources available to fund the housing capital programme in 2011/12.

|              | <b>Draft<br/>Revised<br/>Budget<br/>£'000</b> | <b>Income to<br/>Month 9<br/>£'000</b> | <b>Projected<br/>Out-turn<br/>£'000</b> | <b>Projected<br/>Variance<br/>£'000</b> |
|--------------|---|--|---|---|
| House Sales  | 3,300   | 1,899                                  | 2,404                                   | (896)                                   |
| Borrowing    | 25,991  | 16,731                                 | 27,174                                  | 1,183                                   |
| CFCR         | 7,977   | 5,983                                  | 8,485                                   | 508                                     |
| Total Income | 37,268  | 24,613                                 | 38,063                                  | 795                                     |

#### House Sales

As at 31 December 2011, receipts from house sales totalled £1.899 million from the sale of 46 properties. Sales projections are estimated at 56 for the year and income is forecast to be £896,000 less than budget.

#### Borrowing

The programme approved in October required borrowing of £25.991 million. At this stage it is anticipated that £27.174 million of borrowing will be required, however, should the remaining £795,000 of programme management be identified then this will reduce to £26.379 million.

#### CFCR

At this stage, CFCR is anticipated to be £508,000 over budget as a result of loans charges savings within the Housing Revenue Account.

## **5. 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 risk of delays in 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.

## **E. CONCLUSION**

At this stage £795,000 of programme management has still to be found. Most projects are on target and those which have incurred significant delays have been noted. Steps to minimise the risk to projects from severe winter weather have also been noted.

Appendices/Attachments: One – Housing Capital Programme Month 9 Monitoring

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DEPUTE CHIEF EXECUTIVE

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