



COUNCIL EXECUTIVE

HOUSING CAPITAL 2016/17 OUTTURN AND 2017/18 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 2016/17 and an updated 2017/18 Housing Capital Budget.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the final out-turn position for financial year 2016/17.
2. Approves the updated 2017/18 Housing Capital Budget.

C. SUMMARY OF IMPLICATIONS

I	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.
II	Implications for Scheme of Delegations to Officers	None
III	Impact on performance and performance Indicators	None
IV	Relevance to Single Outcome Agreement	<i>"Outcome 10 – We live in well designed, sustainable places where we are able to access the services we need."</i>
V	Resources - (Financial, Staffing and Property)	£49.787 million was invested in the Housing Capital Programme in 2016/17, and a £57.452 million budget is proposed for 2017/18.
VI	Consideration at PDSP	Not applicable
VII	Other consultations	Consultation has taken place with Housing Customer and Building Services 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 2017. It also sets out an updated budget position for 2017/18, to take account of the out-turn position, latest circumstances and funding assumptions.

D.2 Summary of Financial Information

A revised Housing Capital Programme for 2016/17 of £62.450 million was approved by Council Executive on 21 June 2016. Actual expenditure to 31 March 2017 was £49.787 million.

With the exception of the New Build programme, expenditure is broadly in line with the month 9 position reported to Council Executive on 14 February 2017, Table 1 below summarises the final outturn position over broad expenditure headings. A more detailed commentary on each of the main expenditure headings is also provided for information. The investment programme comprises new build social housing and refurbishment of existing stock and energy efficiency works, with a number of large scale housing projects undertaken by Building Services.

Table 1	2016/17 Revised Budget £'000	2016/17 Out-turn £'000	2016/17 Variance £'000
New Build Houses	44,598	27,309	(17,289)
Major Refurbishment	4,246	3,895	(351)
Major Elemental Repair	3,202	3,005	(197)
Planned Programmes	6,952	7,143	191
Environmental / External	670	386	(284)
Miscellaneous	2,782	8,049	5,267
Total	62,450	49,787	(12,663)

New Build 1,000 Houses

Expenditure on the 1,000 Houses New Build Programme amounted to £27.309 million in 2016/17. There were 105 new build completions during the financial year across West Lothian, including: Pumpherston, Bridgend, West Main Street in Broxburn, Redhouse in Blackburn, Glasgow Road in Bathgate as well as Kirkhill, Philpstoun and Mill Road, Linlithgow Bridge. Construction works are progressing well across a range of locations, with handovers expected in Livingston, Broxburn, Blackburn, Fauldhouse, Drumshoreland and East Calder in the coming months.

This major investment 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 Refurbishments

Major refurbishment encompasses major works on streets, beyond traditional roof and render renewal works, and investment totalled £3.895 million during the year. The upgrade to 13 houses in Main Street / Bridge Street, Fauldhouse, which incurred £1.330 million of expenditure in 2016/17, has been completed; extensive disrepair and failing elements of the structure were replaced and extensions were added to improve

the accommodation. The environmental upgrade and drainage works at Park Road Blackridge are now complete, including some reinstatement of works following local vandalism.

Major works continued at Mayfield, Armadale, with investment of £1.289 million during 2016/17. This work forms part of a five year refurbishment programme across 312 properties, upgrading 218 properties in Mayfield Drive, 60 in Calder Crescent, 10 in Lower Bathville and 24 in Wotherspoon Crescent. It includes works to address rising damp, retention of stale air and, if required, work to solums and substructure walls. Positive Input Ventilation is added to any property where condensation or dampness is prevalent. These works are expected to complete in 2017/18, with some further resources required beyond that period to remediate the site after the longstanding contract.

Despite issues with utilities, and obtaining service diversions to allow safe working onsite, £1.158 million was spent on refurbishment of properties at Bathville Cross, Armadale. Despite delays, and unanticipated work relating to asbestos management, Building Services are progressing well. A total of 56 flats are being externally upgraded with redesign of stairs to reduce antisocial behaviour and increase the privacy and security of tenants.

Major Elemental Repair

Expenditure of £3.005 million, representing a small underspend on budgeted resources, was incurred on major elemental repairs projects. Projects largely encompass roof and roughcasting work undertaken, or managed, by Building Services.

Works to 165 properties in the Lanrigg area of Fauldhouse continue from previous years and, like the Mayfield project, are expected to complete towards the end of 2017/18. Major works in the Glebe Road and Jubilee Road area of Whitburn, encompassing the upgrade of 306 properties and common car parking areas, also continue from previous years. Works in Wilkieston and Newton, providing new roofs and PV panels, are complete. The PV panel work in Breich has proved more problematic and been subject to ongoing infrastructure issues with the upgrade of the substation and electricity network by Scottish Power. These works are estimated to be completed and connected in the summer of 2017.

Building fabric upgrades, and works to the courtyard, increasing safety and accessibility at St Helen's Place, Armadale are complete. Upgrades to the BISF houses in Blackburn have recently commenced, having experienced delays following the discovery of asbestos in the loft space, resources of £168,000 have been carried forward to enable work to be completed in 2017/18.

Planned Programmes

Planned programmes maintain the safety of houses and components such as windows and doors. Expenditure of £7.143 million was incurred across the programme during 2016/17, and expenditure included a range of energy efficiency measures, central heating replacements, electrical testing and repairs, painting, window replacements, new kitchens and bathrooms, fencing programmes and high value repairs. External funding of £421,231 was received to support the purchase of energy efficient boilers.

Environmentals / External Upgrades

Expenditure on environmental programmes and external upgrading amounted to £386,000 during 2016/17. A number of environmental projects and street improvement projects, planned in conjunction with tenants, have required significant consultation prior to design and procurement stages. This slippage was recognised during the month 9 monitoring exercise, and all slippage will be carried forward into the updated Housing Capital programme for 2017/18.

Miscellaneous

As reported to Council Executive in February 2017, resources totalling £4.25 million were set aside for open market acquisitions of 45 properties during 2016/17. A total of 45 properties were purchased during the financial year, but expenditure amounted to £3.725 million and resources will be carried forward into 2017/18 to support the continuation of open market acquisitions. The Council Executive also approved purchase of HRA land at sites at Eagle Brae and Guildyhaugh during 2016/17, funded directly by Scottish Government grants, and £1.7 million of associated expenditure has been incurred.

Elsewhere within this project category, expenditure has been broadly in line with budgeted resources. Extension of the Blackburn Homeless Unit was completed during 2016/17, and work continues at Deans South to enable development of the site. Expenditure on Aids and Adaptations to council houses, as well as Home Safety and Security measures for older people, were broadly in line with budgeted resources, while an overspend of £93,000 was noted in relation to Asbestos Management. Mortgage to Rent applications have shown a sustained reduction year on year, with three applications processed during the financial year.

D.3 Capital Resources

Table 2 below shows the capital resources used to fund the housing capital programme in 2016/17. It can be seen that the investment programme is funded through a mix of borrowing, Capital Funded from Current Revenue (CFCR), and government grants, alongside council house sales, council tax on second homes and developer contributions.

Table 2	2016/17 Revised Budget £'000	2016/17 Out-turn £'000	2016/17 Variance £'000
House Sales	1,500	7,284	5,784
Borrowing	42,447	22,487	(19,960)
CFCR	6,223	7,802	1,579
Government Grants	10,345	10,262	(83)
Council Tax 2nd Homes	185	202	17
Developer Contributions	1,750	1,750	0
Total Income	62,450	49,787	(12,663)

House Sales

Final demand from tenants wishing to buy their houses was high, with applications made prior to 31 July 2016 continuing to be processed. During 2016/17, 166 properties progressed through to completion with associated receipts of £7.284 million.

Borrowing

Borrowing requirements were significantly less than budgeted estimates, in part due to slippage in the Housing Capital programme, but also due to unanticipated receipts from house sales, which reduced the overall borrowing requirement.

CFCR

The final Capital Contribution from Current Revenue was £7.802 million, based on affordability to the Housing Revenue Account after all other service issues had been taken into consideration, including lower than anticipated capital financing charges.

Government Grants

Total Scottish Government grants of £10.262 million were received, inclusive of £1.7 million for purchase of HRA land for sites at Eagle Brae and Guildyhaugh and £1.350 million to support open market acquisitions. A further contribution of £60,000 has been received in support of external wall insulation works from the Energy Savings Trust.

Other Contributions

Council Tax from second homes, as well as Developer Contributions continue to be directed towards the construction of new build housing and £1.952 million was applied in 2016/17.

D.4 2017/18 Housing Capital Programme

On 20 February 2017, the Council approved a Housing Capital Programme of £77.152 million for 2017/18. An assessment of potential slippage and acceleration were taken into account when setting the approved budget, and these factors have been reviewed in light of the 2016/17 outturn position. An assessment has also been made of latest project phasing assumptions and emergent budget pressures, with the main movements encompassing:

- £38.596 million is anticipated to be spent on the 1,000 Houses New Build project in 2017/18, with £22.586 million deferred to later years.
- Savings of £425,000 identified for Open Market Acquisitions will be carried into 2017/18 to further augment resources available for purchase of properties. The total number of properties to be purchased in 2017/18 will be increased from 20 to 30 following confirmation of additional grant funding.
- Slippage across energy budgets will enable £140,000 of resources to be identified for replacement roofs in Breich. Fitting of PV panels has been delayed due to the poor state of existing roofs.
- An additional £300,000 investment in energy efficiency is planned to accelerate works required for EESH compliance.
- £193,000 slippage has been brought forward for projects including: major elemental repairs at Strathlogie, Tenants Street Improvements, Firewalls and Bin Store Improvements.
- An additional £480,000 investment, to augment existing planned programmes, including periodic electrical testing, kitchens and bathrooms as well as window refurbishment and renewal, funded through council house sales.
- Following receipt of affordable housing developer contributions, £0.5 million has been allocated to enable future new build feasibility and due diligence to be carried out on potential sites.

The updated programme for 2017/18 is detailed on Table 3 below.

Table 3	2017/18 Revised Budget £'000
New Build Houses	39,096
Major Refurbishment	2,508
Major Elemental Repair	2,817
Planned Programmes	7,552
Environmental / External	913
Miscellaneous	4,566
Total	57,452

There are also a number of changes to funding assumptions that require to be taken into consideration. The rent freeze approved by council in February 2017 will reduce the level of CFCR available to fund the programme to £6.317 million. While the total number of house sales is not anticipated to vary greatly from assumptions in February 2017, an increased number of council house sales processed prior to 31 March 2017 has consequently reduced estimated receipts in 2017/18 to £5.500 million. Latest assumptions indicate that £5.637 million of government grant funding will be available for the new build programme, while funding assumptions for Open Market Acquisitions have increased to £0.900 million. Receipt of Affordable Housing developer contributions, which were not factored into the 1,000 Houses funding assumptions, has enabled £0.5 million to be earmarked to support further new build feasibility studies and due diligence on sites. Resources are detailed in Table 4 below.

Table 4	2017/18 Revised Budget £'000
CFCR	6,317
Borrowing	37,679
Council House Sales	5,500
Government Grants	6,537
Council Tax on Second Homes	206
Developer Contributions	1,213
Total	57,452

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 2017/18 is affordable and revenue implications can be incorporated within the agreed HRA Revenue budget. Loan charge projections continue to indicate that plans are prudent, affordable and sustainable.

E. CONCLUSION

There was material investment in the Housing Capital 2016/17 programme with unprecedented expenditure of £49.787 million in the financial year, including £27.309 million investment in new build housing. There were 105 completions at a number of individual sites across West Lothian, 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 2016/17 continued to be on work undertaken within the terms of the Best Value framework, by Building Services.

Looking forward to 2017/18, material investment continues on the new build programme, alongside work on major refurbishment and elemental repairs projects. Additional resources have been identified to support planned programmes of work in the existing housing stock, including: kitchens and bathrooms, periodic testing and repairs as well as window refurbishment and renewals. Affordable Housing contributions will enable some initial feasibility work to be undertaken to determine the suitability of potential sites for future development, while additional grant funding will enable the number of planned open market acquisitions to be increased from 20 to 30 properties. Compliance with EESH targets remains a priority for the Housing Capital programme, with an additional £300,000 identified to support related works. The total planned programme of works for 2017/18 includes £39.096 million for new build housing and £18.356 million investment in the core housing stock. The total proposed programme of investment amounts to £57.452 million for 2017/18.

Appendices/Attachments: Two

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Graeme Struthers
Depute Chief Executive
20 June 2017

	2016/17 Revised Budget £'000	2016/17 Actual £'000	2016/17 Variance £'000	Slip £'000	Acc £'000	Under £'000	Over £'000	Other £'000
New Build								
New Build 1,000 houses	44,598	27,309	(17,289)	(17,289)	0	0	0	0
NEW BUILD TOTAL	44,598	27,309	(17,289)	(17,289)	0	0	0	0
Major Refurbishment		0						
Mayfield Area, Armadale Roof and render repair.	1,200	1,289	89	0	0	0	89	0
Harrison Houses - Whitburn Roof.Stair and balcony repairs.	0	1	1	0	0	0	1	0
Main Street, Fauldhouse Major upgrades.	1,249	1,330	81	0	0	0	81	0
Moorelands Project	0	24	24	0	0	0	24	0
Park Road Flats, Blackridge	200	93	(107)	(35)	0	(72)	0	0
Bathville Flats, Armadale Roof and render repairs etc.	1,597	1,158	(439)	(695)	0	0	256	0
MAJOR REFURBISHMENT TOTAL	4,246	3,895	(351)	(730)	0	(72)	451	0
Major Elemental Repair								
Paterson Court Broxburn	45	44	(1)	0	0	(1)	0	0
Lanrigg Area, Fauldhouse	400	456	56	0	0	0	56	0
Empire St, Baillie St, Bog Rd, Park View, Dean St, Whitburn	400	391	(9)	0	0	(9)	0	0
Riddochill Area, Blackburn	60	67	7	0	0	0	7	0
Miscellaneous Whitburn*	600	665	65	0	0	0	65	0
Cuthill, Stoneyburn	270	310	40	0	0	0	40	0
Crossgreen Drive, Wyndford, Holygate Uphall	333	290	(43)	0	0	(43)	0	0
Strathlogie, Westfield	50	1	(49)	(49)	0	0	0	0
Beech Place / Dean Place, Seafeld Roof and render repairs	100	100	0	0	0	0	0	0
Orchardfield Terrace Wilkieston	231	209	(22)	0	0	(22)	0	0
Auldhill Bridgend	0	0	0	0	0	0	0	0
St Helen's Place Roof and render	125	124	(1)	0	0	(1)	0	0
Felt Roofs (School Place, Uphall)	250	177	(73)	0	0	(73)	0	0
Rashiehill Roofs Roughcast	0	1	1	0	0	0	1	0
Newton Roofs	150	147	(3)	0	0	(3)	0	0
Ladeside, Blackburn	188	29	(159)	(168)	0	0	9	0
Loganlea Addiewell	0	(6)	(6)	0	0	(6)	0	0
LOGANS AND ROUGHCAST TOTAL	3,202	3,005	(197)	(217)	0	(158)	178	0
Planned Programmes								
Firewalls	50	7	(43)	(43)	0	0	0	0
Repairs to walls and footpaths etc in HRA areas	139	74	(65)	(65)	0	0	0	0
Periodic testing and repairs / Electric Wiring	700	817	117	0	0	0	117	0
Central Heating	2,212	2,451	239	0	239	0	0	0
Kitchens and Bathrooms	445	498	53	0	0	0	53	0
Windows Refurbishment / Renewal	485	542	57	0	0	0	57	0
Hard wired smoke detectors	225	223	(2)	0	0	(2)	0	0
Painting - External	275	262	(13)	0	0	(13)	0	0
Painting - Assisted Decoration Scheme	300	349	49	0	0	0	49	0
Common Stair Upgrades	250	236	(14)	0	0	(14)	0	0
Rhone Cleaning and Repair	250	285	35	0	0	0	35	0
Fencing	200	74	(126)	(140)	0	0	14	0
Energy Efficiency / PV Panels	361	336	(25)	(25)	0	0	0	0
Insulation	100	0	(100)	(100)	0	0	0	0
External Wall Insulation	460	497	37	0	37	0	0	0
Planned Maintenance/ HIO Investment	500	492	(8)	0	0	(8)	0	0
PLANNED PROGRAMMES TOTAL	6,952	7,143	191	(373)	276	(37)	325	0
Environmental / External Upgrading								
Tenants Street Improvements	236	1	(235)	(235)	0	0	0	0
Environmental Projects - Area Schemes	5	20	15	0	0	0	15	0
Programmed Drainage	66	124	58	0	0	0	58	0
Play Areas Play areas in council housing areas.	40	51	11	0	0	0	11	0
St Helen's Courtyard, Armadale	105	33	(72)	0	0	(72)	0	0
North Reeves	0	11	11	0	0	0	11	0
Almondell	50	20	(30)	(30)	0	0	0	0
Bin Store Improvements	168	126	(42)	(42)	0	0	0	0
ENVIRONMENTAL / EXTERNAL UPGRADING TOTAL	670	386	(284)	(307)	0	(72)	95	0
Miscellaneous								
Homelessness Upgrade of Blackburn Homeless Unit	152	84	(68)	0	0	(68)	0	0
Homelessness / Buy Back	0	3,725	3,725	0	0	0	0	3,725
Purchase of Land for HRA: Eagle Brae	0	600	600	0	0	0	0	600
Purchase of Land for HRA: Guildyhaugh	0	1,100	1,100	0	0	0	0	1,100
Deans South	443	373	(70)	0	0	(70)	0	0
Aids & Adaptions	700	757	57	0	0	0	57	0
Asbestos Management	550	643	93	0	0	0	93	0
Legionella Upgrades	90	83	(7)	0	0	(7)	0	0
Feasibility Surveys	106	126	20	0	0	0	20	0
Home Safety Service for Older People	170	170	0	0	0	0	0	0
Home Security for Older People	45	31	(14)	0	0	(14)	0	0
Demolitions	21	2	(19)	0	0	0	(19)	0
Demolitions Greendykes Broxburn	0	49	49	0	0	0	49	0
Cost of House & Land Sales Valuations	0	37	37	0	0	0	37	0
Capita Housing it System	105	166	61	0	0	0	61	0
Mortgage to Rent	400	103	(297)	0	0	(297)	0	(297)
MISCELLANEOUS TOTAL	2,782	8,049	5,267	0	0	(456)	298	5,128
TOTAL EXPENDITURE	62,450	49,787	(12,663)	(18,916)	276	(795)	1,347	5,128

West Lothian Council
Housing Capital Programme Budget 2017/18

	Approved Feb 2017	Revised June 2017
Detailed Project Analysis	2017/18	2017/18
	£'000	£'000
EXPENDITURE		
New Build		
New Build 1,000 Houses	60,659	38,596
Future New Build	0	500
NEW BUILD TOTAL	60,659	39,096
Major Refurbishment		
Mayfield Area, Armadale Roof and render repair.	1,179	1,179
Harrison Houses - Whitburn Roof.Stair and balcony repairs.	368	368
Park Road Flats, Blackridge	35	35
Bathville Flats, Armadale Roof and render repairs etc.	926	926
MAJOR REFURBISHMENT TOTAL	2,508	2,508
Major Elemental Repair		
Aitken Orr Drive Broxburn	70	70
Lanrigg Area, Fauldhouse	488	488
Empire St, Baillie St, Bog Rd, Park View, Dean St, Whitburn	513	513
Miscellaneous Whitburn*	509	509
Cuthill, Stoneyburn	300	300
Strathlogie, Westfield	304	353
Auldhill Bridgend	64	64
Ladeside, Blackburn	520	520
ROOFS AND ROUGHCAST TOTAL	2,768	2,817
Planned Programmes		
Firewalls	25	68
Repairs to walls and footpaths etc in HRA areas	164	164
Periodic testing and repairs / Electric Wiring	694	844
Central Heating	2,115	1,965
Kitchens and Bathrooms	464	644
Windows Refurbishment / Renewal	548	698
Hard wired smoke detectors	240	240
Painting - External	354	354
Painting - Assisted Decoration Scheme	300	300
Common Stair Upgrades	123	123
Rhone Cleaning and Repair	146	146
Fencing	175	175
Energy Efficiency / PV Panels	300	765
Insulation	50	50
External Wall Insulation	516	516
Planned Maintenance/ HIO Investment	500	500
PLANNED PROGRAMMES TOTAL	6,714	7,552
Environmental / External Upgrading		
Tenants Street Improvements	326	385
Environmental Projects - Area Schemes	20	20
Programmed Drainage	50	50
Play Areas Play areas in council housing areas.	39	39
Almondell	277	277
Bin Store Improvements	100	142
ENVIRONMENTAL / EXTERNAL UPGRADING TOTAL	812	913
Miscellaneous		
Open Market Acquisitions	1,600	2,475
Deans South	139	139
Aids & Adaptions	700	700
Asbestos Management	650	650
Legionella Upgrades	102	102
Feasibility Surveys	50	50
Home Safety Service for Older People	170	170
Home Security for Older People	45	45
Capita Housing it System	35	35
Mortgage to Rent	200	200
MISCELLANEOUS TOTAL	3,691	4,566
TOTAL PROGRAMME EXPENDITURE	77,152	57,452

* Streets included are Glebe Rd, Union Rd, Union Drive, Jubilee Rd, Armadale Rd, Manse Av.