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COUNCIL EXECUTIVE

2023/24 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 Investment Programme following the completion of the month 6 monitoring exercise.

B. RECOMMENDATION

It is recommended that the Council Executive note the outcome of the month 6 Housing Capital Investment Programme monitoring exercise and the projected outturn for 2023/24.

C. SUMMARY OF IMPLICATIONS

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|-------|--|---|
| I. | Council Values | <ul style="list-style-type: none"> • Caring and Compassionate • Open, Honest and Accountable • Collaborate, Inclusive and Adaptive |
| II. | Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) | The council's Housing Capital Investment 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 £31.012 million for 2023/24 on 20 June 2023. |
| 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 five-year programme for Housing capital investment from 2023/24 to 2027/28 in February 2023. An updated 2023/24 Housing capital investment programme of £31.012 million was approved by Council Executive on 20 June 2023, taking account of the 2022/23 outturn 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 £10.375 million in the housing stock to 30 September 2023. The forecast expenditure for the year is £31.933 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.

Table 1	2023/24 Revised Budget £'000	Actual Expenditure at Month 6 £'000	2023/24 Projected Outturn £'000	2023/24 Projected Variance £'000
New Housing Supply	4,713	4,820	5,334	621
Major Refurbishment	413	224	413	0
Major Elemental Upgrades	6,458	1,023	6,458	0
Planned Programmes	8,380	808	8,380	0
Environmental Upgrading	275	17	245	(30)
Compliance Works	10,593	3,277	10,923	330
Miscellaneous	180	206	180	0
Total	31,012	10,375	31,933	921

New Housing Supply

Significant resources continue to be invested in the creation and acquisition of new homes, with budgeted resources of £4.713 million in 2023/24. New housing supply includes increasing the existing council housing stock through new builds, open market acquisitions and mortgage to rent properties.

The new build programme has continued in 2023/24 with the sites at Mossend in West Calder and Wellhead Farm in Murieston both now completed and final handovers having taken place. This has resulted in 34 new homes being added to the housing stock, with 18 handovers at Mossend and 16 handovers at Wellhead Farm. Projected spend for 2023/24 is £5.334 million which includes projected overspends in regards to the projects at Deans South and Eagle Brae in Livingston and Mossend in West Calder. This is a result of final settlement figures for these contracts. The contingency budget built into the new capital budget included provision for these amounts and will be used to offset any overspend in the new build programme.

As at 30 September 2023, 10 houses have been acquired through the Open Market Acquisition Scheme (OMAS). Due to a buoyant market, the OMAS target for 2023/24 has now been met and exceeded. This is in addition to the 291 open market acquisitions that have been added to the housing stock in previous years since the scheme was introduced.

On 4 October 2022, the Council Executive approved the purchase of up to 30 x two-bedroom ex-council properties through the OMAS using the capital funding allocated for the young person's supported housing unit, under the General Fund Services capital programme, and converting them into two-person temporary sharing spaces.

It is anticipated that the Housing Capital programme will start to purchase properties from the General Fund Services capital programme toward the end of the financial year and whilst no acceleration of expenditure has been factored in at month 6, expenditure may be reported at month 9 and/or at month 12.

Major Refurbishments

Major refurbishment works include planned works, beyond traditional roof and render renewal works. There are two projects being carried out in 2023/24 at Bathville Flats in Armadale and Harrison Houses in Whitburn. Good progress has been made with the Bathville Flats project now complete. Expenditure is currently forecast on budget.

Major Elemental Upgrades

Planned expenditure of £6.458 million is expected on major elemental upgrades in 2023/24. Projects largely include roof and roughcasting work undertaken, or managed, by Building Services. The programme is currently expected to be delivered on budget.

Planned Programmes

Planned programmes maintain the safety of houses and components, with expenditure of £8.380 million expected across the programme during 2023/24. This includes new kitchens and bathrooms, window and door refurbishments and renewals, stair upgrades, fencing programmes and high value repairs.

The programme is expected to be delivered on budget, and consists of approximately 376 kitchens and bathrooms, external painting, rhone cleaning / upgrading and fencing to a combined total of 1,770 properties, and various common stair upgrades such as painting and new security entrance doors at 24 blocks.

Environmental / External Upgrading

Forecast expenditure of £245,000 is anticipated on environmental programmes and external upgrading in 2023/24. 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.

A saving of £30,000 is currently forecast for the Programmed Drainage works due to fewer projects coming forward. Discussions are planned with the council's flood prevention team to help identify more works.

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 2023/24 programme consists of 620 central heating replacements, periodic testing of 2,877 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 (ESSH), an air source heat pump project is to be undertaken in all none gas areas to improve energy efficiency.

There is currently an acceleration of Asbestos Management works of £330,000 which is due to pre-work needed for the programme. There is high level of demand against the Aids and Adaptions budget and follow on work within Periodic Testing works. Expenditure is currently forecast on budget and a long term strategy is in development to manage the phasing of this work.

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 £180,000 in 2023/24.

D.3 Capital Resources

The table below shows the capital resources available to fund the housing capital programme in 2023/24. 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 CFR and Borrowing is largely dependent on the required level of borrowing and associated capital financing charges as well as the level of CFR affordable to the Housing Revenue Account, and is subject to confirmation at the end of the financial year.

Table 2	2023/24 Revised Budget £'000	2023/24 Income to Month 6 £'000	2023/24 Projected Outturn £'000	2023/24 Projected Variance £'000
CFCR	8,098	3,467	7,924	(174)
Borrowing	22,234	10,246	23,419	1,185
Government Grants	0	0	0	0
Developer Contributions	100	0	100	0
Council Tax (Second Homes)	80	168	168	88
Capital Receipts	500	0	322	(178)
Total Income	31,012	13,713	31,933	921

CFCR

At this stage, the contribution of Capital from Current Revenue (CFCR) is anticipated to be £7.924 million. This is due to an anticipated net overspend within the Housing Revenue Account arising from increased premises costs and an increased cost of void rent loss.

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 2023 outlined anticipated borrowing requirements of £22.234 million. At this stage it is anticipated that £23.419 million of borrowing will be required to meet projected expenditure levels, taking into account the forecast decrease in CFCR, acceleration within the compliance programme and overspends within the New Supply Programme.

D.4 Risks

The Housing Capital Investment programme was reviewed and updated in June 2023, to take account of the 2022/23 outturn position, latest circumstances and funding assumptions.

Market conditions are continuing to have an 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 a risk regarding new build sites as site condition surveys continue to be carried out.

E. CONCLUSION

Good progress is being made in the 2023/24 Housing capital programme. Within the new housing supply projects, work has completed in two sites while other new sites are expected to start on site early in the new 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 2023/24 continues to be on work undertaken, where possible and within the terms of the Best Value framework, by Building Services.

There remains a risk around construction price inflation, which is at unprecedented levels, and delays due to lack of availability of materials. Given the ongoing 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 delays where possible. All project budgets will continue to be closely monitored and the position managed by appropriate lead officers.

Appendices/Attachments: One

Contact Person: Dale.Kelly@westlothian.gov.uk – Tel No: 01506 281295

Graeme Struthers
Depute Chief Executive
7 November 2023

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West Lothian Council
Housing Capital Programme Month 6 Monitoring
Council Executive

APPENDIX 1

EXPENDITURE	Annual Budget 2023/24 £'000	Actual to Date 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000	Variance Analysis
NEW SUPPLY HOUSING					
New Build	3,598	3,611	4,050	452	Overspend
Open Market Acquisitions	1,040	1,209	1,209	169	Accelerated
Mortgage to Rent	75	0	75	0	On Budget
NEW SUPPLY TOTAL	4,713	4,820	5,334	621	
REFURBISHMENT AND INVESTMENT					
Major Refurbishment					
Bathville Flats, Armadale Building Services	231	220	231	0	On Budget
Harrison Houses - Loch Scheme, Whitburn	182	4	182	0	On Budget
	413	224	413	0	
Major Elemental Upgrades					
Almond View & Cousland Terrace, Seafield	0	7	0	0	On Budget
Church Place, Fauldhouse	0	0	0	0	On Budget
Croftmalloch Estate - Harrison Houses, Whitburn	1,227	69	1,227	0	On Budget
Dedridge Area, Livingston	3,250	865	3,250	0	On Budget
Drummond Place, Blackridge	0	0	0	0	On Budget
Mansefield Court & Waverley Street, Bathgate	497	79	497	0	On Budget
McLeod, Ferguson, Greendykes, Broxburn	180	1	180	0	On Budget
Preston Area - Linlithgow	424	2	424	0	On Budget
Seafield	880	0	880	0	On Budget
Strathlogie, Westfield	0	0	0	0	On Budget
	6,458	1,023	6,458	0	
Planned Programmes					
Assisted Decoration and Internal Upgrade Scheme	0	(11)	0	0	On Budget
Air Quality, dampness & ventilation	150	0	150	0	On Budget
Common Access Door Upgrades	100	25	100	0	On Budget
Common Stair Upgrades	65	1	65	0	On Budget
Fencing	200	7	200	0	On Budget
Kitchens and Bathrooms	4,097	438	4,097	0	On Budget
Painting	150	1	150	0	On Budget
Planned Reactive/ HIO Investment	500	202	500	0	On Budget
Rainwater Goods Testing and Upgrading	140	11	140	0	On Budget
Windows & Doors Refurbishment / Renewal	2,978	135	2,978	0	On Budget
	8,380	808	8,380	0	
Environmental / External Upgrading					
Aerial Upgrades	25	0	25	0	On Budget
Play Areas	50	12	50	0	On Budget
Programmed Drainage	50	5	20	(30)	Saving
Tenant Environmental Projects	150	0	150	0	On Budget
	275	17	245	(30)	
Compliance Works (Direct and Assistive)					
Aids and Adaptations - Building Services	850	456	850	0	On Budget
Aids and Adaptations - Occupational Therapists	200	74	200	0	On Budget
Asbestos Management	400	270	730	330	Accelerated
Central Heating	2,626	1,431	2,626	0	On Budget
Energy Efficiency/PV Panels	4,126	262	4,126	0	On Budget
Stock Condition Surveys/Energy Performance Certificates	200	26	200	0	On Budget
External Wall Insulation	0	0	0	0	On Budget
Smoke and heat detector upgrades	560	217	560	0	On Budget
Periodic Testing and Electric Upgrades	841	402	841	0	On Budget
Orlit Remedial Upgrades	780	139	780	0	On Budget
Water Safety	10	0	10	0	On Budget
	10,593	3,276	10,923	330	
Miscellaneous					
Feasibility Surveys	20	7	20	0	On Budget
Home Safety Service	70	174	70	0	On Budget
Home Security for Senior People	0	0	0	0	On Budget
IT	0	0	0	0	On Budget
Unsuitable Accommodation Works	90	24	90	0	On Budget
	180	206	180	0	
REFURBISHMENT AND INVESTMENT TOTAL	26,299	5,555	26,599	300	
TOTAL HOUSING CAPITAL INVESTMENT PROGRAMME	31,012	10,375	31,933	921	
On Budget	25,924	5,280	25,924	0	81%
Accelerated	1,440	1,478	1,939	499	6%
Overspend	3,598	3,611	4,050	452	13%
Saving	50	5	20	(30)	0%
Slippage	0	0	0	0	0%
Total	31,012	10,375	31,933	921	100%