



WEST LOTHIAN COUNCIL

HOUSING CAPITAL INVESTMENT PROGRAMME 2018/19 to 2022/23

REPORT BY DEPUTE CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To seek Council approval for the proposed Housing Capital Investment Programme 2018/19 to 2022/23 and to seek approval for exemption for works under the terms of the Best Value Framework.

B. RECOMMENDATION

It is recommended that the Council approves:

1. The 2018/19 to 2022/23 Housing Capital Investment Programme and related funding as detailed in the report;
2. The proposed use of West Lothian Community Choices for capital investment, as set out in section D.3 of this report; and
3. The updated exemptions for works under the terms of the Best Value Framework, as outlined in section D.5 of the report.

C. SUMMARY OF IMPLICATIONS

I Council Values	<ul style="list-style-type: none">• Focusing on our 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)	<p>The report on the Housing Capital Programme complies with the Housing (Scotland) Act 1987 and the council's Financial Regulations.</p> <p>An Equality Relevance Assessment has been carried out in compliance with the Equality Act 2010.</p>
III Implications for Scheme of Delegations to Officers	None
IV Impact on performance and performance Indicators	An effective housing capital and asset strategy is vital to service performance.
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)	Capital investment of £154.877 million during the period 2018/19 to 2022/23, with £44.979 million scheduled for 2018/19.
VII Consideration at PDSP	Services for the Community Policy Development and Scrutiny Panel on 6 February 2018.
VIII Other consultations	Consultation has taken place with the Tenants Panel and the Head of Finance & Property Services.

D TERMS OF REPORT

D.1 Background

The council previously approved both a five year rent and capital investment strategy in January 2013, and as such 2017/18 is the final year of the approved programme. As reported to the Services for the Community Policy Development and Scrutiny Panel on 12 December 2017, the statutory consultation with individual tenants and tenant groups indicated support for a future rent strategy with an annual rent increase to fund capital investment and to increase the housing stock. This report seeks approval of the proposed five year Housing Capital Investment programme for 2018/19 to 2022/23.

D.2 2017/18 Housing Capital Out-turn Position

2017/18 is the final year of the existing five year housing capital investment programme. Over this five year period there has been an unprecedented £196 million of expenditure on the council's existing stock, achieving Scottish Housing Quality Standards, moving towards energy targets, while also increasing new build supply.

As detailed within the month 6 monitoring report to Council Executive on 14 November 2017, expenditure totalling £50.574 million is forecast to be incurred within the 2017/18 Housing Capital Programme. The programme encompasses both new build housing and major investment in the existing housing stock, with a number of large scale housing projects undertaken by Building Services. The projected expenditure of £50.574 million represents a £6.878 million variance against budgeted resources, compromising slippage, acceleration as well as variances against planned expenditure. Consequently, the following resources will be carried forward into the future five year programme:

- Re-phasing of New Build Housing expenditure £6.7 million, to reflect appropriate planning approvals and consents, and consequent site start dates.
- £268,000 for Harrison Houses in Whitburn, to enable legal arrangements to be established in an area of mixed tenure, prior to works commencing.
- £115,000 for Tenant Environmental Projects, the environmental scheme at Lower Bathville has been deferred until upgrade of buildings has been completed.
- £262,000 for Almondell, land ownership issues has resulted in delay to planned upgrade of rear courtyards in Broxburn.

D.3 Housing Capital Investment Programme 2018/19 to 2022/23

The five year Housing Capital Investment Programme 2018/19 to 2022/23 will see total investment of £154.877 million with significant resources invested in the creation of new homes and a strong focus on the maintenance of quality standards across the housing stock. The proposed programme is based on recent reports to Council Executive on the Strategic Housing Investment Plan and Local Housing Strategy, as well as the Housing Rent Consultation and Capital Investment Strategy which outlined proposals to be taken forward in relation to new housing supply and housing infrastructure.

The five year programme will see completion of the 1,000 Houses new build programme, and additional investment to increase housing supply. External upgrading will continue in areas identified as in greatest need and an increasing emphasis will be placed on the Energy Efficiency Standard for Social Housing (EESH). The proposed investment programme is summarised in the table below. Individual projects, comprised within each project heading, are listed in Appendix 1 and further detail on work to be encompassed within the programme is contained in Appendix 2.

Table 1: Planned Capital Investment

Investment Area	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
New Build & OMA	25,600	15,140	20,592	16,000	1,900	79,232
Major Refurbishment	2,726	1,825	580	0	0	5,131
Major Elemental Upgrades	3,760	3,528	2,871	2,910	2,890	15,959
Planned Programmes	3,210	3,380	3,380	3,380	3,380	16,730
Environmental Upgrading	927	550	455	455	455	2,842
Compliance Works	8,291	7,921	6,721	4,945	5,045	32,923
Miscellaneous	465	455	460	340	340	2,060
Total Expenditure	44,979	32,799	35,059	28,030	14,010	154,877

New Housing Supply

Significant resources will be invested in the creation and acquisition of new homes, with budgeted resources of £79.232 million factored into the investment programme. The new build programme includes the completion of the current new build programme and a further 250 new build council homes. The council remains committed to expanding the housing supply, and delivery of 3,000 new houses between the period 2012 to 2022 and as such it is planned that around 90 Open Market Acquisitions will be incorporated into the future programme. The council will continue to support applications that meet required criteria under the Scottish Government Mortgage to Rent Scheme.

Major Refurbishment

Significant improvements will include the completion of regeneration works at Bathville flats and the continuation of roof, render, stair and balcony works at the Lochs Scheme in Whitburn. A total of £5.131 million of major refurbishment works are planned, with estimated completion during financial year 2020/21.

Major Elemental Upgrades

Major Elemental Upgrades consists of long term maintenance work, where structural elements such as roof and external walls are beyond economical repair by routine maintenance. This work will continue to form an important part of the investment programme, with planned resources of £15.959 million to be invested in 17 individual

projects during the period 2018/19 to 2022/23.

Planned Programmes

Planned programmes cover a broad range of activities, including: energy efficiency measures, central heating replacements, electrical testing and repair, painting and fencing programmes. These works are preventative maintenance in nature, and are scheduled and prioritised, based on condition. Works to the value of £16.730 million are anticipated over the five year period.

Environmental / External Upgrading

Planned work, to the value of £2.842 million, will continue on general environmental improvements and external upgrading, including tenant led street improvement projects. Although many works are of a small scale, these projects can have a substantial impact on the local amenity and community. The tenants' environmental project programme is delivered in consultation with tenants; after undertaking a review of budgets held within the Housing Capital investment programme it is proposed that this forms part of the Community Choices programme.

Compliance Works

The introduction of Scotland's Energy Efficiency Standard for Social Housing (ESSH) regulations means that by the end of December 2020, any house in Scotland under the management of social landlords should meet a minimum energy rating. ESSH continues to be a major focus for project work. There will be enhanced investment in external wall insulation to target work in council houses, in areas of mixed tenure, to maximise economies of scale where homeowners receive support through the Home Energy Efficiency Programme Scotland (HEEPS). A programme of central heating upgrades will also be taken forward to help meet ESSH. The total value of planned compliance works is £32.923 million within the five year programme.

Miscellaneous

Some of the most significant investment activities facing the service over the next five years will require focus on the synergies between housing investment, repairs and the wider community regeneration agenda. A range of capital projects and measures to support the work of the Housing Revenue Account, totalling £2.060 million, are encompassed within this heading, including feasibility studies, asbestos management and legionella upgrades. A range of home security measures, as well as aids and adaptations, also support our tenants to live safely and independently within their homes.

D.4 Resourcing the Capital Investment Programme 2018/19 to 2022/23

The projected split of the £154.877 million resources to fund the 2018/19 to 2022/23 capital programme is detailed in Table 2. Financing of the programme will continue to be met largely through borrowing, with £99.054 million borrowing planned over the five year investment period.

It should be noted that capital financing costs in respect of monies borrowed for the purpose of improving the housing asset stock, or acquiring new stock through new build or open market acquisition, must be charged to the HRA account under Schedule 15 of the Housing (Scotland) Act 1987. As such, the level of sustainable capital expenditure is coterminous with the Housing Rent strategy over the five year period and must be deemed as prudent and affordable, based on the Prudential Indicators contained within the General Fund Revenue Budget report. The level of capital financing charges and CFCR associated with the proposed programme are considered to be at an affordable level within the HRA Revenue Budget, based on an

anticipated rent increase of 3% per annum. The projected ratio of gross rental income to capital financing charges ratio will increase from 30.4% in 2018/19 to 35.2% by 2022/23.

Updated assumptions on Scottish Government grants and other contributions have also been factored into funding sources as the council completes the existing new build housing programme and enters into a new phase of funding. Scottish Government grant funding for all new build equates to £57,000 per unit, and for open market acquisitions £30,000 per unit. A total of £18.934 million is anticipated for 2018/19 to 2022/23, with £4.884 million anticipated to support both the new build programme and open market acquisitions in 2018/19.

With regards to other sources, funding of £250,000 per annum is expected from developer contributions and £200,000 per annum from council tax on second homes which will be directed towards the creation of new social housing. In total £2.250 million is anticipated from these sources over the five year period 2018/19 to 2022/23. Legislative changes came into effect on 1 August 2016 that ended tenants' right to buy council houses; no further sales receipts are therefore anticipated.

Table 2 below shows the capital resources available to fund the housing capital programme and Council Executive will be updated on latest assumptions in future monitoring reports.

Table 2: Capital Funding

Investment Area	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
CFCR	6,817	7,343	6,796	6,276	7,407	34,639
Borrowing	32,828	24,406	24,216	11,451	6,153	99,054
Government Grants	4,884	600	3,597	9,853	0	18,934
Developer Contributions	250	250	250	250	250	1,250
Council Tax 2 nd Homes	200	200	200	200	200	1,000
Total Funding	44,979	32,799	35,059	28,030	14,010	154,877

D.5 Governance

In setting the HRA capital budget, due cognisance must be made to the relevant statutory, regulatory and governance requirements.

The Prudential Code requires the council to take into account a number of factors when agreeing capital spending plans. In overall terms the Housing Capital Investment Programme for 2018/19 to 2022/23 is considered affordable relative to gross rent levels, subject to appropriate management of capital risks and housing arrears. The revenue implications are incorporated within the HRA Revenue budget and loan charge projections continue to indicate that the Housing Capital Investment Programme is prudent, affordable and sustainable.

The council has continued to build a resilient culture of effective planning and governance, with strong evidence to demonstrate how the council meets the defined best value characteristics. The council's Best Value Framework, which was approved on 10 June 2014, ensures that the council complies with the provisions contained within the Local Government in Scotland Act 2003. The 2003 Act requires the council to:

- Secure best value in the performance of its functions;
- Balance the quality and cost of the performance of its function and the cost of

council services to service users;

- Have regard to efficiency, effectiveness, economy and the need to meet equal opportunity requirements in maintaining that balance;
- Fully discharge its duty to secure best value in a way which contributes to the achievements of sustainable development.

All aspects of the Housing Capital Investment Programme are geared toward securing best value. The Best Value Framework requires works over a pre-determined threshold to be subject to competitive tendering. Under the 2003 Act, exemptions are permissible and the Council Executive approved exemptions relating to a number of identified projects undertaken by Building Services on 10 June 2014. A review of the Housing Capital Investment Programme for the period 2018/19 to 2022/23 has been undertaken to determine works that will be carried out by external providers and works to be carried out in-house to ensure compliance with the Best Value Framework. It is therefore proposed that works on Energy Efficiency as well Roof and Roughcasting continue to be carried out by Building Services, as well as Electrical Periodic Inspections. The list of projects for exemption therefore include:

- Energy Efficiency – Gas Central Heating Upgrades
- Roofing and Roughcasting Works – various projects
- Electrical Periodic Inspections and installation of smoke detection upgrades

An Equality Relevance Assessment has been undertaken on the proposed five-year Housing Capital Programme. The assessment gave consideration to the three key general duties and it is deemed unnecessary that a full Equality Impact Assessment (EQIA) be carried out. Any further budgetary proposals or amendments to the Housing Capital Programme will be screened for EQIA relevance where required.

D.6 Corporate Asset Management and Future Capital Investment

The current Corporate Asset Management Strategy was agreed by the council in January 2013. Asset management provides appropriate structures and governance arrangements to ensure the council's assets are utilised appropriately in support of service delivery. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets required to sustain existing service delivery. The five year Housing Capital Programme forms a key part in the longer term approach to asset investment and planning, and considers expenditure required to improve and extend council's assets for future years. Looking forward, investment plans will be updated annually to demonstrate best value, continuous improvement, sound performance management, partnership working and sustainable development.

E. CONCLUSION

This report sets out the Housing Capital Investment Programme for 2018/19 to 2022/23, with proposed investment of £154.877 million. It builds on, and consolidates, local housing needs identified within the Strategic Housing Investment Programme and Local Housing Strategy. The investment proposals are framed on the outcome of the Housing Rent and Consultation Strategy reported to Services for the Community Policy Development and Scrutiny Panel on 12 December 2017 which indicated that the majority of responses from tenants supported a 3% rent increase per annum.

There is a strong focus within the programme on the creation of additional social housing including completion of the existing new build programme, delivering a further

250 new build homes and continuing with a programme of open market acquisition. These measures will increase the availability of social housing within communities for both existing residents and future generations. Alongside investment in new and additional housing stock, there will be continued investment in existing council housing stock and the environment, to improve homes and local amenity. Energy efficiency is recognised as a continuing priority, with an emphasis on meeting the requirements of the Energy Efficiency Standards for Social Housing legislation.

Expenditure of £44.979 million is anticipated in 2018/19, and the programme consolidates and updates on movements reported to Council Executive in November 2017, recognising the requirement to refine and phase projects and expenditure. It also introduces a new period of planned investment in our housing stock, ensuring that resources are prioritised effectively and reflect the investment needs of our housing stock.

Through the Housing Capital Investment Programme, the council continues to maintain quality standards and invest in the suitability and sufficiency of its housing stock to improve the environment within communities and meet the needs of existing and future tenants across West Lothian.

F. BACKGROUND REFERENCES

Best Value Framework, Report to Council Executive 10 June 2014.

West Lothian Local Housing Strategy 2017-22, Report to Council Executive 24 October 2017.

West Lothian Strategic Housing Investment Plan, Report to Council Executive 24 October 2017.

2016/17 Period 6 Housing Capital Monitoring, Report to Council Executive 14 November 2017.

Update on the New Build Council House Programme, Report to Council Executive 19 December 2017.

2018/19-2022/23 Housing Revenue Account Budget and Rent Level – Report to Services for the Community PDSP, 6 February 2018.

Housing Capital Investment Programme 2018/19 – Report to Services for the Community PDSP, 6 February 2018.

2017/18 Housing Revenue Account Budget and Rent Levels, Report to Council, 13 February 2018.

Appendices/Attachments: Two

Appendix 1 – Housing Capital Investment Programme Projects 2018/19 to 2022/23

Appendix 2 – Housing Capital Investment Programme Further Information 2018/19 to 2022/23

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13 February 2018