

North Lanarkshire Council Report

Housing and Regeneration Committee

approval noting

Ref GT/AN

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HRA Capital Monitoring Report – 1 April 2020 to 16 October 2020

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Executive Summary

The purpose of this report is to review progress towards agreed spending plans within the 2020/21 HRA capital programmes. An underspend is projected within the Mainstream Capital Investment programme due to restricted capital spend and delays within the programme as a result of COVID-19.

An underspend is projected within the New Build programme due to the continued impact of Scottish Water requirements for new housing developments and delays caused as a result of COVID-19. An underspend is projected within the Council Buy Back schemes as a result of less demand for properties to be purchased through the Mortgage-to-Rent Scheme.

Recommendations

It is recommended that Committee:

- (1) Notes the financial position of the 2020/21 HRA Capital Programmes.

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

1. Background

1.1 Mainstream Working Programme

- 1.1.1 The Housing and Regeneration Committee on 19 February 2020, approved an outline mainstream programme for 2020/21 based on targeted expenditure of £71,442m, funded as follows:

	£000
Prudential Borrowing	42,472
Capital Funded from Current Revenue (CFCR)	22,476
Total projected resources	<u>64,948</u>
Slippage allowance	6,494
Working programme	<u>71,442</u>

1.2 New Build Programme

- 1.1.2 The original 2020/21 working programme for new build was £46.682m, with 142 completions expected for the year. However, after taking into account the impact COVID19 and continued delays as a result of Scottish Water requirements, a revised working programme of £27.346m (inclusive of slippage of £3m) has been established with 51 completions expected for the year. This is to be funded as follows:

	£000
Prudential Borrowing	15,290
Capital Funded from Current Revenue (CFCR)	4,670
Scottish Government Grant	7,381
Total projected resources	<u>27,341</u>

1.3 Council Buy Back Schemes

- 1.3.1 As part of the 2020/21 Revenue Estimates, the budget provided for the continuation of both the Council's Empty Homes Purchase Scheme (EHPS) and the Open Market Purchase Scheme (OMPS). This will allow approximately 150 properties to be brought back into Council use.

- 1.3.2 In addition to the EHPS and OMPS the Mortgage to Rent scheme (MTR) was also added to the overall Council Buy Back scheme during 2019/20 and is anticipating an additional 10 properties to be brought back into council use in 2020/21.

- 1.3.3 Funding requirements for 2020/21 for the Council Buy Back Scheme is made up as follows:

	£000
Prudential Borrowing	8,394
Scottish Government Grant	4,500
Subsidy Income	428
Total projected resources	<u>13,322</u>

2. Report

2.1 Budget Monitoring Report

2.1.1 A summary of the mainstream working programme and actual spend to 16 October 2020 (Period 7) is included within Appendix 1, highlighting that at this stage in the financial year:

- £46.984m (66% of the working programme) has been legally committed; and
- £12.113m (19% of the projected resources) has been spent. This highlights that forecast spend will be mainly achieved towards the end of the financial year as contractors increase capacity.

2.1.2 Legal commitments and spend are lower than previous years at this stage in the programme. An underspend of £18.744m is being projected largely due to restrictions and delays caused as a result of the Coronavirus pandemic. While many works are back on site, it is unlikely that the Service and key contractor will be able to accelerate works to the extent that will allow completion of the previously planned programme during 2020/21. As a result, many of the works will now be completed during 2021/22.

2.2 New Build

2.2.1 A summary of projected spend on the new build programme is contained within Appendix 2. Projected spend currently totals £24.333m and is funded by Prudential Borrowing, CFCR and Scottish Government Funding.

2.2.2 In line with Scottish Government guidance, construction was suspended on the council's new build sites between 24 March and 28 May 2020. Subsequent announcements have since enabled the construction sector to progress the industry agreed phased restart plan. Phase 2 ('soft start' works) resumed at Dimsdale Road, Wishaw and Lismore Drive, Coatbridge sites on 15 June 2020, while the Caledonian Avenue, Bellshill site resumed activity on 22 June 2020. Contractor CCG is now working in Phase 4 (steady state operation) on these developments.

2.2.3 The latest project at Roberts Street, Wishaw, commenced on site works on 31 August 2020. The main contractor for the development is the Hadden Group.

2.2.4 Slippage to the original budgeted new build programme is due to the current difficulties in obtaining technical approval from Scottish Water due to their refusal to allow a connection to the combined foul and surface water sewer for the discharge of surface water. This resulted in delayed starts at the Dimsdale Road, Wishaw and Caledonian Avenue, Bellshill sites.

2.2.5 The Service was unable to make contract awards for the Community Road, Bellshill, Berwick Street, Coatbridge and Laburnum Road, Viewpark sites. Discussions are progressing with Scottish Water and Scottish Government to find a viable solution for the sewer connections that would allow the contract awards to be made. However, this has delayed site starts until 2021. Bon Accord Crescent was subsequently removed from the programme due to a combination of this and rising costs from poor ground conditions.

2.2.6 To date, 772 new build homes have been completed as part of the Council's ambitious new supply programme of 5,000 new homes. A total of 139 homes were completed in 2019/20, with 43 homes due for completion in 2020/21. Currently, 162 homes are under construction.

2.2.7 Sites have been identified and approved at Committee for a further 1,271 homes across 29 sites, with site investigations, title checks and design development on these sites progressing.

2.2.8 The council has appointed a design team who are progressing layouts and designs for a number of sites, with site investigations underway.

2.3 Council Buy Back Scheme

2.3.1 A summary of the projected spend on the Council Buy Back Schemes is also contained within Appendix 2. Projected spend currently totals £13.054m collectively between the Council buy back schemes, attributable £12.568m to EHPS and OMPS and £0.486m to the MTR scheme.

2.3.2 This is funded by Prudential Borrowing, Scottish Government Funding and Subsidy Income. A Scottish Government grant contribution of £3m has been secured for 2020/21. Up to the 30th September, a total of 26 properties have been brought back into use as affordable housing in 2020/21.

2.3.3 The final revenue cost of borrowing will equate to a potential drawdown of £0.286m in 2021/22 from the amounts set aside for "Our Ambition".

3. Equality and Diversity

3.1 Fairer Scotland Duty

There are no specific impacts on Fairer Scotland.

3.2 Equality Impact Assessment

There are no specific Equality Impact Assessments to note.

4. Implications

4.1 Financial Impact

The financial impact is contained within the body of the report.

4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts.

4.3 Environmental Impact

There are no environmental impacts.

4.4 Risk Impact

4.4.1 All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (September 2012), Services manage these as part of their overall corporate and service planning processes. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.

4.4.2 To minimise risk this report has been prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with Financial Regulations.

5. Measures of success

- 5.1 The successful delivery of the HRA capital programmes, providing high quality housing stock.

6. Supporting documents

- 6.1 Appendix 1 – 2020/21 HRA Capital Programme - Mainstream Budget Monitoring Report Period 7

Appendix 2 – 2020/21 HRA Capital Programme – New Build / Council Buy Back Scheme Budget Monitoring Report Period 7



Robert Steenson
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2020/21 HRA CAPITAL PROGRAMME
Budget Monitoring Report

Appendix 1
Period 7 Summary

MAINSTREAM PROGRAMME	Original Programme £000	Legally Committed £000	Balance £000	Ledgered to Date £000	Projected Outturn £000
Estate Regeneration					
Estate Regeneration	332	231	101	56	301
Sub Total	332	231	101	56	301
Energy Efficiency					
Heating	10,146	6,423	3,723	1,464	6,485
Window/Door Replacement	6,999	5,107	1,892	107	5,107
Energy Efficiency Works	554	201	353	1	351
Sub Total	17,699	11,731	5,968	1,572	11,943
Major Repairs					
Major Repairs	433	611	- 178	186	636
Roofing/Rendering	7,278	2,417	4,861	1,468	3,092
Sub Total	7,711	3,028	4,683	1,654	3,728
Home Safety and Security					
Lead Pipe	1,107	1,021	86	639	1,272
Entry Systems	831	445	386	-	445
Electrical works	9,093	7,569	1,524	2,427	7,713
Sub Total	11,031	9,035	1,996	3,066	9,430
Tower Strategy					
Tower Strategy	24,320	19,497	4,823	3,024	10,287
Sub Total	24,320	19,497	4,823	3,024	10,287
Internal Upgrading					
Kitchens	886	902	- 16	871	1,416
Bathrooms	930	1,270	- 340	1,270	2,400
Sub Total	1,816	2,172	- 356	2,141	3,816
Community Care					
Community Care	2,206	222	1,984	76	539
Sub Total	2,206	222	1,984	76	539
Fees / Miscellaneous					
Fees / Miscellaneous	4,452	104	4,348	105	5,271
Grants	-	-	-	-	-
Sub Total	4,452	104	4,348	105	5,271
TOTAL (Mainstream Programme)	69,567	46,020	23,547	11,694	45,315
Ambition/Reprovisioning					
Reprovisioning works	1,875	964	911	419	890
Sub Total	1,875	964	911	419	890
REVISED TOTAL (Mainstream plus Ambition)	71,442	46,984	24,458	12,113	46,205
Over/(underspend)					
				-	18,744
Financed by:					
Borrowing (Mainstream)	- 40,597			-	41,578
Borrowing (Ambition)	- 1,875			-	890
Capital Receipts	-			5	5
CFCR	- 22,476			-	22,476
Slippage	- 6,494				-
TOTAL RESOURCES	- 71,442			5	64,949

NEW BUILD PROGRAMME	Working Programme £000	Legally Committed £000	Balance £000	Ledgered to Date £000	Probable Outturn £000
New Build	24,918	22,105	2,813	5,372	22,105
Fees	2,423		2,423		2,228
TOTAL (New Build Programme)	27,341	22,105	5,236	5,372	24,333
Over/(underspend)				-	(3,008)
Financed by:					
Borrowing	(15,290)			-	(14,356)
CFCR	(4,670)			-	(4,670)
Scottish Government New Build Grant	(7,381)			(2,187)	(5,297)
Sale of Land and Buildings				(10)	(10)
Total	(27,341)			(2,197)	(24,333)

Council Buy Back Schemes	Programme £000	Committed £000	Balance £000	Ledgered to Date £000	Projected Spend £000
Empty Homes and Open Market					
Empty Homes and Open Market	12,260	6,415	5,845	1,186	12,260
Mortgage to Rent	754	225	529	-	486
Fees / Recharges	308	-	308	-	308
TOTAL	13,322	6,640	6,682	1,186	13,054
Over/(underspend)					(268)
Financed by:					
Scottish Government Grant	(4,500)			(480)	(4,500)
AHP (Commutated Sums)	0			-	0
Subsidy Income	(428)			-	(264)
Borrowing (OMPS/EHPS)	(8,068)			-	(8,068)
Borrowing (MTR)	(326)			-	(222)
Total	(13,322)			(480)	(13,054)