

EAST RENFREWSHIRE COUNCIL28 February 2024Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2024/25**PURPOSE OF REPORT**

1. To seek the approval from the Council for the Housing Capital Projects for 2024/25 and to note the proposed ten year programme.

RECOMMENDATION

2. It is recommended that the Council notes the proposed Housing Capital Programme for the years from 2024/25 to 2033/34 and authorises the Director of Environment to progress the projects listed for 2024/25.

BACKGROUND

3. This report outlines details of anticipated capital expenditure requirements for Housing Services for the next ten years. Members should note that the first two years of the Capital Programme will be focused on essential and statutory compliance works only. Existing loan charges for 2024/25 & 2025/26 remain a significant strain on the business plan due to historical debts inherited at the time of re-organisation alongside new borrowing required to invest in existing and new stock.

4. In addition in recent years the Housing Capital Programme has focused on the need to meet the Scottish Housing Quality Standard (SHQS) 2015 and Energy Efficiency Standard for Social Housing (ESSH). The first milestone of the ESSH was met in December 2020 and has to be maintained. In June 2019, the Government introduced new targets through ESSH2. Two key milestones were set for ESSH2. The first milestone is that no social housing should be below Energy Performance Certificate (EPC) D by 2025. The second milestone stated that all social housing should meet EPC Band B by the end of December 2032.

5. In February 2023, the Scottish Government made a decision to review the ESSH, with a view to strengthening and realigning the standard with the net-zero carbon emission target. A consultation to seek views on a new Social Housing Net Zero Standard (SHNZS) was launched in November 2023. The Government wants homes to be “warmer, greener and more efficient” and also committed to ensuring that everyone in Scotland, no matter their financial situation, has access to good quality housing that they can afford to heat. As such, the proposal will focus on fabric energy efficiency (FEE) and the requirement to replace polluting heating systems with a clean heating alternative by 2045. The consultation period ends on 12 March 2024.

6. This creates uncertainty around planning major improvement works because the review could change what is required to meet new and proposed energy efficiency standards. The new standard and its implications are not likely to be known until at least April 2025. All Capital projects with high implementation costs that fall within the energy efficiency category will be put on hold until clear guidance from the SHNZS consultation is complete and the new requirements are confirmed.

7. In December 2023 the Cabinet noted a £2.011m reduction in the 2023/24 HRA Capital Programme expenditure. The resource will now be carried forward to fund these projects in

future years.. It is anticipated that there will be an increase in tender costs as we move forward due to market uncertainties.

8. Members are asked to note that there may be further slippage in 2023/24 resulting in a further carry forward of resources. The amount will be dependent on the progress made on contracts before the end of financial year. The slippage will be reported as part of the June 2024 Housing Capital Programme Update report.

REPORT

9. The remainder of this report sets out the Housing Capital Programme for 2024/25. The appendix to this report provides detail of the spending priorities and values contained within the Capital Programme from 2024/25 to 2033/34.

10. Each year, when compiling the Housing Capital Programme, it is necessary to achieve the difficult balance between the aspirations of tenants for improvements to their homes and the affordability of any investment. A key factor for the Council to consider is the age of its stock. Almost one third of the stock is more than 75 years old, with a further third aged between 50 and 75 years. This creates a substantial need for investment, especially in relation to achieving both the SHQS, energy efficiency standard requirements and renewing roof and wall render.

11. Whilst the first two years of the programme have been limited to statutory and essential works only, the remaining 8 years show an additional £15m investment in Council homes. This is due to increasing costs but also the cyclical nature of the programme.

12. There has been a notable increase in the cost of delivering most projects. This is evident in the roof and wall render projects where costs have increased by 250%. The Government updated the standard for insulated wall render in 2021 to meet PAS 2030:2019 and PAS 2035:2019. Although the new standards comes with significant benefit to homes and their occupants, the increase in cost of works, labour and materials places immense pressure on capital investment. It also increases the challenge to achieve a balance between affordability and commitment to our tenants. The impact of this is being reviewed by the service and should be completed by Spring. As a consequence only essential roof and render projects where water penetration has been reported is planned in the next two years and or until the review is completed.

13. There are also other pressures placed upon the current HRA Capital Programme. These include:

- The need to upgrade heating systems and telecare warden call systems in the sheltered housing complexes;
- Ongoing cyclical investment required to improve internal elements and external elements in tenants' homes; and
- Heating upgrade works and other energy efficiency works requirements under EESSH2 or the new proposed SHNZS, as noted above; and
- Increasing costs to deliver new council housing.

14. Key areas that the Housing Capital Programme will focus on for the next ten years are:

- Investment of £33.93 million from 2024/25 to 2027/28 towards the delivery of 171 new council houses. This was detailed in the Strategic Housing Investment Plan (SHIP) 2024-29 which was agreed by Cabinet on 12 October 2023. The delivery of these homes is supported by an anticipated £15.39 million of Scottish Government funding.

- A budget of £50k to fund house purchase opportunities which may arise through the Scottish Government mortgage-to-rent scheme. This budget will be enhanced with grant support from the Scottish Government.
- Investment of £10.15 million in central heating. The proposed budget will enable us to improve energy efficiency of our housing stock and also support working towards meeting future standards requirements. About a quarter of housing stock has heating systems aged 15 years or more with a substantial number of other systems reaching 'end of life' and becoming inefficient. However, with the consultation on EESSH2 and the new SHNZS proposal still ongoing, the next two years' heating programme will only be for replacement of boilers and heating systems that break down or with obsolete parts. This decision will be in place until we have clear guidance and direction from the Scottish Government on future standards.
- Investment of £6.24 million on electrical re-wiring, replacement of fire alarms/detectors and Electrical Installation Condition Report (EICR) testing. The Scottish Housing Regulator changed the requirement for EICR periodical testing from 10 years to 5 years in 2020. As of December 2023, approximately 80% of housing stock is compliant. This means that safety checks are required to be undertaken in the remaining 20%. Safety checks will continue on an ongoing cyclical programme to ensure homes are within the five-year target.
- Investment of £22.9 million in external structural projects. This is primarily targeted at continuing programmes of Roof and Render Renewal and prioritising buildings with roofs well beyond their 60-year lifespan. This budget will also fund:
 - External Wall Insulation (EWI) projects – to work towards meeting energy efficiency requirements. With the Scottish Government consultation focusing on Fabric Energy Efficiency and also compliance to the new EWI standard and specification (PAS 2023:19 and PAS 2023:35), costs to meet these standards will be very high and could potentially be unaffordable. It is therefore important to note that additional resources will be needed to bring the majority of housing stock up to current and future proposed standards.
 - Private owners in mixed tenure blocks where works are being carried out. This will be supported by the Energy Efficiency Scotland: Area Based Scheme (EES: ABS) grant and will allow EWI in mixed tenure properties to be undertaken.
- Investment of £12.39 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in homes.
- Investment of £1.35 million in sheltered housing – investment is required to upgrade the warden call system from analogue to digital and to meet other health and safety standards for fire and water. It is worth noting that heating systems in two of the sheltered complexes have reached 'end of life' and costs to upgrade these are very expensive due to inflationary increases in construction materials and labour. Again, this poses the challenge of trying to balance affordability and commitment to our tenants. It also highlights why this form of accommodation is expensive to operate.
- Investment in a new housing management IT system. The new system will allow Housing Services to reduce paper processes, deliver online services and be more efficient and customer-focused. The implementation of the system is ongoing and there is a balance of £184K which will be paid by 2025/26.

15. The Capital Programme for existing stock is mainly financed through borrowing and recharges to owner occupiers. Recharges to owner occupiers have been estimated to allow the Council's borrowing requirements to be calculated. If these recharges are lower than estimated the overall expenditure will be reduced to maintain borrowing at the approved level. Conversely, if recharges to owners are greater than estimated, then the overall expenditure may be increased assuming no change to borrowing requirements. An allowance has been made for receipts from the sale of land in the Capital Programme.

16. The Council will note that in November 2016, approval was given to commence an ambitious new build programme of an initial 120 new homes. This target was extended in

January 2018 to 240 new homes and in February 2023 to 370 units. To date, 188 homes have been built 14 properties have been purchased in the open market. The 10-year Capital Programme includes the proposals for another 171 units that will be delivered over the next 4 years with a target completion date of 2027/28.

17. The 30-year Housing Business Plan is updated annually. The most recent independent financial appraisal confirmed that Housing Services are in a position to support the current level of annual expenditure required to continue to meet the Capital Programme detailed in this report. This is based upon a number of assumptions in relation to rent increases and the disposal of specific land assets. These assumptions will continue to be monitored on an annual basis.

18. The new build programme has made use of commuted sums received from private developers and council tax from second homes to assist the programme. This income has been set at £10k per unit as a baseline contribution for each future council housing site. However, an element of flexibility is in place to increase this funding to support significant infrastructure costs and excessive abnormal costs, if required.

19. It is essential that the Council ensures that capital expenditure achieves value for money, is appropriately targeted and customer-focused. In conjunction with colleagues in Procurement and Property & Technical Services a robust approach is taken in relation to the procurement and management of external contractors, in order to achieve these aims. Regular meetings are held with contractors to ensure that quality is maintained and that any problems are addressed as soon as they occur.

FINANCE AND EFFICIENCY

20. Prudent management and adoption of the recommended rent increase of 5.9% for the next year will ensure the proposed expenditure for 2024/25 and future years is affordable.

21. The expenditure levels for years 2024/25 and onwards are provisional and will be reviewed in line with the Housing Asset Management Plan review. An update Housing Asset Management Plan will be presented to Cabinet later in 2024.

22. The overall resources within the 10 year plan have gone up to £94m from £77m in 2023/24. This is a significant increase in our programme and represents the level of investment required within our existing stock. Work is ongoing to consider the future plans for new build in 2024/25 given the significant pressure and demand for more social housing.

CONSULTATION

23. The majority of the content of the Housing Capital Programme is determined by the need to continue to meet the SHQS and the plan for achieving energy efficiency standards. The scope for its content is also determined through consultation with tenants. The most recent engagement exercise took place in October 2023. The focus of the forum was for representatives to provide their view of Housing Services and areas where they want the service to improve. Feedback from tenants was centred on 'improving the homes they live in'. The forum also made our tenants aware of the challenges we are facing as Landlord in terms of balancing their expectations with affordability. This was also discussed at the rent-setting engagement session in December 2023 where tenants were advised that works over the next couple of years will be essential works only.

24. Housing Services will continue to engage with tenants and also monitor satisfaction with Capital Programme projects. When required or where appropriate (e.g. where satisfaction levels show some areas of concern), focus groups to consider improvements to the delivery programme will be held.

PARTNERSHIP WORKING

25. In order to ensure the Housing Capital Programme is efficient and delivers value for money, a partnership approach is in place with colleagues from Procurement and Property & Technical Services.

IMPLICATIONS OF THE PROPOSALS

26. This report does not have any implications in terms of staffing, legal or equalities.

27. The proposed projects will impact on energy efficiency through the EESSH target and other elements of the SHQS to make sure that more tenants live in warmer, safer and drier homes.

CONCLUSIONS

28. The levels of investment contained within the Programme are essential to allow the Council to continue to meet the SHQS, to meet the future requirements of energy efficiency and net zero standards, and to provide homes that meet the needs and aspirations of our tenants and prospective tenants. The continued investment is affordable and will be welcomed by council tenants who will see the quality of their homes continue to be improved.

RECOMMENDATION

29. It is recommended that the Council notes the proposed Housing Capital Programme for the years from 2024/25 to 2033/34 and authorises the Director of Environment to progress the projects listed for 2024/25.

Director of Environment

Further details can be obtained from Phil Daws, Head of Housing, Property and Climate Change on 0141 577 3186.

Convener contact details

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HRA 10 Year Capital Programme

HRA Capital Programme - Existing Stock	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	Total
Central Heating Systems	250	250	1,128	858	1,080	1,283	1,343	1,050	1,218	1,689	10,149
Re-wiring and Other Electricals (including smoke detectors)	260	245	583	632	1,056	550	567	858	831	660	6,242
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	700	700	3,910	3,915	4,510	3,813	2,292	95	50	2,935	22,920
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	50	50	100	100	100	100	100	100	100	100	900
Energy Efficiency Standard for Social Housing (EESH)	50	50	200	200	200	300	300	300	300	300	2,200
Aids and Adaptations	350	350	350	350	350	350	350	350	350	350	3,500
Internal Element Renewals	550	563	1,615	1,475	1,343	385	1,231	981	878	3,372	12,393
Door Entry Systems	-	0	97	3	229	5	11	22	9	56	432
Sheltered Housing	450	-	-	450	450	-	-	-	-	-	1,350
IT Systems	134	50	-	-	-	-	-	-	-	-	184
Retentions	10	-	-	-	-	-	-	-	-	-	10
Sub-Total - HRA Capital Programme for Existing Stock	2,804	2,258	7,983	7,983	9,318	6,786	6,194	3,756	3,736	9,462	60,280

HRA Capital Programme for New Stock	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	Total
Compulsory Purchase Orders/Mortgage to Rent	50	-	-	-	-	-	-	-	-	-	50
Maidenhill Areas A1-A3 (Estimate 105 units)	9,500	9,500	-	-	-	-	-	-	-	-	19,000
Barrhead Road Newton Mearns (Estimate 17 units)	4,000	700	100	-	-	-	-	-	-	-	4,800
Commercial Road, Barrhead (Estimate 49 units)	1,000	5,000	3,700	200	-	-	-	-	-	-	9,900
Site investigation	113	75	75	-	-	-	-	-	-	-	263
Sub-Total - HRA Capital Programme for New Stock	14,663	15,275	3,875	200	0	0	0	0	0	0	34,013

Total Expenditure	17,467	17,533	11,858	8,183	9,318	6,786	6,194	3,756	3,736	9,462	94,293
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Resources:-	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	Total
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Borrowing	10,693	9,753	6,448	7,183	8,318	6,786	6,194	3,756	3,736	9,462	72,329
Capital Receipts	0	1,000	1,000	1,000	1,000	0	0	0	0	0	4,000
Owner Income	0	0	0	0	0	0	0	0	0	0	0
Scottish Government Grant											
- Rental Off the Shelf	50	0	0	0	0	0	0	0	0	0	50
- New Build	4,725	6,255	4,410	0	0	0	0	0	0	0	15,390
Commuted Sums	1,999	525	0	0	0	0	0	0	0	0	2524
Total Resources	17,467	17,533	11,858	8,183	9,318	6,786	6,194	3,756	3,736	9,462	94,293