

EAST RENFREWSHIRE COUNCIL27th February 2020Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2020/21 TO 2024/25**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed five year Housing Capital Programme from 2020/21 to 2024/25.

**RECOMMENDATION**

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2020/21 to 2024/25 and authorises the Director of Environment to progress the projects listed within 2020/21

**BACKGROUND**

3. This report advises on details of anticipated capital expenditure requirements for Housing Services for the next five years.

4. In recent years the capital programme has focused on the need to meet the Scottish Housing Quality Standard (SHQS) 2015. The majority of expenditure on the housing capital programme during 2020/21 and beyond relates to the need for our housing to continue to meet the SHQS.

5. Additionally, all social landlords now have to meet the first Energy Efficiency Standard for Social Housing (ESSH1) by 2020/21. This sets a minimum energy rating that all social housing must meet. This requires ongoing additional investment which is reflected in this programme, although it should be noted that it may not be possible to justify the investment required to bring all council dwellings up to ESSH1 (e.g. where owners prevent the works or where it can only be achieved by the installation of unjustifiably high cost works, such as solar panels). The Scottish Government has indicated it may consider such dwellings as “exempt” from ESSH1, although the detail of this category is still to be clarified. The Scottish Government is now introducing further energy efficiency targets for social housing to be achieved by 2025. This is known as ESSH2. The energy efficiency investment previously envisaged to only be required to 2020/2021 has now been extended throughout this five year plan. The actual cost of meeting ESSH is dependent on a further analysis of energy data and additional funding may be required to achieve these challenging targets.

6. In November 2019 the Cabinet noted a £1.263 million reduction in the 2019/20 HRA capital programme expenditure due to some projects taking longer to get on site than envisaged. The resource is being carried forward to fund these projects in 2020/21. These carry forwards are included in this 2020/21 programme.

7. Members are asked to note that there may be further slippage in 2019/20 resulting in further carry forward of resources. The amount will be dependent on the progress made on contracts before the end of financial year end. This will be reported as part of the June 2020 Housing Capital Programme update report.

## REPORT

8. The remainder of this report sets out the Housing Capital Programme for 2020/21. The appendix to this report provides detail of the spending priorities and values contained within the capital programme from 2020/21 to 2024/25.

9. Each year, when compiling the capital programme, it is necessary to achieve a difficult balance between the aspirations of tenants for improvements to their homes and the affordability of any investment.

10. 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 renewing the roof and render. There have also been some additional pressures placed upon the HRA Capital Programme which the Council approved in the previous five year plan in March 2019. These include:

- New Scottish legislation requiring the installation of interlinked smoke detectors in all Council housing by February 2021;
- Investment required to improve water supply health and safety management within people's homes;
- The need to procure a new housing management IT system; and
- New energy efficiency requirements under EESSH2 as noted above

These form part of the projects that will be delivered through the HRA Capital Programme.

11. Key areas that the capital programme will focus on for the next five years are:

- Investment of £30.3 million over 2020/21 and 2024/25 to complete the delivery of 240 new council houses, as agreed by the Cabinet on 24th October 2019 – the Strategic Housing Investment Plan (SHIP) 2020-25 and supported by an anticipated £11.7 million of Scottish Government funding.
- A budget of £150k to fund house purchase opportunities which arise through, for example, the Scottish Government mortgage to rent scheme.
- Investment of £3.8 million in central heating. One quarter of the stock has a heating system that is aged 15 years or more at January 2020, while a substantial number of other systems are energy inefficient. The proposed budget will renew all these systems by 2023/24. This investment will enable us to meet the energy efficiency ratings required to meet EESSH targets by 2021, and contribute to meeting EESSH2 by 2025, while also reducing fuel bills, and the incidence of fuel poverty, for tenants.
- Investment works, primarily house re-wiring and installation of multi room, interlinked electrical smoke detectors at a cost of £2m .
- Investment of £9.5 million in external structural projects. This is primarily targeted at continuing our programme of Roof and Render Renewal, prioritising buildings with roofs well beyond their originally envisaged 60 year lifespan. This budget will also fund:
  - External Wall Insulation projects. (Private owners are supported with Scottish Government Home Energy Efficiency Scheme: Area Based Scheme (HEEPS:ABS) grant).
- Investment of £5.1 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in people's homes.
- Investment of £1.5 million in sheltered housing – despite substantial investment in sheltered housing over the last few years, further investment continues to be required over the next five years to renew heating systems in three of the complexes, maintain the buildings, and meet the demanding health and safety investment requirements of lifts, fire and water safety regulation, all of which makes this form of accommodation very expensive to operate.

- Investment in a new Housing Management IT System. The current system is no longer fit for purpose. A new system will allow Housing Services to reduce paper processes, deliver online services and be more efficient and customer focused. The total cost is £0.25m and was allocated in 2019/20, £91k of this is being carried forward into 2020/21.

12. The capital programme for existing stock is mainly financed through borrowing and recharges to owner occupiers. As the right to buy has now ended and there are no outstanding applications to process there will be no receipt from house sales for re-investment in existing stock from 2019/20, although for future years an allowance has been made for receipts from the sale of land. 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.

13. The 30 year housing business plan is updated annually. The most recent financial appraisal carried out confirms that Housing Services are in a position to support the required level of annual expenditure required to continue to meet the capital programme detailed in this report, thereby ensuring no dwellings fail the SHQS. 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.

14. It is essential that the Council ensures that capital expenditure achieves value for money, is appropriately targeted and is customer focused.

15. 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**

16. Prudent management and adoption of the recommended rent increase of 3.4% p.a. for the next year will ensure the proposed expenditure for 2020/21 and future years is affordable.

17. The expenditure levels for years 2021/22 and onwards are provisional and will be reviewed in line with a Housing Asset Management Plan review.

## **CONSULTATION**

18. The majority of the content of the capital programme is determined by the need to continue to meet the SHQS and to plan for achieving EESSH targets. The scope for its content to be determined through consultation is therefore limited. In the preparation of the Housing Asset Management Plan 2019 - 2023, Residents and Tenants Organisations (RTO) and a forum of unaffiliated tenants were consulted and were in general agreement with its findings and the proposed investment priorities.

19. Housing Services monitor resident satisfaction with capital programme projects, and where appropriate (e.g. where satisfaction levels show some areas of concern) will hold focus groups with residents to consider improvements to how the programme is delivered.

**PARTNERSHIP WORKING**

20. In order to ensure the 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**

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

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

**CONCLUSIONS**

23. 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 EESSH, 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. However resources are tight and prudent financial management is required.

**RECOMMENDATION**

24. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2020/21 to 2024/25 and authorises the Director of Environment to progress the projects listed within 2020/21

Director of Environment

Further details can be obtained from Phil Daws Head of Environment (Strategic Services) on 0141 577 3186.

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February 2020

## HRA 5 Year Capital Programme

HRA Capital Programme - Existing Stock	2020/21 (£000)	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	Total	Previous Yrs' Total	Difference
Central Heating Systems	808	900	900	900	353	<b>3,861</b>	4,558	697
Re-wiring and Other Electricals (including smoke detectors)	1,062	250	250	250	200	<b>2,012</b>	1,965	-47
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	1,848	1,769	1,972	2,019	1,797	<b>9,405</b>	10,117	712
Estate Works ( Paths, Walls, Lighting, Bin Stores, Drying Areas etc	100	100	100	160	100	<b>560</b>	610	50
Energy Efficiency Standard for Social Housing (ESSH)	300	300	300	300	300	<b>1,500</b>	1,500	0
Aids and Adaptations	250	200	200	200	200	<b>1,050</b>	1,000	-50
Internal Element Renewals	1,211	890	940	940	1,094	<b>5,075</b>	4,757	-318
Door Entry Systems	20	20	20	20	20	<b>100</b>	100	0
Sheltered Housing	948	435	125	25	0	<b>1,533</b>	1,545	12
Retentions	10	10	10	10	0	<b>40</b>	50	10
IT Systems	91		0	0	0	<b>91</b>	250	159
<b>Sub-Total - HRA Capital Programme for Existing Stock</b>	<b>6,648</b>	<b>4,874</b>	<b>4,817</b>	<b>4,824</b>	<b>4,064</b>	<b>25,227</b>	<b>26,452</b>	<b>1,225</b>
<b>HRA Capital Programme for New Stock</b>								
Compulsory Purchase Orders/Mortgage to Rent	0	0	50	50	50	<b>150</b>	150	0
New Build - Phase 1	5,281	2,520	0	0	0	<b>7,801</b>	8,050	249
New Build - Phase 2	5,660	12,226	3,000	1,440	0	<b>22,326</b>	17,371	-4,955
<b>Sub-Total - HRA Capital Programme for New Stock</b>	<b>10,941</b>	<b>14,746</b>	<b>3,050</b>	<b>1,490</b>	<b>50</b>	<b>30,277</b>	<b>25,571</b>	<b>-4,706</b>
<b>Total HRA Capital Programme</b>	<b>17,589</b>	<b>19,620</b>	<b>7,867</b>	<b>6,314</b>	<b>4,114</b>	<b>55,504</b>	<b>52,023</b>	<b>-3,481</b>

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## Resources:-

<b>Borrowing</b>	<b>12,685</b>	<b>12,238</b>	<b>5,442</b>	<b>5,549</b>	<b>3,349</b>	<b>39,263</b>
Receipts From Sale of Council Houses	0	0	0	0	0	0
Receipts From Sale of Land - Barrhead South		500	500	500	500	<b>2,000</b>
ROTS Grant	0	0	25	25	25	<b>75</b>
Capital New Build - Government Grant	4,604	5,617	1,335	0	0	<b>11,556</b>
Capital New Build - Commuted Sums/Council Tax Discount	0	1,025	325	0	0	<b>1,350</b>
Heeps Funds	200	140	140	140	140	<b>760</b>
Recharges to Owner Occupier	100	100	100	100	100	<b>500</b>
<b>Total Resources</b>	<b>17,589</b>	<b>19,620</b>	<b>7,867</b>	<b>6,314</b>	<b>4,114</b>	<b>55,504</b>