

EAST RENFREWSHIRE COUNCIL28 February 2019Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2019/20 TO 2023/24**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed five year Housing Capital Programme from 2019/20 to 2023/24.

RECOMMENDATION

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2019/20 to 2023/24 and authorises the Director of Environment to progress the projects listed within 2019/2020, and to commence preparations for future years up to, but not including, legal commitment of resources until future budgets have been approved.

BACKGROUND AND REPORT

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

4. Expenditure is classified as capital when it creates a new asset or improves the condition of the existing asset. Capital expenditure on existing assets should increase the value of the asset or extend its expected useful life e.g. upgrading of windows and roofs.

5. This is distinct from revenue expenditure which covers the management costs associated with the Council's housing landlord function such as repairs and maintenance to the housing stock and the annual borrowing costs resulting from the capital expenditure.

6. In recent years the capital programme was dominated by the need to meet the Scottish Housing Quality Standard (SHQS). The majority of expenditure on the housing capital programme still relates to the need for our housing to continue to meet the SHQS.

7. 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 reach. This requires ongoing additional investment which is reflected in this programme, although it should be noted that it might not be possible to justify the investment required to bring all council dwellings up to ESSH1 (e.g. where the presence of 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 up to 2020/2021 has now been extended throughout this five year plan. The actual cost of meeting EESSH is dependent on a further analysis of energy data, and additional funding may be required to achieve these challenging targets.

8. The appendix to this report provides detail of the spending priorities and values contained within the Housing Capital Programme from 2019/20 to 2023/24.

9. In October and December 2018 Cabinet noted a £1.615m reduction in the 2018/19 HRA capital programme expenditure due to some projects taking longer to get on site than envisaged, with this resource being carried forward to fund these projects in 2019/20. These carry forwards are included in this 2019/20 programme.

10. Members should note that there may be further delays in the 2018/19 programme resulting in further carry forward of resources. The amount will be dependent on the progress made on contracts before the end of financial year. This will be reported as part of the June 2019 Housing Capital Programme update report.

11. 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.

12. 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 since the Council approved the previous five year plan in March 2018. These include:

- new Scottish legislation requiring the installation of interlinked smoke detectors in all council housing by the end of 2020.
- investment required to improve domestic water supply health and safety management.
- the need to procure a new housing management IT system.
- new energy efficiency requirements under EESSH2 as noted above.

13. However, there is no capacity for additional borrowing in the current HRA Business Plan, and some budgets have therefore had to be reduced to meet these additional demands.

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

- Investment of more than £4.5 million in central heating. One fifth of the stock has a heating system that is aged 15 years or more at March 2019, while a substantial number of systems that will become 15 years old over the next five years are not as energy efficient. The recommended budget will renew all these systems by 2023. 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 tenants' fuel bills, and, consequently, the incidence of fuel poverty.
- Investment of nearly £2 million in electrical works, primarily house re-wiring and installation of multi room, interlinked smoke detectors in all our properties.

- Investment of more than £10 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 Programme for Scotland: Area Based Scheme (HEEPS: ABS) grant).
 - Resolving rot and structural issues at 30 – 40 Barnes Street.
 - Other structure related projects across the council area.
- Investment of £4.8 million installing new internal elements, such as kitchens, bathrooms, fans, windows and doors.
- 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, install new boilers in a fourth, 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. Without a new housing system the service is unable to improve on the Council's Five Capabilities.
- Investment of £12.92 million which will complete the first phase of the new build council housing programme.
- Ongoing investment for phase 2 of the council house new build programme in 2020/2021 and beyond.
- A small budget to fund house purchase opportunities which arise through, for example, the Scottish Government "Mortgage to Rent" scheme.

15. The capital programme is 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 further receipts from house sales for re-investment in existing stock. An allowance has been made for receipts from the sale of land for future years. 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 the overall expenditure may be increased assuming no change to borrowing requirements.

16. The 30 year Housing Business Plan is reviewed on a regular basis. The 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.

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

18. Prudent management and the previously agreed rent increase of 3.9% p.a. for the next financial year will ensure the proposed expenditure for 2019/20 and future years is affordable.

19. The expenditure levels for years 2020/21 and onwards are provisional and will be reviewed when the Housing Business Plan is reviewed.

CONSULTATION

20. 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. However, as part of the consultation process during the preparation of the Housing Asset Management Plan, on which the capital programme is based, Registered Tenants Organisations and, separately, a tenants' focus group, met to consider the investment priorities for Housing Services. At both consultation events attendees in general concurred with the five year planned investment programmes. Further consultation on the Asset Management Plan and the HRA Capital Programme is planned during 2019.

21. 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

22. In order to ensure the capital programme is efficient and delivers value for money, an internal partnership approach is in place with colleagues from Procurement and Property & Technical Services.

IMPLICATIONS OF THE PROPOSALS

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

CONCLUSIONS

24. The high 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

25. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2019/20 to 2023/24 and authorises the Director of Environment to progress the projects listed within 2019/2020, and to commence preparations for future years up to, but not including, legal commitment of resources until future budgets have been approved.

Director of Environment

Further information can be obtained from:- Phil Daws, Head of Environment (Strategic Services) on 0141 577 3186 . E-Mail: phil.daws@eastrenfrewshire.gov.uk

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HRA 5 Year Capital Programme

HRA Capital Programme - Existing Stock	2019/20 (£000)	2020/21 (£000)	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	Total	Previous Yr's Totals	Difference
Central Heating Systems	1,050	808	900	900	900	4,558	4,474	-84
Re-wiring and Other Electricals (including smoke detectors)	645	570	250	250	250	1,965	1,850	-115
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,671	1,686	1,769	1,972	2,019	10,117	10,288	171
Internal Element Renewals	1,057	930	890	940	940	4,757	3,955	-802
Door Entry Systems	20	20	20	20	20	100	230	130
Sheltered Housing	520	440	435	125	25	1,545	1,635	90
Aids and Adaptations	200	200	200	200	200	1,000	998	-2
Energy Efficiency Standard for Social Housing (EESHS)	300	300	300	300	300	1,500	900	-600
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	150	100	100	100	160	610	820	210
Retentions	10	10	10	10	10	50	0	-50
IT Systems	250	0	0	0	0	250	0	-250
Sub-Total - HRA Capital Programme for Existing Stock	6,873	5,064	4,874	4,817	4,824	26,452	25,150	-1,302
HRA Capital Programme for New Stock								
Compulsory Purchase Orders/Mortgage to Rent	50	0	0	50	50	150	375	225
New Build - Phase 1	4,046	3,856	148	0	0	8,050	14,092	6,042
New Build - Phase 2	0	1,400	8,671	7,300	0	17,371	16,200	-1,171
Sub-Total - HRA Capital Programme for New Stock	4,096	5,256	8,819	7,350	50	25,571	30,667	5,096
Total HRA Capital Programme	10,969	10,320	13,693	12,167	4,874	52,023	55,817	3,794

Resources:-

Borrowing	8,222	8,019	8,944	7,965	3,792	36,941
Receipts From Sale of Council Houses	0	0	0	0	0	0
Receipts From Sale of Land - Barrhead South	0	500	500	500	500	2,000
Capital New Build - Government Grant	2,000	855	3,433	2,891	0	9,179
Capital New Build - Commuted Sums/Council Tax Discount	32	437	291	245	0	1,005
Heeps Funds	100	100	100	100	100	500
Recharges to Owner Occupier	615	409	424	467	482	2,397
Total	10,969	10,320	13,693	12,167	4,874	52,023

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