

EAST RENFREWSHIRE COUNCIL1 March 2018Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2018/19 TO 2022/23**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed five year Housing Capital Programme from 2018/19 to 2022/23.

RECOMMENDATION

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2018/19 to 2022/23 and authorises the Director of Environment to progress the projects contained within the 2018/19 budget, 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 beyond its previously assessed standard of performance. 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) 2015. The vast majority of expenditure on the housing capital programme during 2018/19 and beyond relates to the need to continue to meet the SHQS.

7. Additionally, all social landlords now have to meet the Energy Efficiency Standard for Social Housing (EESH) which sets a minimum energy efficiency rating that all social housing must reach by 2020/21. Substantial investment will be required to achieve the EESH target. This is reflected in this programme. Additional funding may be required once a full analysis of all council house energy ratings is completed during 2018.

8. The Appendix to this report provides detail of the spending priorities for the Housing Capital Programme for the period 2018/19 to 2022/23.

9. In December 2017, the Cabinet noted a £559,000 reduction in the 2017/18 HRA capital programme due to slippage on certain projects, with this resource being carried forward to fund these projects in 2018/19. These carry forwards are included in this 2018/19 programme.

10. Elected Members should note that there may be further slippage in 2017/18 resulting in further carry forward of resources. The amount will be dependent on the progress made with current year contracts before the end of the financial year taking into account the recent severe weather conditions.

11. Each year, when compiling the capital programme, it is necessary to strike a 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 housing stock. Almost one third of the stock is more than 75 years old, with a further third between 50 and 75 years old. This generates a substantial need for investment, especially in relation to roof and render renewal.

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

- Investment of nearly £4.5m in central heating. One fifth of the existing housing stock has a heating system aged over 15 years, whilst a substantial number of systems that will become 15 years old over the next five years are not energy efficient. The proposed budget will renew all these heating systems by 2022. This investment will enable us to meet the energy efficiency ratings required to meet EESSH targets by 2021 whilst also reducing fuel bills, and the incidence of fuel poverty, for tenants.
- Investment of £1.8m in electrical works, primarily property and common close re-wiring and upgrading of smoke detectors.
- Investment of more than £10m 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 can be supported with Scottish Government grant assistance).
 - Resolving rot and structural issues across the Council area
- Investment of £4m in installing new internal elements including kitchens, bathrooms, windows and doors.
- Investment of £1.6m in sheltered housing. Despite substantial investment in sheltered housing over the last few years, further investment will 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.
- Ongoing investment of £14m over 2 years to complete the building of approximately 120 new build council houses, as agreed by Cabinet in November 2016.
- Investment of £16.2m to build a further approximately 120 council houses as reported to and agreed by Cabinet in January 2018.
- A small budget to fund house purchase opportunities which arise through, for example, the Scottish Government mortgage to rent scheme.

14. The Housing Capital Programme is financed through borrowing and recharges to owner occupiers. As the right to buy has now ended, there will be no new receipts from Council house sales for re-investment in existing stock, 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, the overall expenditure may be increased assuming no change to borrowing requirements.

15. The 30 year housing business plan is updated at least annually. 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 fall below 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.

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

17. In conjunction with colleagues in Procurement and Property and 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 a proposed rent increase of 3.9% for the years 2018/19 and 2019/20 will ensure the proposed expenditure for 2018/19 and future years is affordable.

19. The expenditure levels for years 2019/20 and onwards are provisional and will be reviewed when the business plan is reviewed in the summer of 2018.

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. As part of the consultation process during the preparation of the Asset Management Plan 2016-2020, 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.

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, a 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, property, legal, IT, 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 2018/19 to 2022/23 and authorises the Director of Environment to progress the projects contained within the 2018/19 budget, 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

February 2018

HRA 5 Year Capital Programme

| HRA Capital Programme - Existing Stock | 2018/19 (£000) | 2019/20 (£000) | 2020/21 (£000) | 2021/22 (£000) | 2022/23 (£000) | Total | Previous Yr's Totals | Difference |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|-------------------------|----------------|
| Central Heating Systems | 826 | 1,040 | 808 | 900 | 900 | 4,474 | 4,143 | -331 |
| Re-wiring and Other Electricals (including smoke detectors) | 370 | 370 | 370 | 370 | 370 | 1,850 | 1,610 | -240 |
| External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures) | 2,457 | 1,934 | 1,977 | 1,960 | 1,960 | 10,288 | 7,804 | -2,484 |
| Internal Element Renewals | 800 | 775 | 790 | 795 | 795 | 3,955 | 3,110 | -845 |
| Door Entry Systems | 50 | 50 | 50 | 40 | 40 | 230 | 240 | 10 |
| Sheltered Housing | 555 | 250 | 250 | 290 | 290 | 1,635 | 1,420 | -215 |
| Aids and Adaptations | 198 | 200 | 200 | 200 | 200 | 998 | 1,180 | 182 |
| Energy Efficiency Standard for Social Housing (EESH) | 300 | 300 | 300 | 0 | 0 | 900 | 1,100 | 200 |
| Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc | 150 | 160 | 170 | 170 | 170 | 820 | 690 | -130 |
| Mobile/Agile Working including Asset Management System | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-Total - HRA Capital Programme for Existing Stock | 5,706 | 5,079 | 4,915 | 4,725 | 4,725 | 25,150 | 21,297 | -3,853 |
| HRA Capital Programme for New Stock | | | | | | | | |
| Compulsory Purchase Orders/Mortgage to Rent | 75 | 75 | 75 | 75 | 75 | 375 | 375 | 0 |
| New Build - Approved | 10,829 | 3,263 | 0 | 0 | 0 | 14,092 | 14,400 | 308 |
| New Build - to be Approved | 8,100 | 8,100 | 0 | 0 | 0 | 16,200 | 0 | -16,200 |
| Sub-Total - HRA Capital Programme for New Stock | 19,004 | 11,438 | 75 | 75 | 75 | 30,667 | 14,775 | -15,892 |
| Total HRA Capital Programme | 24,710 | 16,517 | 4,990 | 4,800 | 4,800 | 55,817 | 36,072 | -19,745 |

Resources:-

| | | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|---------------|
| Borrowing | 14,423 | 9,991 | 4,028 | 3,843 | 3,843 | 36,128 |
| 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 |
| Approved:- Capital New Build - Government Grant | 4,929 | 1,485 | 0 | 0 | 0 | 6,414 |
| Approved:- Capital New Build - Commuted Sums/Council Tax Discount | 835 | 252 | 0 | 0 | 0 | 1,087 |
| To be Approved:- Capital New Build - Government Grant | 3,540 | 3,540 | | | | 7,080 |
| To be Approved:- Capital New Build - Commuted Sums/Council Tax Discount | 300 | 300 | | | | 600 |
| Heaps Funds | 100 | 100 | 100 | 100 | 100 | 500 |
| Recharges to Owner Occupier | 583 | 349 | 362 | 357 | 357 | 2,008 |
| Total | 24,710 | 16,517 | 4,990 | 4,800 | 4,800 | 55,817 |

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