

EAST RENFREWSHIRE COUNCIL9 March 2016Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2016/17 TO 2020/21**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed five year Housing Capital Programme from 2016/17 to 2020/21.

RECOMMENDATION

2. It is recommended that the Council approves the proposed Housing Capital Programme from 2016/17 to 2020/21 and authorises the Director of Environment to progress the projects listed within 2016/17.

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 an existing asset. Capital expenditure on existing assets should increase the value of the assets or extend their 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 has been dominated by the need to meet the Scottish Housing Quality Standard (SHQS), which local authorities were required to meet by 2015. The vast majority of expenditure on the housing capital programme from 2016/17 and beyond relates to the need to continue to meet the Scottish Housing Quality Standard.

7. However there is now an additional factor that heavily influences the capital programme. The Scottish Government brought into force the Energy Efficiency Standard for Social Housing (ESSH) in March 2014. This requires all social landlords to substantially increase the energy efficiency of all their homes by 2020. Substantial investment will be required to achieve the ESSH target. This is reflected in the five year programme.

8. The appendix to this report provides detail of the spending priorities and values contained within the Capital Programme from 2016/17 to 2020/21. A full list of individual addresses will be finalised and issued, once the Capital programme has been approved, for Elected Members' information.

9. There are some 2015/2016 programmed projects that took longer to get on site than had originally been envisaged, or have been delayed while on site. These projects will carry forward into 2016/2017. Expenditure in 2016/2017 on these projects will be funded by carrying forward from 2015/2016 an underspend of approximately £417,000, as reported to Cabinet in December 2015. These carry forwards of 2015/2016 underspend are not shown in this 2016/2017 programme as final figures will be dependent on contractor progress between now and the financial year end. They will be reported as part of the June 2016 Housing Capital Programme update report.

10. This slippage has been due to various reasons including the need for detailed surveying to ensure appropriate prioritisation of buildings, extended consultation with private owners and the awaiting of the announcement of Scottish Government grant for owners involved in external wall insulation projects. There have also more recently been a number of weather related delays.

11. Each year, when compiling the capital programme it is necessary to achieve 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 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 roofs and render.

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

- Investment of £1.2 million in re-wiring. 400 properties have wiring that, although it is safe, is over 40 years old and therefore requires to be renewed.
- Investment of at least £1.9 million in central heating. One fifth of the stock has a heating system that is aged 15 years or more as at March 2016. The recommended budget will renew all these systems by 2020. This investment will contribute to the achievement of EESSH by 2020.
- Investment of £1million in installing new kitchens and bathrooms.
- Investment of at least £4.8 million in roof and render. This investment will continue the programme to deal with buildings with roofs well beyond their originally envisaged 60 year lifespan. The investment in recent years has been very successful seeing a marked decrease in reports of water penetration.
- Investment in Sheltered Housing – despite an investment of £1.4million in the last 2-3 years, further substantial investment of up to £300,000 per annum will be required over the next five years to renew heating systems in three of the complexes, maintain the buildings, meet the demanding health and safety investment requirements of lifts and also fire and water safety regulations, all of which makes this form of accommodation very expensive to operate.

14. The capital programme is financed through a variety of sources including borrowing, receipts from the sale of Council houses and recharges to owner occupiers. 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. Right to buy sales will cease in August 2016. This means the Housing Capital Programme needs to be funded by borrowing or higher rents. At its peak in around 2005 around £1.5 million of the capital programme was funded from income derived from right to buy sales.

16. The 30 year housing business plan is updated 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 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.

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

18. 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. This process has been reviewed and 2016/ 17 will see the use of contractor score cards to assess the performance of contractors. Tenants will be involved in this process in order to ensure that the assessment process is robust and reflects the views of customers.

FINANCE AND EFFICIENCY

19. Prudent management and a proposed rent increase of 4.9% per annum for the next two years will ensure the proposed expenditure for 2016/17 and future years is affordable. It should however be noted that given the age of the stock investment above that currently planned may be required towards the second half of this five year plan.

20. The expenditure levels for years 2017/18 and onwards are provisional and will be reviewed when the business plan is reviewed in the summer.

CONSULTATION AND PARTNERSHIP WORKING

21. 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 and Technical Services.

22. To ensure the programme is consistent with the priorities of our tenants a capital programme scrutiny group has been established. The majority of the content of the capital programme is determined by the need to continue to meet the SHQS and therefore the scope for its content to be determined through consultation is limited. As part of the consultation process on the review of the Asset Management Plan Registered Tenants Organisations and, separately, a tenants' focus group, met to consider the investment priorities for Housing Services and at both consultation events attendees in general concurred with the planned investment programmes. However, Housing Services are keen for more customer involvement in the process including utilising customer feedback as part of the procurement process and giving customers a greater say in the type and quality of products and services that are purchased.

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 EESH and to provide homes that meet the needs and aspirations of our 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.

RECOMMENDATIONS

25. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2016/17 to 2020/21 and authorises the Director of Environment to progress the projects listed within 2016/17, 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 details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186 or phil.daws@eastrenfrewshire.gov.uk

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KEY WORDS

A report seeking approval for the proposed 5 year Housing Capital Programme. Housing, capital, programme, major investment, repairs, maintenance, SHQS, EESH

HRA 5 Year Capital Programme

HRA Capital Programme - Existing Stock	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)	2020/21 (£000)	Total
Central Heating Systems	615	569	826	1,040	808	3,858
Re-wiring and Other Electricals	318	318	320	325	327	1,608
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	1,705	1,484	1,551	1,419	1,450	7,609
Internal Element Renewals	560	560	610	635	650	3,015
Door Entry Systems	50	50	50	50	50	250
Sheltered Housing	200	320	220	220	220	1,180
Aids and Adaptations	222	230	240	250	260	1,202
Energy Efficiency Standard for Social Housing (EESH)	100	200	300	300	300	1,200
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	110	120	130	140	150	650
Mobile/Agile Working including Asset Management System	22					22
Total HRA Capital Programme	3,902	3,851	4,247	4,379	4,215	20,594

Resources:-

Borrowing	2,950	3,282	3,282	3,545	3,373	16,432
Receipts From Sale of Council Houses	490					490
Receipts From Sale of Land			500	500	500	1,500
Recharges to Owner Occupier	462	569	465	334	342	2,172
Total	3,902	3,851	4,247	4,379	4,215	20,594