

EAST RENFREWSHIRE COUNCIL

12 February 2015

Report by Director of Environment

HOUSING CAPITAL PROGRAMME 2015/16 TO 2019/20

**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed five year Housing Capital Programme from 2015/16 to 2019/2020.

**RECOMMENDATION**

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2015/16 to 2019/2020 and authorises the Director of Environment to progress the projects listed within 2015/16.

**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. As the Council will be aware, the Scottish Government, in an attempt to drive an improvement in standards within the social rented housing sector within Scotland, is committed to the delivery of the Scottish Housing Quality Standard (SHQS), which local authorities were required to meet by 2015. By the end of this financial year Housing Services expect to be 100% compliant (after taking into account exemptions etc)

7. The vast majority of expenditure on the housing capital programme from 2015/16 and beyond relates to the need to **continue** to meet the Scottish Housing Quality Standard.

8. The Scottish Government brought into force the Energy Efficiency Standard for Social Housing (EESH) in March 2014. This requires all social landlords to substantially increase the energy efficiency of all their homes by 2020. While the implications of this for East Renfrewshire Council will be assessed during 2015 it is recognised that substantial investment will be required to achieve the EESH target. This is reflected in the five year programme.

9. The appendix to this report provides detail of the spending priorities and values contained within the Capital Programme from 2015/16 to 2019/20. A full list of individual addresses will be finalised and will follow, once the Capital programme has been approved, for Elected Members' information.

10. It should be noted that two of the budgets in the 2015/2016 programme are funded from savings from the 2014/2015 budget carried forward to 2015/2016. These are projects that were not committed / on site in 2014/2015. These are:

- £901,000 for the Roof and Render Phase 4 (HEEPS) project that was not committed in 2014/2015 as a result of the delays in the award of HEEPS:ABS grant from the Scottish Government;
- £100,000 in the 2015/2016 Aids and Adaptation budget funded from a £100,000 underspend on the 2014/2015 energy efficiency budget,

11. In addition, there are some other projects that have slipped and will result in 2015/2016 expenditure that are committed and on site and for which budget was allocated in 2014/2015. Expenditure in 2015/16 on these projects will be funded by carrying forward the 2014/2015 underspend. There are a number of differing reasons for these projects slipping all of which were outwith the control of the Council including the requirement for extensive surveying prior to committing projects, and negotiations with a specific contractor. It should also be noted that no budget has been included solely for retentions from 2014/2015 projects. These retentions will be funded from the relevant approved budgets.

12. The capital programme is financed through a variety of sources including borrowing, receipts from the sale of Council housing 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.

13. Anticipated capital receipts (mainly from Council house sales) continue to be significantly lower than previously levels. From sales of about one hundred Council properties per year in around 2005, sales are now expected to be no more than ten - fifteen per year. Right to buy sales will cease altogether from August 2016. This has resulted in a decrease in income of over £1.5 million per annum. This means the Housing Capital Programme needs to be funded by borrowing or higher rents.

14. The 30 year housingbusiness plan has been updated in 2014. The financial appraisal carried out confirmed 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.

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

16. 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 can be addressed as soon as they occur.

17. Members may wish to note that, as a result of the Public Service Excellence Agile project “APEX Asset Management Software” Housing Services is now able to undertake stock condition surveys on site. The survey is completed on a mobile phone which automatically updates the housing stock condition data base. There is therefore no requirements for a paper form to be completed and no requirement for a manual input of data. The software will enable the service to manage both the overall housing stock and the future investment programmes with much greater confidence.

18. Another major achievement in 2014 has been to successfully bid for substantial financial support for owner occupiers in mixed tenure solid wall buildings where external wall insulation is necessary to increase energy efficiency and reduce fuel poverty for both owners and tenants. This was only made possible by the creation of HRA Capital budget for the council owned properties to match the grant awarded for private owners from the Scottish Government’s Home Energy Efficiency Programmes for Scotland Area Based Schemes (HEEPS:ABS). Extensive consultation was required with owners, which had to be completed prior to the procurement of the contract, which is now underway. The project is expected to go on site in spring 2015.

## **FINANCE AND EFFICIENCY**

19. The proposed capital programme reflects investment higher than that proposed in previous years. Prudent management and a proposed rent increase of 4.9% p.a. for the next three years will ensure the proposed expenditure for 2015/16 and future years is affordable.

20. The expenditure levels for years 2016/17 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. 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.

## **IMPLICATIONS OF THE PROPOSALS**

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

## **CONCLUSIONS**

23. The high levels of investment contained within the programme are essential to allow the Council to continue to meet the SHQS. 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**

24. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2015/16 to 2019/2020 and authorises the Director of Environment to progress the projects listed within 2015/16.

Director of Environment

Further details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186 or [phil.daws@eastrenfrewshire.gov.uk](mailto:phil.daws@eastrenfrewshire.gov.uk)

February 2015

## **KEY WORDS**

A report seeking approval for the proposed 5 year Housing Capital Programme

Key words: Housing, capital, programme, major investment, repairs, maintenance, SHQS

### HRA 5 Year Capital Programme

HRA Capital Programme - Existing Stock
Central Heating Systems
Re-wiring and Other Electricals
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)
Internal Element Renewals
Door Entry Systems
Sheltered Housing
Aids and Adaptations
Energy Efficiency
Energy Efficiency Standard for Social Housing (ESSH)
Estate Works ( Paths, Walls, Lighting, Bin Stores, Drying Areas etc
Mobile/Agile Working including Asset Management System
10 Kerr Street Renovations
HRA Staffing Allocation/ Capital Fees
Retentions
<b>Sub-Total - HRA Capital Programme for Existing Stock</b>
<b>HRA Capital Programme for New Stock</b>
Divernia Way - CPO
Off-the-Shelf Purchases
Eaglesham - 7 New Build
<b>Sub-Total - HRA Capital Programme for New Stock</b>
<b>Total HRA Capital Programme</b>

2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)	Total
505	531	550	574	598	2,758
310	275	285	299	311	1,480
2,211	1,293	1,083	1,305	1,366	7,258
513	561	583	609	634	2,900
50	50	50	50	50	250
50	50	50	50	50	250
313	222	230	240	250	1,255
80	40	40	40	40	240
	500	500	500	500	2,000
180	180	180	180	180	900
25					25
89					89
0	0	0	0	0	0
					0
<b>4,326</b>	<b>3,702</b>	<b>3,551</b>	<b>3,847</b>	<b>3,979</b>	<b>19,405</b>
65					65
492					492
700					700
<b>1,257</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,257</b>
<b>5,583</b>	<b>3,702</b>	<b>3,551</b>	<b>3,847</b>	<b>3,979</b>	<b>20,662</b>

**Resources:-**

Borrowing	3,204	2,916	2,752	2,997	3,119	14,988
Receipts From Sale of Council Houses	417	417				834
Receipts From Sale of Land	50		500	500	500	1,550
Recharges to Owner Occupier	508	369	299	350	360	1,886
Capital Grant (7 @ £30k)	210					210
Commutted Sums - Eaglesham	320					320
Commutted Sums - Divernia Way CPO	65					65
Commutted Sums - Off-the-Shelf Purchases	420					420
Capital Off-the-Shelf Grant	72					72
HEEPs/ECO Funding	317					317
<b>Total</b>	<b>5,583</b>	<b>3,702</b>	<b>3,551</b>	<b>3,847</b>	<b>3,979</b>	<b>20,662</b>

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