

EAST RENFREWSHIRE COUNCIL25th February 2021Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2021/22 TO 2030/31**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed 10 year Housing Capital Programme from 2021/22 to 2030/31.

RECOMMENDATION

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years 2021/22 to 2030/31 and authorises the Director of Environment to progress the projects listed within 2021/22.

BACKGROUND

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

4. In recent years the Housing capital programme has focused on the need to meet the Scottish Housing Quality Standard (SHQS) 2015 and Energy Efficiency Standard for Social Housing (ESSH). The majority of expenditure on the housing capital programme during 2021/22 and beyond relates to the need for housing to continue to meet the SHQS and the new target for ESSH2.

5. The first milestone of the ESSH was December 2020. Around 91% of the Council housing stock has been brought up to meet this standard. Of the remaining nine percent, about six percent are on planned programmes to be completed by the end of 2020/21 financial year, while the rest will be temporarily exempt. These are temporarily exempt because of the building types and excessive costs required to achieve the standard. These will be continually reviewed as changes in technology, funding streams and legal parameters could impact on the compliance standard.

6. The Government has set a new milestone – ESSH2, which is a continuation of the shared commitment to tackle fuel poverty and mitigate climate change emissions. The next milestone for ESSH2 is 2025 when all social housing must achieve Energy Performance Certificate (EPC) D. After this landlords must endeavour to maximise the number of homes in the social rented sector to attain EPC B by 2032. It should be noted that these targets will be extremely challenging to achieve, especially as much of the more affordable energy efficiency work has been carried out to date. The actual cost of meeting ESSH2 will be dependent on further research and feasibility studies on potential renewable and low heat energy technologies. There may be a requirement for additional funding to achieve these challenging targets.

7. In November 2020 the Cabinet noted a £2.955 million reduction in the 2020/21 HRA capital programme expenditure due the impact of COVID-19. This resulted in delayed tender processes in the early part of the financial year and government restrictions, pauses to works,

and restricted access which has impacted on the ability to carry out works safely. These have resulted in later starts and much of the planned works will now fall into 2021/22. The associated resources will now be carried forward to fund these projects in 2021/22.

8. There may be further slippage in 2020/21 resulting in further carry forward of resources. The amount will be dependent on the progress made on contracts and the impact of government restrictions before the end of financial year. The slippage will be assessed and reported as part of the June 2021 Housing Capital Programme update report.

REPORT

9. The remainder of this report sets out the Housing Capital Programme for 2021/22 and future years. The appendix to this report provides detail of the spending priorities and estimated values contained within the capital programme from 2021/22 to 2030/31.

10. 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.

11. A key factor for the Council to consider is the age of its stock. Almost one third of the Council 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 achieving EESSH2 targets and renewing roof and wall 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 2020. These include:

- New legislation requiring the installation of interlinked smoke detectors in all Council housing by February 2022. These works are ongoing but the contract will need to be extended due to Covid-19 access issues;
- Investment required to improve water supply health and safety management within people's homes. The decommissioning of water tanks and conversion to mains water supply has commenced. There are access issues due to covid-19 restrictions.
- The need to upgrade heating systems and telecare warden call systems in the sheltered housing complexes, 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.

12. In summary key areas that the capital programme will focus on for the next ten years are:

- Investment of £43.7 million over 2021/22 to 2024/25 to complete the delivery of 310 new council houses. As agreed by the Cabinet on 5 December 2020 this is reflected in the Strategic Housing Investment Plan (SHIP) 2021-26 and supported by an anticipated £15.8 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 £6.8 million in central heating. About a fifth of the council's housing stock has a heating system that is aged 15 years or more as at January 2021, while a substantial number of other systems are reaching the end of their lifecycle and becoming energy inefficient. The proposed budget will renew all these systems by 2030/31. This investment will enable the Council to meet the energy efficiency ratings required to meet EESSH2 targets by 2025, and onwards 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 £2.2 million.
- Investment of £19.2 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 £15.5 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. Investment is required over the next five years to renew heating systems in three of the complexes; upgrade the warden call system from analogue to digital system; 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 expensive to operate.
- Investment in a new Housing Management IT System. The new system will allow Housing Services to reduce paper processes, deliver online services and be more efficient and customer focused. The implementation of the system is ongoing.

13. The capital programme for existing stock is mainly financed through borrowing and recharges to owner occupiers. As the right to buy has now ended there will be no receipt from 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 then the overall expenditure may be increased assuming no change to borrowing requirements.

14. In November 2016 approval was given to commence an ambitious new build programme of an initial 120 new homes and this target was extended in January 2018 to 240 new homes. To date, 45 homes have been built and 14 homes have been purchased on the open market. The 10 year capital programme includes proposals for another 310 units, 116 of which are already under-construction. The capital programme seeks to extend the 240 unit target to 370 units.

15. The 30 year housing business plan is updated annually. The most recent independent 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.

16. The new build programme has made use of commuted sums and Council Tax from second homes to assist the programme. This income has been set at £10k per unit for the first 120 units and £5k per unit for the remaining programme. However, an element of flexibility is in place to increase this funding to support significant infrastructure costs and excessive abnormal costs.

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.

FINANCE AND EFFICIENCY

19. Prudent management and adoption of the recommended rent increase of 1% p.a. for the next year will ensure the proposed expenditure for 2021/22 and future years is affordable.

20. The expenditure levels for years 2022/23 and onwards are provisional and will be reviewed in line with a review of the Housing Asset Management Plan.

CONSULTATION

21. 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. Residents and Tenants Organisations (RTO) are periodically consulted in the preparation of the Housing Asset Management Plan review but the impact of COVID 19 has restricted the level of consultation possible this year. The restrictions levels imposed by the government has also impacted on carrying out major internal works. However, a survey was carried out with tenants to consider their view on progressing with planned investments when restriction level ease. There was a positive response from the survey result. They indicated that they would welcome improvements in their homes.

22. 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 as to how the programme is delivered.

PARTNERSHIP WORKING

23. 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

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

25. The proposed projects will impact on energy efficiency through EESSH2 target and other elements of the SHQS to make sure that more tenants live in warmer, safer and drier homes.

CONCLUSIONS

26. 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 EESSH2, 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

27. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 202/221 to 2030/31 and authorises the Director of Environment to progress the projects listed within 2021/22

Director of Environment

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

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HRA 10 Year Capital Programme

HRA Capital Programme - Existing Stock	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	Total
Central Heating Systems	601	900	900	878	615	396	529	698	497	846	6,860
Re-wiring and Other Electricals (including smoke detectors)	250	250	250	200	200	200	282	147	261	200	2,240
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	1,769	1,972	2,019	1,797	1,773	1,856	1,403	1,366	1,288	4,012	19,255
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	172	100	160	100	0	0	0	0	0	0	532
Energy Efficiency Standard for Social Housing (ESSH)	450	300	300	300	0						1,350
Aids and Adaptations	384	200	200	200	200	200	200	200	200	200	2,184
Internal Element Renewals	1,776	940	940	1,094	2,662	1,084	1,144	1,119	1,463	3,283	15,505
Door Entry Systems	79	20	20	20	15			5	17	82	258
Sheltered Housing	1,395	125	25	0							1,545
Retentions	10	10	10	0							30
IT Systems	71	0	0	0							71
Sub-Total - HRA Capital Programme for Existing Stock	6,957	4,817	4,824	4,589	5,465	3,736	3,558	3,535	3,726	8,623	49,830
HRA Capital Programme for New Stock											
Compulsory Purchase Orders/Mortgage to Rent	50	50	50								150
New Build - Development Cost	11,492	22,446	9,583	234							43,755
Sub-Total - HRA Capital Programme for New Stock	11,542	22,496	9,633	234	0	0	0	0	0	0	43,905
Total HRA Capital Programme	18,499	27,313	14,457	4,823	5,465	3,736	3,558	3,535	3,726	8,623	93,735

66**Resources:-**

Borrowing	10,952	18,382	11,863	4,083	4,725	2,996	2,818	2,795	2,986	8,383	69,983
Receipts From Sale of Land - Barrhead South		500	500	500	500	500	500	500	500		4,000
ROTS Grant	25	25	25								75
Capital New Build - Government Grant	6,487	7,526	1,829								15,842
Capital New Build - Commuted Sums/Council Tax Discount	795	640	0								1,435
Heeps Funds	140	140	140	140	140	140	140	140	140	140	1,400
Recharges to Owner Occupier	100	100	100	100	100	100	100	100	100	100	1,000
Total Resources	7,547	8,931	2,594	740	740	740	740	740	740	240	23,752