

EAST RENFREWSHIRE COUNCIL3 March 2022Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2022/23 TO 2031/32**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed ten year Housing Capital Programme from 2022/23 to 2031/32.

**RECOMMENDATION**

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2022/23 to 2031/32 and authorises the Director of Environment to progress the projects listed within 2022/23.

**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 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 2022/23 and beyond relates to the need for our housing to continue to meet the SHQS and the new target for ESSH2.

5. The first milestone of the ESSH was December 2020. About 95% of the Council housing stock have been brought up to meet this standard through various investment programmes. The target is to achieve 99% compliance by March 2022. The remaining one percent 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 compliance standard.

6. The Government set a new milestone – ESSH2, which is in continuity of the shared commitment to tackle fuel poverty and mitigate climate change emissions. The next milestone for ESSH2 is 2025 when it is expected that no social housing should be below Energy Performance Certificate (EPC) D. By the end of December 2032, all social housing should meet, or can be treated as meeting, EPC B or alternatively the property should be as energy efficient as practically possible; within the limits of cost, technology and necessary consent.

7. Although only EPC D is required to be met by 2025, our target is to improve all our housing stock to EPC band C by this date. It should be noted that these targets (2025 and 2032) will be very challenging to achieve, especially as much of the more affordable energy efficiency work has been carried out to date. It may not be possible to justify the investment required to bring all Council dwellings up to meet the target. The actual cost of meeting these targets will also 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.

8. In November 2021 the Cabinet noted a £0.16 million reduction in the 2021/22 HRA capital programme expenditure due the impact of COVID-19. COVID-19 and other market uncertainties will continue to have an impact on the timing and cost of housing capital projects. These have resulted in later starts and much of the planned works will now fall into 2022/23. The resource will now be carried forward to fund these projects in 2022/23. These carry forwards are included in this 2022/23 programme. In the last 12 months, tender returns for construction work has increased by 5%. In addition, some contractors are now reporting cost increases of between 15-18%. Housing Services work closely with Procurement colleagues to ensure best value is achieved.

9. Members are asked to note that there may be further slippage in 2021/22 resulting in further carry forward of resources. The amount will be dependent on the progress made on contracts, and government restrictions before the end of financial year. The slippage will be reported as part of the June 2022 Housing Capital Programme update report.

## REPORT

10. The remainder of this report sets out the Housing Capital Programme for 2022/23. The appendix to this report provides detail of the spending priorities and values contained within the capital programme from 2022/23 to 2031/32.

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 achieving SHQS standard; EESSH2 targets and renewing the roof and wall render. There have also been some additional pressures placed upon the HRA Capital Programme, some of which the Council approved in the previous ten year plan in February 2021. These include:

- New energy efficiency requirements under EESSH2 as noted above;
- The need to upgrade heating systems and telecare warden call systems in the sheltered housing complexes; and
- Investment required to improve internal elements (kitchens; bathrooms, including showers and windows) in tenants' homes.

13. These form part of the projects that will be delivered through the HRA Capital Programme.

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

- Investment of £43.8 million over 2022/23 and 2024/25 to complete the delivery of 241 new council houses. As agreed by the Cabinet on 21 October 2021, the Strategic Housing Investment Plan (SHIP) 2022-27 and is supported by an anticipated £36.4 million of Scottish Government funding.
- A budget of £150k to fund house purchase opportunities which arise through, for example, to purchase off the open market in areas where new build provision is not possible.
- Investment of £6.9 million in central heating. About a tenth of our housing stock has a heating system that is aged 15 years or more as at January 2022, 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 2031/32. This investment will enable us to meet the energy efficiency ratings required to meet EESSH2 targets by 2025, and onwards, while also reducing fuel bills, with a focus on supporting tenants in fuel poverty.

- Investment of £2.1 million on house electrical re-wiring and Electrical Installation Condition Report (EICR) testing to comply with the new Electrical Testing requirements.
- Investment of £18.9 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 – we are changing render renewal specification from ordinary render to Insulated render, where feasible.
  - Private owners are supported with Scottish Government Home Energy Efficiency Scheme: Area Based Scheme (HEEPS:ABS) grant, which allows us to carry out the EWI in mixed tenure properties.
- Investment of £15.3 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in people's homes.
- Investment of £2.1 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; replace lifts as they are nearing end of their lives; and meet other demanding health and safety investment requirements of 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 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 and there is a balance of £53K to be paid, from £0.25 million budget allocation in 2019/20. This balance will be carried forward into 2022/23.

15. The capital programme for existing stock is mainly financed through borrowing and recharges to owner occupiers. 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. An allowance has been made for receipts from the sale of land in the capital programme.

16. 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.

17. The new build programme has made use of commuted sums and council tax from 2nd 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.

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

19. 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**

20. Prudent management and adoption of the recommended rent increase of 1% p.a. for the next year will ensure the proposed expenditure for 2022/23 and future years is affordable.

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

## **CONSULTATION**

22. The majority of the content of the capital programme is determined by the need to continue to meet the SHQS and the plan for achieving EESSH targets. The impact of COVID 19 has restricted the level of consultation available in the last two years. This also impacted on carrying out major internal works.

23. 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**

24. 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**

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

26. 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**

27. 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**

28. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2022/23 to 2031/32 and authorises the Director of Environment to progress the projects listed within 2022/23.

Director of Environment

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

February 2022

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## HRA 10 Year Capital Programme

HRA Capital Programme - Existing Stock	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)	2031/32 (£000)	Total
Central Heating Systems	601	550	1,228	965	396	529	698	497	846	617	6,927
Re-wiring and Other Electricals (including smoke detectors)	337	250	200	200	200	282	147	261	200	26	2,103
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,329	2,019	1,797	1,773	1,856	1,403	1,366	1,288	4,012	1,078	18,921
Estate Works ( Paths, Walls, Lighting, Bin Stores, Drying Areas etc	121	160	100							9	390
Energy Efficiency Standard for Social Housing (ESSH)	778	300	300								1,378
Aids and Adaptations	205	200	200	200	200	200	200	200	200	287	2,092
Internal Element Renewals	1,392	940	1,094	2,662	1,084	1,144	1,119	1,463	3,283	1,078	15,259
Door Entry Systems	99	20	20	15			5	17	82	200	458
Sheltered Housing	2,130	25									2,155
Retentions	10	10									20
IT Systems	53	0									53
<b>Sub-Total - HRA Capital Programme for Existing Stock</b>	<b>8,055</b>	<b>4,474</b>	<b>4,939</b>	<b>5,815</b>	<b>3,736</b>	<b>3,558</b>	<b>3,535</b>	<b>3,726</b>	<b>8,623</b>	<b>3,295</b>	<b>49,756</b>
<b>HRA Capital Programme for New Stock</b>											
Compulsory Purchase Orders/Mortgage to Rent	100	50									150
New Build - Development Cost	8,635		35,041								43,676
<b>Sub-Total - HRA Capital Programme for New Stock</b>	<b>8,735</b>	<b>50</b>	<b>35,041</b>								<b>43,826</b>
<b>Total HRA Capital Programme</b>	<b>16,790</b>	<b>4,524</b>	<b>39,980</b>	<b>5,815</b>	<b>3,736</b>	<b>3,558</b>	<b>3,535</b>	<b>3,726</b>	<b>8,623</b>	<b>3,295</b>	<b>93,582</b>

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### Resources:-

<b>Borrowing</b>	<b>7,646</b>	<b>4,259</b>	<b>10,657</b>	<b>4,075</b>	<b>1,996</b>	<b>1,818</b>	<b>1,795</b>	<b>3,486</b>	<b>8,383</b>	<b>3,055</b>	<b>47,170</b>
Receipts From Sale of Land - Barrhead South			1,500	1,500	1,500	1,500	1,500				7,500
ROTS Grant	50	25									75
Capital New Build - Government Grant	8,143		23,872								32,015
Capital New Build - Commuted Sums/Council Tax Discount	711		3,711								4,422
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
<b>Total Resources</b>	<b>9,144</b>	<b>265</b>	<b>29,323</b>	<b>1,740</b>	<b>1,740</b>	<b>1,740</b>	<b>1,740</b>	<b>240</b>	<b>240</b>	<b>240</b>	<b>46,412</b>