

EAST RENFREWSHIRE COUNCIL26 February 2025Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2025/26 TO 2034/35**PURPOSE OF REPORT**

1. To seek approval from the Council for the Housing Capital Programme for 2025/26 and to present for consideration the proposed ten-year programme.

RECOMMENDATION

2. The Council is invited to approve the Housing Capital Programme for 2025/26 to 2034/35 and authorise officers to progress the projects listed in Appendix A for 2025/26.

BACKGROUND

3. This report outlines details of anticipated capital expenditure requirements for Housing Services for the next ten years. The Housing Capital Programme provides details of different work streams required, to ensure that our housing assets are and, in the future, remain fit for purpose and comply with required statutory requirements. These include the statutory housing quality standards, net zero considerations, customer needs and affordability within the HRA Business Plan.

4. In recent years the Housing Capital Programme has focused on the need to meet the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (ESSH). The first milestone of the ESSH was met in December 2020 and has to be maintained. In June 2019, the Government introduced new targets through ESSH2; with two key milestones to be achieved by 2025 and 2032. However in 2023, the Scottish Government decided to review the ESSH, with a view to strengthen and realign the standard with the net-zero carbon emission target.

5. A consultation to seek views on the new standard that will be introduced – Social Housing Net Zero Standard (SHNZS), closed in March 2024. The outcome of the consultation is expected to be published later in 2025. Whilst the direction of travel is towards increased energy efficiency and a move to low or zero carbon heating systems, the exact requirements are currently unclear and unlikely to be clarified until later in 2025. Technology related to such requirements is also evolving at pace which represents a further challenge. Therefore, it is difficult to accurately evidence the impact on our investment requirements as regards our existing stock at this point in time. We can however say that it is likely to increase the cost of that stock attaining and sustaining the statutory requirements.

6. In order to meet the known and unknown challenges, a review of the housing capital strategy is underway. This includes building on the good existing stock knowledge to determine the most effective way to meet future net zero standards but also the aspirations of tenants and local communities through our 'Place to Grow' vision.

7. The Housing Capital Programme will support "A Place to Grow" over the next 15 years to ensure Council housing is a place where tenants can flourish and grow. The Housing Capital Programme contributes to all of the three pillars:

- Our children and young people will flourish;
- Our communities and places thrive; and
- We all live well.

8. Given the current uncertainties and challenges, the Housing Capital Programme this year – 2025/26 is focused on investment on properties that are at risk of not being wind and/or watertight. Focus will also be on continued requirement to meet the Scottish Housing Quality Standard (SHQS). We will also need to survey our housing stock and use the information from this to inform future investment plan.

9. Members are asked to note that there may be slippage in 2024/25 resulting in a further carry forward of resources. The amount will be dependent on the progress made on contracts before the end of financial year. The will be reported as part of the June 2025 Housing Capital Programme Update report.

REPORT

10. The remainder of this report sets out the Housing Capital Programme for 2025/26, as well as the key areas that the Housing Capital Programme will focus on across the next ten years. The appendix to this report provides detail of the spending priorities and values contained within the Capital Programme from 2025/26 to 2034/35.

11. Each year, when compiling the Housing Capital Programme, it is necessary to achieve the difficult balance between the aspirations of tenants for improvements to their homes and the affordability of any investment. 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 both the SHQS, energy efficiency standard requirements and renewing roof and wall render.

12. There has been a notable increase in the cost of delivering most projects. This is evident in the roof and wall render projects where costs increases have been significant. There are also other pressures placed upon the current HRA Capital Programme. These include:

- requirement to maintain legislative standards across our housing stock;
- the need to upgrade heating systems and telecare warden call systems in the sheltered housing complexes;
- ongoing planned investment required to improve internal elements and external elements in tenants' homes;
- heating upgrade works and other energy efficiency works requirements under EESSH the new proposed SHNZS, as noted above; and
- the increasing costs to deliver new council housing.

13. Key areas that the Housing Capital Programme will focus on for the next ten years are:

- investment of £15.59 million from 2025/26 to 2028/29 towards the delivery of 66 new council houses. This was detailed in the Strategic Housing Investment Plan (SHIP) 2025-30 which was agreed by Cabinet on 24 October 2024. The delivery of these homes is supported by an anticipated £9.07 million of Scottish Government funding.
- a budget of £50k to fund house purchase opportunities which may arise through the Scottish Government mortgage- to- rent scheme;
- investment of £10.92 million in central heating. The proposed budget will enable us to improve energy efficiency of our housing stock and also support working towards meeting future standards requirements. About a quarter of housing stock has heating systems aged 15 years or more, with a substantial number of other systems reaching 'end of life' and becoming inefficient. However, with the requirements of the new SHNZS unknown; next year's heating programme will only be for replacement of boilers and heating systems that break down or with obsolete parts. This decision

will be in place until we have clear guidance and direction from the Scottish Government on future standards;

- investment of £6.59 million on electrical re-wiring, replacement of fire alarms/detectors and Electrical Installation Condition Report (EICR) testing. The Scottish Housing Regulator changed the requirement for EICR periodical testing from 10 years to 5 years in 2020. As of December 2024, approximately 89% of housing stock is compliant. This means that safety checks are required to be undertaken in the remaining 11%. Safety checks will continue on an ongoing cyclical programme to ensure homes are within the five-year target. Significant investment in recent years has limited the cyclical work required in 2025/26;
- investment of £24.02 million in external structural projects. For 2025/26 the budget is primarily targeted at continuing programmes of Roof and Render Renewal and prioritising buildings with roofs well beyond their 60-year lifespan for 2025/26. Once the new SHNZS is known future years will also fund:
 - Wall Insulation (WI) projects – to work towards meeting energy efficiency requirements. With the Scottish Government consultation focusing on Fabric Energy Efficiency and also compliance to the new EWI standard and specification (PAS 2023:19 and PAS 2023:35); costs to meet these standards will be very high and could potentially be unaffordable. It is therefore important to note that additional resources will be needed to bring the majority of housing stock up to current and future proposed standards;
 - private owners in mixed tenure blocks where works are being carried out. This will be supported by the Energy Efficiency Scotland: Area Based Scheme (EES: ABS) grant and will allow EWI in mixed tenure properties to be undertaken;
- investment of £11.96 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in homes;
- investment of £1.78 million in communal doors and door entry systems. A secure communal door entry system for flatted accommodation is a key element of the Scottish Housing Quality Standard (SHQS). Some of the existing doors systems are reaching the end of their lifecycle, additional investment is required to upgrade them;
- investment of £0.9 million in sheltered housing – investment is required to upgrade heating system and other demanding health and safety standards for fire and water. It is worth noting that heating systems in two of the sheltered complexes have reached ‘end of life’ and costs to upgrade these are very expensive due to inflationary increases in construction materials and labour. Again, this poses the challenge of trying to balance affordability and commitment to our tenants. It also highlights why this form of accommodation is expensive to operate;
- investment of £1.76 million in estate works. These have not been part of the planned Capital Programme previously but have been carried out on an ad hoc basis. These now require investment as they have significant impact on our housing neighbourhoods and their sustainability;
- investment of £2.37 million in energy efficiency related work. This includes payment for consultancy services required to survey and assess our housing stock; in preparation for delivery of the new standard, when this is confirmed; and
- investment of £0.35 million to upgrade Housing IT systems. The new systems will allow Housing Services to reduce paper processes and deliver a more efficient and customer-focused repairs service.

14. 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.

15. The Council continue to extend the supply of social housing through a Council New Build programme established in 2018. To date 293 homes have been built and 14 properties have been purchased in the open market. This includes 105 units delivered in 2024/25. The 10-year

Capital Programme includes the proposals for another 66 units that will be delivered over the next 4 years, with a target completion date of 2028/29.

16. The new build programme has made use of commuted sums received from private developers and council tax from second homes to assist the programme. This income has been set at £10k per unit as a baseline contribution for each future council housing site. However, an element of flexibility is in place to increase this funding to support significant infrastructure costs and excessive abnormal costs, if required.

17. Members will be aware that the supply of social housing is limited in East Renfrewshire with the smallest percentage of social housing across Scotland. In addition, with a significant increase in demand, East Renfrewshire declared a local housing emergency in September 2024. Whilst it is not possible to build enough houses to meet the existing demand, a key priority is to deliver more social housing where possible. However this priority is dependent on 3 areas:

- financial capacity of social landlords – in the development of Capital Programmes, the Council (and all other social landlords) have a legal duty to ensure existing homes meet all current and future statutory standards. As noted in paragraph 5, the introduction of the Social Housing Net Zero Standard (SHNZS) is expected to place significant investment pressures in the coming years;
- Affordable Housing Supply Programme (AHSP) – as noted in Strategic Housing Investment Plan (SHIP) 2025-30, which was agreed by Cabinet on 24 October 2024, the 2024/25 national budget was reduced by 24% and a similar reduction was expected for 2025/26. This limited the number of programmes that could be progressed in East Renfrewshire. However members will note that for 2025/26 the national AHSP funding has been returned to previous levels. East Renfrewshire Council will be notified of any additional funding in the spring of 2025. Following discussions with local housing association partners, a further report will be submitted to Council to amend the Capital Programme if necessary; and
- Future Programmes – a further limitation of the existing programme is local land supply. The 10 year programme allocates £887k of expenditure to fund site investigations and land acquisitions to support future programmes. This funding will also be used to support any one off acquisition funding from Scottish Government.

18. The 30-year Housing Business Plan is updated annually. The most recent financial appraisal confirmed that Housing Services are in a position to support the current level of annual expenditure required to continue to meet the Capital Programme detailed in this report. 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.

19. It is essential that the Council ensures that capital expenditure achieves value for money, is appropriately targeted and customer-focused. 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 4.9% for the next year will ensure the proposed expenditure for 2025/26 and future years is affordable.

21. The expenditure levels for years 2026/27 and onwards are provisional and will be reviewed in line with the Housing Asset Management Plan review. The Housing Asset Management Plan presented to Cabinet in November 2024, will be reviewed within the next 18 months to reflect investment needs.

CONSULTATION

22. The majority of the content of the Housing Capital Programme is determined by the need to continue to meet the SHQS and the plan for achieving the proposed energy efficiency standards expected as part of the Social Housing Net Zero Standard (SHNZS). The majority of these works have also been determined following consultations with tenants and their feedback, which is centred on improving the homes they live in. As such, our capital investment over the next years will be to ensure that our homes are wind and water tight; meet statutory standards and are good quality homes with safe and secure environment for our tenants.

23. Housing Services will continue to engage with tenants and also monitor satisfaction with Capital Programme projects. When required or where appropriate (e.g. where satisfaction levels show some areas of concern), focus groups to consider improvements to the delivery programme will be held.

PARTNERSHIP WORKING

24. In order to ensure the Housing Capital Programme is efficient and delivers value for money, close working and regular dialogue takes place with other social landlords, including Barrhead Housing Association, who are the largest Registered Social Landlord operating in East Renfrewshire. The service also participates in professional networks ALLACHO, to provide guidance and support on developments within the sector.

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 of homes and other elements of the SHQS to make sure that more tenants live in warmer, safer and drier homes.

CONCLUSIONS

27. The level of investment contained within the Programme is essential to allow the Council to continue to meet the SHQS, to meet the future requirements of energy efficiency and net zero standards, 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.

RECOMMENDATION

28. The Council is invited to approve the Housing Capital Programme for 2025/26 to 2034/35 and authorise officers to progress the projects listed in Appendix A for 2025/26.

Director of Environment

Further details can be obtained from Mark Rodgers, Head of Housing & Property on mark.rodgers@eastrenfrewshire.gov.uk

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APPENDIX A: HRA 10 Year Capital Programme

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HRA Capital Programme - Existing Stock	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	2034/35 (£000)	Total
Central Heating Systems	250	1,128	858	1,080	1,283	1,343	1,050	1,218	1,689	1,019	10,918
Re-wiring and Other Electricals (including smoke detectors)	287	583	632	999	550	567	858	831	660	623	6,590
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,850	2,550	2,550	2,700	2,700	2,700	1,360	1,360	2,700	2,545	24,015
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	500	250	250	100	100	100	100	100	100	160	1,760
Energy Efficiency Standard for Social Housing (ESSH)	200	200	200	200	225	225	300	300	300	220	2,370
Aids and Adaptations	350	350	350	350	350	350	350	350	350	350	3,500
Internal Element Renewals	1,863	1,615	1,475	1,343	385	531	981	878	2,072	820	11,963
Door Entry Systems	450	450	300	300	5	10	22	9	56	175	1,777
Sheltered Housing	-	-	450	450	-	-	-	-	-	-	900
IT Systems	200	150	-	-	-	-	-	-	-	-	350
Retentions	10	-	-	-	-	-	-	-	-	-	10
Sub-Total - HRA Capital Programme for Existing Stock	6,960	7,276	7,065	7,522	5,598	5,826	5,021	5,046	7,927	5,912	64,153
HRA Capital Programme for New Stock											
Compulsory Purchase Orders/Mortgage to Rent	50										50
Barrhead Road Newton Mearns (Estimate 17 units)		4,000	700	100							4,800
Commercial Road, Barrhead (Estimate 49 units)		6,000	3,700	200							9,900
Site & Property Purchase and Site Investigation	312	575									887
Sub-Total - HRA Capital Programme for New Stock	362	10,575	4,400	300							15,637
Total Expenditure	7,322	17,851	11,465	7,822	5,598	5,826	5,021	5,046	7,927	5,912	79,790

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Resources:-

Borrowing
 Capital Receipts
 Capital From Current Revenue
 Owner Income

2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	2034/35 (£000)	Total
122	7,224	9,065	5,607	3,448	3,636	2,971	3,066	5,872	4,052	45,063
6,500	1,700									8,200
250		2,275	2,090	2,050	2,090	1,950	1,880	1,955	1,760	16,300
125	125	125	125	100	100	100	100	100	100	1,100

Scottish Government Grant

Grant - Rental Off the Shelf
 Grant - New Build

50										50
	6,746									6,746
275	2,056									2,331

Commuted Sums

Total Resources

7,322	17,851	11,465	7,822	5,598	5,826	5,021	5,046	7,927	5,912	79,790
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