

EAST RENFREWSHIRE COUNCIL

9 February 2017

Report by Director of Environment

HOUSING CAPITAL PROGRAMME 2017/18 TO 2021/22

PURPOSE OF REPORT

1. The purpose of this report is to seek Council approval for the proposed five year Housing Capital Programme from 2017/18 to 2021/22.

RECOMMENDATION

2. The Council is asked to approve the proposed Housing Capital Programme for the years from 2017/18 to 2021/22 and authorise the Director of Environment to progress the projects listed within 2017/18, and to commence preparations for future years up to, but not including, legal commitment of resources until future budgets have been approved.

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 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 day to day repairs and maintenance of 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 during 2017/18 and beyond relates to the need to continue to meet the Scottish Housing Quality Standard.

7. However, there is now an additional requirement which heavily influences the Capital Programme in the future. The Scottish Government brought into force the Energy Efficiency Standard for Social Housing (ESSH) in March 2014. This requires all social landlords to increase the energy efficiency of all their homes by 2020/21. Substantial investment will therefore be required to achieve the ESSH target and this requirement 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 for the period 2017/18 to 2021/22.

9. In December 2016, the Cabinet noted a £556,000 reduction in the 2016/17 HRA Capital Programme due to slippage on certain projects, with this resource being carried forward to fund these projects 2017/18. These carry forwards are included within the 2017/18 programme.

10 The Council should note that there may be further slippage in 2016/17 resulting in further carry forward of resources. This amount will be dependent on the progress made on contracts between now and financial year end and will be reported as part of the June 2017 Housing Capital Programme update report.

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 Council's stock is more than 75 years old, with a further third aged between 50 and 75 years. This creates a substantial need for investment, and associated cost, particularly in relation to renewing the roof and render.

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

- Investment of more than £4 million in central heating. One fifth of our stock has a heating system that is aged 15 years or more at March 2016, while a substantial number of systems that will become 15 years old over the next five years are energy inefficient. The proposed budget provision will allow renewal of all these systems by 2021 and this investment will enable us to meet the energy efficiency ratings required to meet EESSH targets by 2021.
- Investment of £1.4 million in electrical works, primarily house or common-close re-wiring. 400 properties have wiring which, although safe, is over 40 years old and therefore requires to be renewed when necessary.
- Investment of more than £8 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 is a successful programme, and Members may wish to note that during December 2016 there were only eight reports of water penetration in our stock, in comparison to 51 reports during December 2015. This budget will also fund:
 - External Wall Insulation projects (where private owners are supported with Scottish Government Home Energy Efficiency Scheme: Area Based Scheme (HEEPS:ABS) grant.
 - An initial phase of structural work at Barnes Street, where extensive rot is being identified.
 - Other structure related projects across the Council area.
- Investment of £3.2 million in installing new internal elements, such as kitchens, bathrooms, windows and doors.

- Investment of £1.4 million in sheltered housing – despite substantial investment in sheltered housing over the last few years further investment will be required over the next five years to renew heating systems in three of the complexes, 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 very expensive to operate.
- Investment of £14.4 million in new build Council housing, as agreed by Cabinet on 10 November 2016, together with a small budget to fund house purchase opportunities which arise through, for example, the Scottish Government mortgage to rent scheme.

14. 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.

15. Applications for right to buy sales ceased in August 2016. However these are still being processed, and will not be concluded until into 2017/18. It is not known how many, if any, dwellings where offers have been issued will be sold, and for the sake of prudence no receipts have been assumed in 2017/18. Any 2017/18 right to buy sales' receipts will be used to either reduce borrowing or to invest in existing stock. This will be reported as the year progresses within ongoing Housing Capital Programme update reports.

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 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. 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 a proposed rent increase of 4.9% for the next year will ensure the proposed expenditure for 2017/18 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 2018/19 and onwards are provisional and will be reviewed when the business plan is reviewed in the summer of 2017.

CONSULTATION

21. 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 during the preparation of the Housing Asset Management Plan 2016-2020, on which the Capital Programme is based, Registered Tenants Organisations and, separately, a tenants' focus group, met to consider the investment priorities for Housing Services. At both consultation events attendees in general concurred with the five year planned investment programmes.

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 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 and Technical Services.

IMPLICATIONS OF THE PROPOSALS

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

CONCLUSIONS

25. The high levels of investment contained within the Capital Programme are essential to allow the Council to continue to meet the SHQS, to meet the future requirements of EESSH 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 therefore required.

RECOMMENDATION

26. The Council is asked to approve the proposed Housing Capital Programme for the years from 2017/18 to 2021/22 and authorise the Director of Environment to progress the projects listed within 2017/18, 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 information can be obtained from Phil Daws, Head of Environment on 0141 577 3186,
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HRA 5 Year Capital Programme 2017/18 - 2021/22

HRA Capital Programme - Existing Stock	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)	2020/21 (£000)	2021/22 (£000)	Total
Central Heating Systems	569	826	1,040	808	900	4,143
Re-wiring and Other Electricals	268	270	275	327	320	1,460
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,009	1,801	1,469	1,450	1,500	8,229
Internal Element Renewals	660	610	635	650	655	3,210
Door Entry Systems	50	50	50	50	40	240
Sheltered Housing	500	220	220	220	260	1,420
Aids and Adaptations	230	240	250	260	200	1,180
Energy Efficiency Standard for Social Housing (EESH)	200	300	300	300	0	1,100
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc)	120	130	140	150	150	690
Mobile/Agile Working including Asset Management System	0	0	0	0	0	0
Sub-Total - HRA Capital Programme for Existing Stock	4,606	4,447	4,379	4,215	4,025	21,672
HRA Capital Programme for New Stock						
Compulsory Purchase Orders/Mortgage to Rent	75	75	75	75	75	375
Off-the-Shelf Purchases	0	0	0	0	0	0
Capital New Build - sites to be confirmed	3,600	3,600	3,600	3,600	0	14,400
Sub-Total - HRA Capital Programme for New Stock	3,675	3,675	3,675	3,675	75	14,775
Total HRA Capital Programme	8,281	8,122	8,054	7,890	4,100	36,447

Resources:-

Borrowing	5,547	5,147	5,210	5,038	3,140	24,082
Receipts From Sale of Council Houses	0					0
Receipts From Sale of Land - Barrhead South	0	500	500	500	500	2,000
Capital New Build - Government Grant	1,710	1,710	1,710	1,710	0	6,840
Capital New Build - Commuted Sums/Council Tax Discount	300	300	300	300	0	1,200
Heeps Funds	155	100	100	100	100	555
Recharges to Owner Occupier	569	365	234	242	360	1,770
Total	8,281	8,122	8,054	7,890	4,100	36,447

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