

EAST RENFREWSHIRE COUNCIL1 March 2023Report by Director of EnvironmentHOUSING CAPITAL PROGRAMME 2023/24 TO 2032/33**PURPOSE OF REPORT**

1. To seek the approval of the Council for the proposed ten year Housing Capital Programme from 2023/24 to 2032/33.

**RECOMMENDATION**

2. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2023/24 to 2032/33 and authorises the Director of Environment to progress the projects listed within 2023/24.

**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 first milestone of the ESSH was December 2020. In June 2019, the Government introduced a new milestone (ESSH2) for social rented houses to meet by December 2032. ESSH2 is in continuity of the shared commitment to tackle fuel poverty and mitigate climate change emissions.

5. There are two key milestones set for ESSH2. The first is when it is expected that no social housing should be below Energy Performance Certificate (EPC) D by 2025; and the second is by the end of December 2032; when all social housing should meet, or can be treated as meeting, EPC Band B or is as energy efficient as practically possible; within the limits of cost, technology and necessary consent.

6. It will be very challenging to achieve these targets (2025 and 2032), especially as much of the more easily attained and affordable energy efficiency work have been carried out to date. Social landlords are experiencing a lot of challenges currently as a result of inflation in relation to construction and maintenance and rising energy bills. These are adding pressure to the need for investment to be affordable.

7. In recognition of this the Scottish Government and the Scottish Housing Regulator have put ESSH2 Milestones on hold and commenced a review process. The aim of the review is to ensure that investment is targeted toward effective long-term solutions that will deliver net zero and support the eradication of fuel poverty. Therefore, majority of expenditure on the housing capital programme during 2023/24 and beyond will continue to focus on improving our housing stock, to meet the SHQS and deliver energy efficiency measures to help reduce running costs in our tenants' homes.

8. In December 2022 the Cabinet noted a £0.205 million reduction in the 2022/23 HRA capital programme expenditure. The resource will now be carried forward to fund these projects in 2023/24. These carry forwards are included in this 2023/24 programme. It is anticipated that there will be an increase in tender costs as we move forward due to market uncertainties.

9. Members are asked to note that there may be further slippage in 2022/23 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 slippage will be reported as part of the June 2023 Housing Capital Programme update report.

## REPORT

10. The remainder of this report sets out the Housing Capital Programme for 2023/24. The appendix to this report provides detail of the spending priorities and financial values contained within the capital programme from 2023/24 to 2032/33.

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. A key factor for the Council to consider is the age of its stock. Almost one third of the stock was constructed pre 1945, with a further third constructed before 1970. This creates a substantial need for investment, especially in relation to achieving SHQS standard; EESSH2 requirements and renewing the roof and wall render.

12. The Government updated the standard for insulated wall render recently and there has been notable increase in the cost of delivering the roof and wall render project. This places pressure on the capital investment and also increases the challenge to achieve balance between affordability and commitment to our tenants. It is worth noting however that the new standard comes with significant benefit to homes and their occupants. It provides improved air tightness in the homes, which makes them more energy efficient, especially at this crucial time where energy costs are rising.

13. There are also other pressures placed upon the HRA Capital Programme, some of which the Council approved in the previous ten year plan in February 2022. These include:

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

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

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

- Investment of £32.25 million between 2023/24 and 2026/27 towards the delivery of 171 new council houses. As agreed by the Cabinet on 13 October 2022, the delivery of these homes is supported by an anticipated £14.54 million of Scottish Government funding.
- A budget of £50k to fund house purchase opportunities, which may arise through; for example, the Scottish Government mortgage to rent scheme.

- Investment of £7.47 million in central heating. About a quarter of our housing stock has a heating system that is aged 15 years or more as at January 2023, 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 2032/33. This investment will enable us to improve energy efficiency ratings required to meet EESSH2 requirements, while also reducing fuel bills, with focus on supporting tenants in fuel poverty.
- Investment of £2.26 million on house electrical re-wiring, replacement of Fire Alarms Detectors that are at the end of their lifespan and Electrical Installation Condition Report (EICR) testing to comply with the new Electrical Testing requirements. The Scottish Housing Regulator changed the requirement for EICR periodical test from 10 years to 5 years in 2020.
- Investment of £15.83 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 – with compliance to new standard and specification, it is likely for costs to be on the high side. Therefore, properties identified for the upgrade will be surveyed and designed before going out to tender, to ensure project costs are feasible.
  - Private owners that are part of mixed tenure blocks that we are carrying out projects on. They will be supported with Scottish Government Home Energy Efficiency Scheme: Area Based Scheme (HEEPS:ABS) grant. This allows us to carry out the EWI in mixed tenure properties.
- Investment of £14.69 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in people's homes.
- Investment of £1.57 million in sheltered housing – investment is required over the next two years to renew heating systems in two 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 for 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 £203K, which will be paid in 2023/24.

16. The capital programme for existing stock is mainly financed through borrowing. In addition there are 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 also been made for receipts from the sale of land in the capital programme.

17. The Council will note that in November 2016, approval was given to commence an ambitious new build programme of an initial 120 new homes; this target was extended in January 2018 to 240 new homes and in February 2022, this was extended to 370 units. To date, 181 homes have been built and 14 homes have been purchased on the open market. The 10 year capital programme includes the proposals for another 171 units that will be delivered over the next 4 years with a target completion date of 2026/27.

18. 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. However it is extremely challenging to meet the investment needs of the current stock whilst making finance available to build new stock.

19. 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 £5k per unit as a baseline contribution for each future site. It will be necessary to consider, at a later date, whether this requires to be increased if new council house building is to be affordable.

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

21. 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**

22. Prudent management and adoption of the recommended rent increase of 5% p.a. for the next year will ensure the proposed expenditure for 2023/24 and future years is affordable.

23. The expenditure levels for years 2023/24 and onwards are provisional and will be reviewed in line with the Housing Asset Management Plan review.

## **CONSULTATION**

24. 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 scope for its content is also determined through consultation with tenants and the most recent engagement was in October 2022. The focus of the forum was for representatives to advise their view of Housing Services' and areas where they want the service to improve. Nine key improvement areas were put forward and the area with most interest from representatives, was on '*improving the homes they live in*'. The interest and response could be related to the two year delay to internal works, due to Covid-19. These programmes have now resumed and there has been a lot of positive feedback from tenants that are seeing improvements to their homes.

25. Housing Services will continue to monitor resident satisfaction with capital programme projects, and where appropriate (e.g. where satisfaction levels show some areas of concern); we will hold focus groups with residents to consider improvements to how the programme is delivered.

## **PARTNERSHIP WORKING**

263. 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**

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

28. 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**

29. 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**

30. It is recommended that the Council approves the proposed Housing Capital Programme for the years from 2023/24 to 2032/33 and authorises the Director of Environment to progress the projects listed within 2023/24.

Director of Environment

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

Convener contact details

Councillor Danny Devlin  
(Convener for Housing and Maintenance Services)

Home: 0141 580 0288  
Office: 0141 577 3107/8

March 2023



# 503

## HRA 10 Year Capital Programme

HRA Capital Programme - Existing Stock	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)	2032/33 (£000)	Total
Central Heating Systems	798	1,228	965	396	529	698	497	846	617	900	7,474
Re-wiring and Other Electricals (including smoke detectors)	375	200	200	200	282	147	261	200	26	370	2,261
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,019	1,797	1,773	1,856	1,403	1,366	1,288	4,012	287	33	15,834
Estate Works ( Paths, Walls, Lighting, Bin Stores, Drying Areas etc	176	100	-	-	-	-	-	-	-	-	276
Energy Efficiency Standard for Social Housing (ESSH)	300	300	-	-	-	-	-	-	-	-	600
Aids and Adaptations	200	200	200	200	200	200	200	200	200	200	2,000
Internal Element Renewals	972	1,094	2,662	1,084	1,144	1,119	1,463	3,283	1,078	795	14,694
Door Entry Systems	20	20	15	0	0	5	17	82	1	40	200
Sheltered Housing	1,567	-	-	-	-	-	-	-	-	-	1,567
Retentions	10										10
IT Systems	203	-	-	-	-	-	-	-	-	-	203
<b>Sub-Total - HRA Capital Programme for Existing Stock</b>	<b>6,640</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>2,209</b>	<b>2,338</b>	<b>45,119</b>
<b>HRA Capital Programme for New Stock</b>											
Compulsory Purchase Orders/Mortgage to Rent	50	-	-	-	-	-	-	-	-	-	50
New Build - Development Cost	2,404	12,490	11,055	6,300	-	-	-	-	-	-	32,249
<b>Sub-Total - HRA Capital Programme for New Stock</b>	<b>2,454</b>	<b>12,490</b>	<b>11,055</b>	<b>6,300</b>							<b>32,299</b>
<b>Total HRA Capital Programme</b>	<b>9,094</b>	<b>17,429</b>	<b>16,870</b>	<b>10,036</b>	<b>3,558</b>	<b>3,535</b>	<b>3,726</b>	<b>8,623</b>	<b>2,209</b>	<b>2,338</b>	<b>77,418</b>

# 504

## Resources:-

<b>Borrowing</b>	7,104	8,818	12,030	6,096	2,318	2,295	3,486	8,383	1,969	2,098	<b>54,597</b>
Receipts From Sale of Land - Barrhead South	-	-	1,000	1,000	1,000	1,000	-	-	-	-	<b>4,000</b>
ROTS Grant	50										<b>50</b>
Capital New Build - Government Grant	1,675	6,910	3,400	2,550	-	-	-	-	-	-	<b>14,535</b>
Capital New Build - Commuted Sums/Council Tax Discount	25	1,461	200	150	-	-	-	-	-	-	<b>1,836</b>
HEEPS Funds	140	140	140	140	140	140	140	140	140	140	<b>1,400</b>
Recharges to Owner Occupier	100	100	100	100	100	100	100	100	100	100	<b>1,000</b>
<b>Total Resources</b>	<b>9,094</b>	<b>17,429</b>	<b>16,870</b>	<b>10,036</b>	<b>3,558</b>	<b>3,535</b>	<b>3,726</b>	<b>8,623</b>	<b>2,209</b>	<b>2,338</b>	<b>77,418</b>