

**FALKIRK COUNCIL**

**Subject: COUNCIL HOUSING INVESTMENT PROGRAMME – CONTRACT MANAGEMENT**  
**Meeting: SCRUTINY COMMITTEE**  
**Date: 20 AUGUST 2015**  
**Author: DIRECTOR OF DEVELOPMENT SERVICES & DIRECTOR OF CORPORATE & HOUSING SERVICES**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to provide Members with details of the operating arrangements in relation to the delivery of the Council's Housing Investment Programme (HIP). The report will seek to provide Members with:
- The context, scale and diversity of the programme
  - The various stages involved in delivering the programme, from planning through to the completion of works
  - The roles and responsibilities of the relevant Services, sections and teams involved in the delivery of the programme
  - Information on areas of continuous improvement and development

**2. BACKGROUND**

- 2.1 The HIP is agreed by the Council at the budget meeting in February each year and is based on a 3 year forward looking plan. Appendix 1 provides details of the programme agreed at a Special Meeting of the Council in February 2015.
- 2.2 The programme comprises two primary elements:
- Improvements to the standards of our housing stock, with the focus being on ensuring our stock meets the Scottish Housing Quality Standard (SHQS) and where applicable new housing standards e.g. the Energy Efficiency Standard for Social Housing (EESH).
  - Provision of additional housing to meet the demand for affordable housing e.g. via new build housing; buy-backs of ex-Council properties and Mortgage to Rent acquisitions.

- 2.3 The table below details the approved expenditure since 2010 and shows a spending programme of over £180m over the last 6 years, an average of £30m per annum. In addition, there has been an increasing level of expenditure primarily focused on an increased programme of improvements to ensure the 2015 SHQS is met and the commencement of a new build and buy-backs programme.

<b>FINANCIAL YEAR</b>	<b>£'000</b>
2010/11	21.25
2011/12	25.20
2012/13	29.85
2013/14	40.11
2014/15	36.53
2015/16	29.32
<b>TOTAL</b>	<b>182.26</b>
<b>AVERAGE per annum</b>	<b>30.38</b>

- 2.4 The HIP is funded in the main from borrowing and revenue financing from the Council's Housing Revenue Account (HRA) e.g. over the next 3 year programme, 90% of investment expenditure (£77m) will require to be funded by either borrowing or revenue contributions. The costs of borrowing and revenue contributions require to be funded from Council house rents and as such there is a need to establish a balance between setting affordable rent levels and the levels of investment. Given the long-term nature of financing borrowing e.g. up to 40 years, the financial impacts on the HRA budget are modelled over 50 years to ensure the future viability of the HRA budget.

### **3. SCOTTISH HOUSING QUALITY STANDARD (SHQS)**

- 3.1 SHQS investment covers a range of improvements to the Council's housing stock, including roofing, roughcasting and external wall insulation, renewal of kitchens and bathrooms, upgrading of electrical systems, replacement heating, improvement to our estates and various health and safety related works. The programme previously also included upgrading works to all of the Council's high rise flats. It is anticipated that improvement works to over 9,000 homes will be undertaken during the current financial year.
- 3.2 As at the end of March 2015, 82.8% of all Council houses were fully compliant with the SHQS. The Council was unable to bring the remaining 17.2% of properties up to the SHQS due to either specific properties being exempt from SHQS or due to factors outwith the Council's control i.e. abeyances. The SHQS guidance provides clear criteria for exemptions and abeyances and based on these criteria, there are currently 730 properties which are exempt and an additional 2,080 properties with an abeyance; therefore the target of 100% of properties the Council could ensure met SHQS by 2015 has been achieved. Appendix 2 provides a detailed breakdown of exemptions and abeyances. Work will continue to reduce the number of properties which are either exempt or with an abeyance, wherever possible. Ongoing repair and investment work on these properties are required to maintain this standard beyond end March 2015, and have been identified and programmed in line with the Housing Asset Management Plan.

3.3 Full details of compliance by criteria are detailed below:

Scottish Housing Quality Standard Compliance	Pass Within the Scope	No. of Abeyance/ Exemption	Pass Against Stock
Compliant with the current Tolerable Standard	100%	11	99.99%
Free from Serious Repair	100%	0	100%
Energy Efficient	100%	2,627	83.90%
Modern Facilities and Services	100%	1	99.99%
Health, Safe and Secure	100%	171	98.95%
<b>Total SHQS Compliance</b>	<b>100%</b>	<b>2,810</b>	<b>82.79%</b>

#### 4. HIP KEY STAGES

4.1 The development of the HIP involves a number of key stages and stakeholders, including Tenants, Members and Council officers. Outlined below is an indication of the key stages and the respective Service divisions/lead contacts involved. Further details on each stage are also provided in the next sections of the report. The stages outlined below are consistent with the project management methodologies set out by the Royal Institute of British Architects (RIBA) and where applicable, Development Services Building Design Unit adopts the RIBA plan of work as a model for managing the various stages outlined below.

KEY STAGES	STAKEHOLDERS
Assessment of need and development of projects for inclusion in the Housing Investment Programme Lead/Contact: Housing Asset Team (C&HS)	<ul style="list-style-type: none"> <li>• Housing Asset Team (C&amp;HS)</li> <li>• Housing Asset Management Plan Tenant's Group (C&amp;HS)</li> <li>• Tenants and residents forum</li> <li>• Members</li> </ul>
3 Year Budget Approval Lead/Contact: Housing Asset Team & Finance (Capital) (C&HS)	<ul style="list-style-type: none"> <li>• Housing Asset Team (C&amp;HS)</li> <li>• Finance (Capital) (C&amp;HS)</li> <li>• Members</li> </ul>
Appraisal, Consultation (Tenants/Owners) and Development of design briefs Lead/Contact: Housing Asset Team & Local Housing Offices (C&HS); Design Team (Development)	<ul style="list-style-type: none"> <li>• Housing Asset Team (C&amp;HS)</li> <li>• Local Housing Offices (C&amp;HS)</li> <li>• Design Team (Development Services)</li> </ul>

Detailed design; statutory approvals and procurement Lead/Contact: Design Team (Development)	<ul style="list-style-type: none"> <li>• Design Team (Development Services)</li> <li>• Planning (Development Services)</li> <li>• Building Standards (Development Services)</li> </ul>
Site Works; Contractor Management and Tenant & Owner Liaison Lead/Contact: Customer Care Team & Design Team (Development); Local Housing Offices (C&HS)	<ul style="list-style-type: none"> <li>• Design Team (Development Services)</li> <li>• Clerk of Works (Development Services)</li> <li>• Customer Care Team (Development Services)</li> <li>• Local Housing Area Offices (C&amp;HS)</li> </ul>
Post Contract Review and Performance Analysis, including data interface updates Lead/Contact: Housing Asset Team (C&HS); Design Team (Development)	<ul style="list-style-type: none"> <li>• Design Team (Development Services)</li> <li>• Housing Asset Team (C&amp;HS)</li> </ul>

- 4.2 As outlined above, the delivery of the HIP involves a range of stakeholders and is dependant on cross-service working, utilising appropriate skills and knowledge and strong project management. Central to delivering the HIP are monthly programme monitoring meetings. These are held with senior officers from the Housing Asset Team (C&HS) and the Design Team (Development Services). The focus of these monitoring meetings is to monitor and review the delivery of the programme in terms of areas such as customer feedback; quality control; timescales and financial management. These meetings provide an opportunity to identify areas of concern and also facilitate pre and post contract reviews.

## 5. STAGE 1 – ASSESSMENT OF NEED

- 5.1 The HIP is founded on the basis of the Council's 5 year Housing Asset Management Plan which was approved in 2013 and aims to deliver assets that:
- Are fit for purpose;
  - Are sustainable;
  - Are in good condition;
  - Are accessible to all;
  - Are safe and secure;
  - Meet service needs;
  - Meet the needs of our communities;
  - Are closely aligned to the Local Housing Strategy.
- 5.2 The Council has an asset management database (Keystone). At the core of this database is information in relation to the condition; property type and construction of all Council houses i.e. c16,300 properties. The information is based on an independent and comprehensive stock condition survey of all properties undertaken in 2010 and subsequent on-going updates informed by a rolling programme of condition assessments undertaken by Corporate & Housing Services employees. This provides the necessary information to inform the development of the HIP.

- 5.3 Following the identification of properties, a Housing Investment Programme booklet is prepared to provide advance notice of projects and works that maybe carried out within respective areas. The booklet is however a preliminary assessment and may be subject to change at the next stage of the process. This document is circulated to Members and is available in respective local housing offices.

## **6. STAGE 2 – APPRAISAL, CONSULTATION AND DEVELOPMENT OF DESIGN BRIEFS**

- 6.1 This stage is conducted jointly between Corporate & Housing Services and Development Services’ officers and involves undertaking a Technical Appraisal and the preparation of initial project briefs, confirming key requirements, constraints and the programme of work. This stage also involves the identification of procedures, organisational structure and defines those who are to be engaged in the project.
- 6.2 Following the preparation of initial project briefs, further work is then undertaken to prepare outline proposals, including sketch drawings, specification, re-appraisal of costs and identification of materials being proposed. The outline proposals require to be jointly approved before commencing the detailed design stage.
- 6.3 Where applicable, consultation with all affected owners will be undertaken after the design stage, providing owners with details of proposed works and information on preliminary costs, subject to tendered costs being provided when available.

## **7. STAGE 3 – DESIGN AND PROCUREMENT**

- 7.1 Following the preparation of detailed proposals, application for statutory approvals, where required, is progressed e.g. planning permissions and building warrants. Final design proposals are thereafter prepared and agreed, sufficient for the co-ordination of all the components and elements of the projects.
- 7.2 Based on the final design proposals, tender documentation (bills of quantities etc) are prepared in sufficient detail to enable a tender or tenders to be obtained for the project. Procurement is thereafter undertaken in accordance with the Council’s Contract Standing Orders and relevant national and European procurement legislation e.g. advertising, evaluation and approval processes.
- 7.3 Affected owners will also be consulted on any significant changes to the proposed works from that already consulted on at Stage 2 above. Owners will also be provided with a breakdown of costs, following the approved outcome of the tender process.

## **8. STAGE 4 – SITE WORKS AND CONTRACT MANAGEMENT**

- 8.1 Following the acceptance of the contract and appointment of the contractor in accordance with Contract Standing Orders, a pre-contract meeting is held with the contractor and all necessary contract information (including emergency contact nos.) is thereafter exchanged, including Health and Safety information to enable the contractor to commence site operations.
- 8.2 Following the appointment of the contractor, all necessary information relating to the contract e.g. appointed contractor, contact details and contract timescales is shared with relevant parties including owners, tenants, members, housing staff and contact centre staff.
- 8.3 During the construction phase of the projects, Development Services officers will administer the contract up to and including practical completion. This will include a programme of regular inspections, contractor site meetings, agreement on contract variations, regular progress reports and issuing practical completion certificates.
- 8.4 Development Services Customer Care officers, in conjunction with the Clerk of Works and Contractor's staff, will deal with customer enquiries, including the issue of customer satisfaction surveys to tenants/owners on completion and the provision of advice on the use of new equipment, where necessary providing leaflets and manufacturer guidance.
- 8.5 Contractor performance and workmanship is monitored against the contract specifications through regular site inspections undertaken by Development Services Clerk of Works and Design Team Officers. Any work not in accordance with the contract is recorded with corrective actions identified. This information is gathered through a number of means including verbal instruction, Clerk of Works directions and weekly reports, Architect's Instructions and recording at fortnightly/monthly site progress meetings. Payments are only made after defined stages of work have been completed satisfactorily and a 5% retention of the value of the works is held during the contract period.

Contract performance bonds (10% of contract value) are also required for contracts in excess of £1m. Industry standard contract documents embed provisions for addressing defaults in a contract, with specific contract clauses covering completion of the works, the quality of materials, goods and workmanship and contractual remedies for non-performance, up to and including termination of the contract. Contingent with Procurement Regulations any actions taken must be taken in a proportionate manner, with clear opportunity for remedial action to be taken.

## **9. STAGE 5 – POST CONTRACT REVIEW AND PERFORMANCE ANALYSIS**

- 9.1 In the final stages of contract completion and post completion of the works, a number of tasks are undertaken, including final joint inspections between Clerk of Works and Contractors, defects monitoring and rectification, issue of certificate of making good defects and the agreement of the final contract value. Additionally, support and assistance is provided to building users during the initial occupation period.

- 9.2 Customer satisfaction survey cards are issued by the Development Services Customer Care Team at the end of each contract, with results summarised and analysed on a quarterly basis, with feedback provided directly to the project teams, where matters of concerns are identified to ensure continuous improvement. Annual satisfaction figures for the last three financial years are detailed below:

<b>FINANCIAL YEAR</b>	<b>% SATISFIED OR VERY SATISFIED</b>
2012/13	92.53%
2013/14	92.64%
2014/15	95.87%

- 9.3 As outlined above, the financial scale of the HIP is significant and as such a key performance measure for delivery of the programme is the final outturn position compared to budget. Outlined below is a summary of the outturn position since 2010/11. Overall the programme has operated consistently close to budget, notwithstanding that as it is a rolling programme project spending will inevitably cross over financial years.

<b>YEAR</b>	<b>BUDGET £m</b>	<b>O'TURN £m</b>	<b>VAR. £m</b>	<b>VAR. %</b>	<b>No of Homes Improved</b>	<b>No of additional homes</b>
2010/11	21.25	16.82	-4.43	-20.84	14,888	24
2011/12	25.20	27.36	2.16	8.57	10,027	101
2012/13	29.85	27.65	-2.20	-7.37	14,033	55
2013/14	40.11	48.73	8.62	21.49	10,204	97
2014/15	36.53	35.06	-1.47	-4.02	11,097	242
<b>TOTAL</b>	<b>152.94</b>	<b>155.62</b>	<b>2.68</b>	<b>1.75</b>		<b>519</b>

- 9.4 In summary, over the last 5 years there has been a small overspend on the Housing Investment Programme of £2.68m, which represents less than 2% of the 5 year cumulative budget of c£153m. The overspend was funded by additional resources and did not require any additional borrowing. Over the 5 year period, the HIP has helped facilitate improvements to over 10,000 homes per annum and delivered over 500 additional homes.
- 9.5 Following the completion of contracts, details of the work carried out is used to update the Housing Asset Management System (Keystone) to ensure the asset information is accurate, up to date and reflects life cycles to inform future investment programmes. This information is also used to inform annual Scottish Housing Regulator returns and other performance reports.
- 9.6 In addition, final accounts will be issued by the C&HS Billing Team to any owners participating in the contracts, as outlined in para 7.3.

## **10. CONTINUOUS IMPROVEMENT**

- 10.1 Recognising the scale, diversity and complexity of the HIP, it is acknowledged that issues will arise. As such, as issues are identified and addressed, these issues are also used as a means of identifying changes and improvements to operating methods.
- 10.2 Examples of continuous improvement and development in delivering the HIP include:
- The establishment of a comprehensive guidance document for C&HS and Development Services staff to ensure a consistent and best practice approach to delivering the HIP
  - On-going improvements in communication with tenants and owners
  - Refinement of design specifications based on learning from previous project experience
  - Clearer and more specific contractual instructions
  - More extensive pre-survey work to confirm contract specifications are matched to particular site requirements
  - Targeted on-site inspections to ensure works are fully in accordance with the agreed specification, prior to allowing further works to proceed
  - Agreement and provision of standard specifications to cover unusual situations and subsequent solutions
  - Profiling and programming of work better aligned with contractor resourcing
  - Regular testing of value for money
  - Monthly management review meetings are held to monitor progress and financial management of the respective contracts
  - Improved systems in relation to recharging owners and in recovery of monies due

## **11. CONCLUSIONS**

- 11.1 The Council undertakes a significant investment programme, with works aimed at improving the Council's 16,300 plus houses, whilst also providing additional homes to meet the need for affordable housing.
- 11.2 The HIP works are delivered in a staged and programmed manner, consistent with best practice guidance. Performance information indicates that the programme is being satisfactorily delivered on both a qualitative and financial basis. However, it is acknowledged that issues arise in the delivery of projects of the scale and diversity included within the programme. As such, as issues emerge a process of continuous improvement is in place, learning from the on-going delivery of the programme.



**12. RECOMMENDATION**

**It is recommended that the Committee notes the approach taken in respect of the development and management of the Council's Housing Investment Programme.**

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**DIRECTOR OF  
DEVELOPMENT SERVICES**

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**DIRECTOR OF CORPORATE  
& HOUSING SERVICES**

Date: 26 June 2015

Ref: AAQ – 200815–CHIP – Contract Management

Contact Officers: Robert McMaster, Head of Roads and Design, ext 4953  
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0788

**LIST OF BACKGROUND PAPERS**

1. Nil

**FALKIRK COUNCIL**

**Subject: HOUSING INVESTMENT PROGRAMME 2015/16 to 2017/18**  
**Meeting: FALKIRK COUNCIL**  
**Date: 11 February 2015**  
**Author: DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

**1. INTRODUCTION**

- 1.1 This report sets out the 3 year forward planning assumptions for the HRA Investment Programme for the years 2015/16 to 2017/18 (Appendix 1).

**2. BACKGROUND**

- 2.1 Members will be aware of the Council's requirement to ensure its housing stock meets the Scottish Housing Quality Standard (SHQS) by 2015. To enable this to be achieved and to ensure this standard is maintained beyond 2015, a comprehensive stock condition survey was undertaken in 2010. This information has been subsequently kept up to date in order to provide an overall position statement regarding the housing stock condition.
- 2.2 The stock condition information provides the basis for the Council's Housing Asset Management Plan and future investment plans to ensure that all Falkirk Council properties are fully SHQS compliant by the 2015 deadline and their condition is maintained to the specified standard thereafter.

**3. SHQS POSITION UPDATE**

- 3.1 In accordance with the interpretation of the SHQS criteria, 87.3% (14,120 properties) of our stock currently meets the standard, compared to 81% previously. The remainder of our stock is at various stages of meeting the SHQS criteria and some will only require minor alterations in order to bring them up to the required standard. These findings show a continued improvement since the sample stock condition surveys were undertaken in 2009, which indicated that approximately 33% of the stock met SHQS at that time. It is considered that the Council should be well placed to meet the SHQS by 2015. On-going repair and investment work on these properties will however be required to maintain that standard beyond 2015, in line with the Housing Asset Management Plan.
- 3.2 A positive outcome of the investment strategy to date is that Falkirk Council has no properties which currently fail the Tolerable Standard or the Serious Disrepair (Primary) elements criteria. This reflects previous year's investment to address these issues.
- 3.3 In terms of those properties currently assessed as not meeting SHQS(12.7% 2,055 properties), the main areas requiring improvement are:
- Energy Efficiency (1,922 properties) – Installation of insulation and efficient central heating systems
  - Serious Disrepair (Secondary) (154 properties) – Improvement to secondary elements including roof coverings, chimney stacks and rainwater goods.
- 3.4 Members will recall that additional resources of c£5m p.a. were provided in previous years Housing Investment Programmes. Recognising the priority work required to bring

the remaining 12.7% of our housing stock to SHQS and continue at that standard thereafter, the proposed Housing Investment Programme in Appendix 1 continues the provision of additional resources, particularly in relation to external fabric improvements; kitchen and bathroom renewal and electrical work. The planned investment programme set out in Appendix 1, together with the continuation of the existing level of revenue funding of repair and maintenance, should therefore ensure the necessary improvement in our stock to ensure SHQS standards are achieved beyond 2015.

- 3.5 As well as the continued requirement to maintain our stock to the Scottish Housing Quality Standard beyond the 2015 target, the Scottish Government launched the new Energy Efficiency Standard for Social Housing (EESH) at the end of March 2014. This new standard, which will be introduced from 2015/16, is aimed at improving the energy efficiency of social housing. The EESH sets a minimum Energy Efficiency rating for landlords to achieve that varies dependant upon the dwelling type and the fuel type used to heat it. The target date to achieve the first milestones within the EESH is 31 December 2020; therefore, the new standards will inevitably influence the Council's future investment decisions and priorities. The impact of EESH has been considered as part of identifying priorities within the Housing Investment Programme.

#### **4. SHQS HOUSING INVESTMENT (£51.45m)**

- 4.1 As outlined in Section 3 above, to date 87.3% of the Council's housing stock meets SHQS. The priority improvement works necessary to enable the remaining proportion of the stock to meet the SHQS by 2015 and maintained beyond have been identified. A total of £51.45m has been provided over the next 3 years for SHQS related investment.
- 4.2 In relation to the procurement of capital contracts, this will be carried out in accordance with the Council's Contract Standing Orders. A combination of competitive tendering and single tendering arrangements are expected to be used, the latter involving the Council's Building Maintenance Division, when Best Value can be clearly evidenced.
- 4.3 The key features of the SHQS Housing Investment Programme for 2015/16 are detailed below, with proposed expenditure figures for 2015/16 shown in brackets:

##### **Elemental Improvements (£13.9m)**

- 4.4 In line with previous years Investment Programmes, additional funding has continued to be provided in order to undertake SHQS priority work over the next 3 years. Proposed expenditure on fabric improvements e.g. re-roofing and roughcasting, has been set at £8.7m, with electrical works of £3.0m and £2.2m of kitchen and bathroom replacement also planned. This represents an additional provision of £2.5m compared to the current 2014/15 programme. As part of the electrical works expenditure, £1m per annum has been provided over the next 3 years to establish an installation programme of Carbon Monoxide detectors. It is anticipated that the £13.9m investment will allow the upgrade of c8,400 properties, of which c4,000 homes will benefit from Carbon Monoxide detector installation.

##### **Energy Efficiency Works (£2.2m)**

- 4.5 The heating replacement budget reflects the large-scale investment undertaken in previous years and will enable an on-going programme of heating system upgrades beyond the 2015 SHQS requirement and will improve the energy efficiency of these properties. It is estimated that c800 properties will benefit from having energy efficient heating/controls installed or replaced each year.

#### **Estate Improvements (£0.5m)**

- 4.6 The programme continues the provision of £0.5m included in previous years to enable a rolling programme of estate landscaping improvement works to be undertaken, in conjunction with the Council's Estates Management division.

#### **Priority Areas (£0.2m)**

- 4.7 A provision of £0.2m has been included to enable the investigation and potential establishment of pilot renewable energy efficiency projects.

- 4.8 The refurbishment of all the Council's high rise flats will be completed by 2015 in line with SHQS requirements.

#### **Health & Safety (£0.35m)**

- 4..9 As in previous years funding has been provided to allow a range of health and safety type works (£0.35m) to be undertaken e.g. asbestos removal.

### **5. NON-SHQS HOUSING INVESTMENT PROGRAMME (£34.2m)**

- 5.1 A total of £34.2m has been provided in the 3 year programme for non SHQS investment.

- 5.2 The key features of the non SHQS Housing Investment Programme for 2015/16 are detailed below, with proposed expenditure figures for 2015/16 shown in brackets:

#### **New Build Council Housing (£4.0m)**

- 5.3 The Investment Programme provides resources for the continuation of the Council's new house building programme. Funding is included over the current financial year and the next 2 years to enable the completion of the following projects, delivering a further 86 new homes, additional to the 338 already completed or currently under construction, increasing the Council's new build programme to c424 new houses.

- |                              |          |
|------------------------------|----------|
| • Main Street, Stenhousemuir | 18 units |
| • Duke Street, Denny         | 20 units |
| • Haugh Street, Falkirk      | 6 units  |
| • Woodend Farm, Hallglen     | 42 units |

- 5.4 The proposed Investment Programme included in Appendix 1 provides for the completion of the programme of 424 units by the end of 2017/18, with a total financial provision over the next three financial years of £10.15m.

- 5.5 With the exception of the proposed new build project at Woodend Farm, Hallglen, the other 3 projects listed above are included within the Council's Strategic Local Programme (SLP) to 2016/17 approved by Members in January 2015. It is estimated that these projects will cost c£4.7m, with a total of £2.024m funding anticipated from Scottish Government New Build funds £0.966m (c£40,000 per unit) and £1.058m from a combination of 2<sup>nd</sup> Homes Council Tax income and affordable housing planning contributions. The balance of costs on these projects of £2.676m will be funded through prudential borrowing.

- 5.6 At this time the Scottish Government have only advised indicative Resource Planning Assumptions for 2017/18 and 2018/19 and as such work is on-going with partners to develop projects of years 2017 to 2019 and an SLP for this period will be submitted to Executive, once this work has been concluded. As the project at Woodend Farm,

Hallglen is not anticipated to commence until 2017/18, this project will be considered as part of the development of the 2017-19 SLP.

#### **Property Buy-Backs (£6m)**

- 5.7 The Investment Programme provides for an additional £1m of funding, increasing the annual provision to £6m to fund the buy-back of ex-Council properties to help meet housing demand. Approximately 150 additional homes have been purchased through the buy-back programme to date. Provision of £6m per annum over the next three financial years has been made to continue the acquisition programme. This will fund the acquisition of around 80-90 additional homes per annum.

#### **Mortgage to Rent (£1.0m)**

- 5.8 The Investment Programme now includes provision for the costs of buying houses under the Mortgage to Rent initiative. The initiative is demand led and as such the estimated provision is based on current year levels of demand, which may be subject to change. The revenue consequences of the additional borrowing required to fund the acquisition costs will be met from the rent income from these newly acquired properties.

#### **Other Works – LHS Initiatives (£0.7m)**

- 5.9 This provision will enable a continued programme of initiatives (£0.7m) designed to meet housing demand identified in the Local Housing Strategy e.g.: remodelling of properties; acquisitions and the tenants incentive scheme.

#### **Window Leasing Buy-Back (£0.5m)**

- 5.10 Continued provision of c£0.5m per annum over the next two financial years has also been made to meet the costs of buying out window leases. The buy-out of leasing costs will deliver longer-term financial benefits to the Housing Revenue Account.

### **6. RESOURCES FOR 2015/16 (£29.3m)**

- 6.1 Within the context of the Prudential Regime it has been estimated that approximately £1.6m will be available from the sale of Council houses in 2015/16 and reflects the 2014/15 financial year budget. The budget for 2016/17 and subsequent years reflects the termination of the right to buy from August 2016. It is estimated that the abolition of right to buy would be broadly cost neutral i.e.: the lost capital receipts and corresponding additional borrowing costs, would be offset by retaining the rental income which we'd otherwise expected to lose.
- 6.2 House sales receipts will be supplemented in 2015/16 by revenue resources of £4.264m, energy efficiency grant related income estimated at £0.3m, Scottish Government New Build Grant of £0.966m, Scottish Government Mortgage to Rent Grant of £0.2m and total borrowing of £20.9m, which includes Mortgage to Rent borrowing. In addition, funding from second home Council Tax income and affordable housing planning contributions of £1.058m has been estimated in respect of the proposed new build projects at Stenhousemuir and Denny. Relevant Prudential indicators for the period are appended in Appendix 2.
- 6.3 In total, the above assumptions provide an estimated £29.3m for new investment in 2015/16. From a strategic planning perspective it is proposed that the Council make resources available of £26.1m in 2016/17 and £30.3m in 2017/18, to ensure our stock meets SHQS requirements and enables the continuation of initiatives to meet the increasing demand for affordable houses. The resource breakdown is detailed in Appendix 1.

- 6.4 Members should note that the revenue costs associated with borrowing required to fund the Investment Programme requires to be met from the Council's Housing Revenue Account (HRA) through rental income. The financing costs of the Investment Programme have been accommodated within the recommended HRA budget. Given the long-term impacts and affordability of the capital investment programme, the financial impacts on the HRA budget have been modelled over the next 50 years to ensure future financial viability of the HRA budget.

## **7. SUMMARY**

- 7.1 The key priorities in respect of the Housing Investment Programme are outlined in this report along with a proposed expenditure profile covering the next 3 financial years 2015/16 - 2017/18. The 3 year programme assumes a total investment of £85.7m, an average of c£28.6m per annum.
- 7.2 The housing investment programme is a rolling programme of improvements, which means that as major projects complete e.g.: High Flats, new priorities emerge such as window replacement. The proposed investment programme therefore continues the additional investment necessary to meet the outcomes of the house condition survey and keeps the Council on course to achieve and maintain the SHQS beyond 2015, in line with the Housing Asset Management Plan.
- 7.3 Over the life of the programme c£51.45m will be spent on improving and maintaining our existing council housing stock to the SHQS and c£34.2m in delivering a range of initiatives to deliver new and additional affordable homes and to expand the scope of housing options to help meet tenants housing needs.

## **8. RECOMMENDATION**

**Members are invited to:**

- 8.1 **Approve the expenditure proposals outlined in the 2015/16 to 2017/18 Housing Investment Programme in Appendix 1**

**DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

Date 27 January 2015

Ref:

Contact Officer: David McGhee, Head of Resources & Procurement, ext 0788

## APPENDIX 1

### 2015/16 to 2017/18 HOUSING INVESTMENT PROGRAMME

#### PROPOSED EXPENDITURE PROFILE

	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>SCOTTISH HOUSING QUALITY STANDARD (SHQS) WORKS</b>			
<b>Elemental Maintenance &amp; Improvements</b>			
External Fabric Improvements	8.700	8.700	8.700
Kitchen/Bathroom Renewal	2.200	2.200	2.200
Electrical Works	3.000	3.000	3.000
<b>Sub-Total</b>	<b>13.900</b>	<b>13.900</b>	<b>13.900</b>
<b>Energy Efficiency Works</b>			
Replacement Heating	2.200	2.200	2.200
<b>Sub-Total</b>	<b>2.200</b>	<b>2.200</b>	<b>2.200</b>
<b>Estate Improvements</b>			
Estate Landscaping Improvement Work	0.500	0.500	0.500
<b>Sub-Total</b>	<b>0.500</b>	<b>0.500</b>	<b>0.500</b>
<b>Priority Areas</b>			
High Rise Flats	0.000	0.000	0.000
Other Priority Areas	0.200	0.200	0.200
<b>Sub-Total</b>	<b>0.200</b>	<b>0.200</b>	<b>0.200</b>
<b>Health &amp; Safety</b>	<b>0.350</b>	<b>0.350</b>	<b>0.350</b>
<b>NON-SHQS WORKS</b>			
<b>New Build Housing</b>			
Construction Works	3.976	0.734	5.437
<b>Sub-Total</b>	<b>3.976</b>	<b>0.734</b>	<b>5.437</b>
Property Buy-Backs	6.000	6.000	6.000
Mortgage to Rent	1.000	1.000	1.000
Other Works (LHS Initiatives)	0.700	0.700	0.700
Window Leasing Buy-Back	0.497	0.469	0.000
<b>Sub-Total</b>	<b>8.197</b>	<b>8.169</b>	<b>7.700</b>
<b>Total Expenditure</b>	<b>29.323</b>	<b>26.053</b>	<b>30.287</b>
<b>Resources</b>			
Prudential Borrowing	20.135	19.745	25.483
Mortgage to Rent Borrowing	0.800	0.800	0.800
Council House Sales & Other Receipts	1.600	0.800	0.000
Energy Section Income	0.300	0.300	0.300
CFCR	4.264	4.208	3.504
Scottish Government Mortgage to Rent Grant	0.200	0.200	0.200
New Build (SG Grant; Planning; 2 <sup>nd</sup> Homes Council Tax)	2.024	0.000	0.000
<b>Total Income</b>	<b>29.323</b>	<b>26.053</b>	<b>30.287</b>

**FALKIRK COUNCIL**  
**HRA PRUDENTIAL CODE INDICATORS**

PRUDENTIAL INDICATOR		2015/16	2016/17	2017/18	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	17%	19%	21%	Shows how much of the Council's HRA income is committed to repaying debt arising from capital investment.
2.	Incremental Impact of Capital Exp. on weekly Rent February 2014 February 2015 Incremental Impact	£6.01 <u>£6.34</u> <u>£0.33</u>	£5.70 <u>£6.45</u> <u>£0.75</u>	N/A <u>£5.86</u> <u>£5.86</u>	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". The indicator takes into account revenue contributions to capital hence the impact on the weekly rent. This has been fully accounted for in the Revenue Budget.
3.	Capital Expenditure	£29.3m	£26.1m	£30.3m	Simply the planned capital expenditure per the appended HRA Capital Programme
4.	Capital Financing Requirement	£136.7m	£152.3m	£172.4m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment



**EXEMPTIONS & ABEYANCES**

**EXEMPTIONS**

A total of 730 Properties

- 244 properties have undergone a design feasibility study to extend our existing Combined Heat & Power system and install a district heating scheme.
- 24 properties are located within a conservation area, which is restricting the energy efficiency measures that can be carried out.
- 462 properties have an electric wet heating system installed. Currently working with Building Research Establishment (BRE) and Scottish Government to ensure that the energy efficiency methodology best reflects the performance of these systems.

**ABEYANCES**

A total of 2,080 Properties

- 57 properties that await gas supply.
- 569 properties have gas supply installed and we are waiting on the tenants arranging their meter upgrade.
- 262 properties where we have been unable to gain access
- 1,026 properties where tenants have refused programmed work
- 166 properties where owner occupiers have refused to participate.