

FALKIRK COUNCIL

Subject: HOUSING INVESTMENT PROGRAMME 2014/15 - 2016/17
Meeting: FALKIRK COUNCIL
Date: 12 February 2014
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 2014/15 to 2016/17 (Appendix 1).

2. BACKGROUND

- 2.1 Members will be aware of the Council's requirement to ensure its housing stock meets the 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. The survey results provide the Council with an overall position statement regarding the condition of its housing stock and provide clarity on whether a property currently passes or fails the 2015 Scottish Housing Quality Standard (SHQS). The survey results also provide the basis for the Council's Housing Asset Management Plan.
- 2.2 The Stock Condition Report provides information relating to specific house types, building designs or geographic locations and identifies:
- Properties which currently meet the SHQS
 - Properties which fail to meet the SHQS
 - Properties where there are specific problems in achieving the SHQS due to their construction type i.e. non traditional type properties
 - The resources and solutions required to be explored ahead of the 2015 target.
- 2.3 The surveys have also assessed the curtilage of all properties and this information will assist in addressing future investment needs in respect of environmental improvement works.
- 2.4 The stock condition database and Housing Asset Management Plan therefore identifies future works necessary to ensure that all Falkirk Council properties are fully SHQS compliant and are the key drivers to the 3 year HRA Investment Programme.
- 2.5 The Housing Asset Management Plan which was approved by Members in February 2013 gave a commitment to provide an annual update detailing the impact of the Housing Investment Programme on the SHQS position and this is detailed in Section 3 below.

3. STOCK CONDITION SURVEY UPDATE

- 3.1 In accordance with the interpretation of the SHQS criteria, approximately 81% (c13,000 properties) of our stock currently meets the standard, compared to 70% 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 up to and 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 (19% c3,000 properties), the main areas requiring improvement are:
- Energy Efficiency (c2,700 properties) – Installation of insulation and efficient central heating systems
 - Modern Facilities (c70 properties) – Upgrading of kitchen and bathroom facilities
 - Healthy, Safe and Secure (c50 properties) – Upgrading and installation of new smoke detectors and improved systems for electrical and gas safety
 - Serious Disrepair (Secondary) (c280 properties) – Improvement to secondary elements including roof coverings, chimney stacks and rainwater goods.
- 3.4 Members will recall that an additional £15m (£5m p.a.) over 3 years was provided in the 2012/13 Housing Investment Programme. Recognising the priority work required to bring the remaining 19% of our housing stock to SHQS, the proposed Housing Investment Programme in Appendix 1 continues this provision of additional resources, particularly in relation to heating replacement and electrical work.
- 3.5 The planned investment programme, including the additional resources, together with the continuation of the existing level of revenue funding of repair and maintenance, should ensure the necessary improvement in our stock to meet the SHQS by 2015.

4. SHQS HOUSING INVESTMENT (£51.1m)

- 4.1 As outlined in Section 3, to date 81% 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 have been identified. A total of £51.1m has been provided over the next 3 years for SHQS investment. The programme will facilitate improvement work to ensure all our stock meets SHQS by 2015 and to ensure this standard is maintained beyond 2015. The main focus of investment required is energy efficiency improvements, along with those areas identified in paragraph 3.3 above.

- 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 2014/15 are detailed below, with proposed expenditure figures for 2014/15 shown in brackets:
- 4.4 Elemental Improvements (£11.4m)**
In line with the last two years Investment Programme, 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 £6.7m, with electrical works of £3.0m and £1.7m of kitchen and bathroom replacement also planned. As part of the electrical works expenditure, £1m per annum has been provided over the next 3 years to establish an installation programme(s) of Carbon Monoxide detectors. It is anticipated that c4,100 properties will be upgraded during 2014/15.
- 4.5 Energy Efficiency Works (£4.9m)**
The heating replacement budget reflects the previous levels of investment undertaken and will enable the remaining uneconomical and inefficient heating systems to be replaced to ensure they meet SHQS requirements by 2015. This investment will improve the energy efficiency of these properties. It is estimated that c1,900 properties will benefit from having energy efficient heating installed or replaced in 2014/15.
- 4.6 Estate Improvements (£0.5m)**
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.
- 4.7 Priority Areas (£2.7m)**
Funding of £2.5m has been made in 2014/15 to complete the refurbishment of the Council high rise flats. This investment will ensure the Council has completed all blocks by 2015, in line with SHQS requirements.
- 4.8 Health & Safety (£0.35m)**
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 (£36.8m)**
- 5.1 A total of £36.8m 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 2014/15 are detailed below, with proposed expenditure figures for 2014/15 shown in brackets:
- 5.3 New Build Council Housing (£9m)**
The Investment Programme provides resources for the continuation of the Council's new house building programme. Funding is provided to enable the completion of the following projects, delivering a further 242 new homes, additional to the 132 already completed, increasing the Council's new build programme to c374 new houses.

• Windsor Road, Falkirk	24 units
• Parkhall Drive, Maddiston	40 units
• Merchiston Avenue, Falkirk	67 units (Ph 1 & 2)
• Tinto Drive, Grangemouth	56 units
• Fairlie Street, Camelon	10 units
• Main Street, Stenhousemuir	15 units
• Broad Street, Denny	9 units
• Duke Street, Denny	18 units
• Seaview Place, Bo'ness	3 units

- 5.4 The proposed Investment Programme included in Appendix 1 provides for the completion of the programme of 374 units, with a total financial provision of £13.74m.
- 5.5 The above projects are included within the Council's Strategic Local Programme (SLP) approved by Members in August 2013 and form the basis of grant funding applications to the Scottish Government. The projects listed above have been approved, with Scottish Government funding in place. This funding is reflected within the Scottish Government New Build Grant Funding line of the Investment Programme in Appendix 1. No Scottish Government funding is in place for Council new build projects beyond those listed. However, should additional funding become available, consideration of including additional projects will be undertaken as part of the on-going budget monitoring and reporting process.
- 5.6 **Property Buy-Backs (£5m)**
The current year Investment Programme established a provision of £5m to fund the buy-back of ex-Council properties to help meet housing demand. It is projected that around 80 additional homes will have been purchased by the end of the current financial year. Provision of £5m per annum over the next three financial years has been made to continue the acquisition programme. This will fund the acquisition of around 70-80 additional homes per annum.
- 5.7 **Mortgage to Rent (£1.5m)**
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 maybe 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.
- 5.8 **Other Works – LHS Initiatives (£0.7m)**
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.
- 5.9 **Window Leasing Buy-Back (£0.5m)**
Continued provision of c£0.5m per annum over the next three 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 2014/15 (£36.5m)

- 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 2014/15. This reflects the 2013/14 financial year budget and assumes that sale receipts continue to reflect the current down-turn due to the continued economic uncertainty and availability of lending.
- 6.2 The Housing (Scotland) Bill indicates an expected date of 2017 for the abolition of the right to buy. Whilst this is outwith the timescale of this report, financial modelling has confirmed 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.
- 6.3 House sales receipts will be supplemented in 2014/15 by revenue resources of £4.9m, energy efficiency grant related income estimated at £0.3m, Scottish Government New Build Grant of £2.1m, Scottish Government Mortgage to Rent Grant of £0.45m and total borrowing of £27.2m, which includes Mortgage to Rent borrowing. Relevant Prudential indicators for the period are appended in Appendix 2.
- 6.4 In total, the above assumptions provide an estimated £36.5m for new investment in 2014/15. From a strategic planning perspective it is proposed that the Council make resources available of £26.1m in 2015/16 and £25.2m in 2016/17, 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.
- 6.5 Members should note that the 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.
- 6.6 It should also be noted that whilst the Investment Programme outlined in Appendix 1 represents planned new investment, provision will also be made to finance any slippage within the 2013/14 programme. Slippage within the 2013/14 programme should therefore be considered additional to the Investment Programme outlined in Appendix 1. The impact of slippage and projects carried forward from 2013/14 will be reported to Members following the end of the current financial year.

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 2014/15 - 2016/17. The 3 year programme assumes a total investment of £87.9m, an average of c£29.3m per annum.
- 7.2 The programme continues the additional investment necessary to meet the outcomes of the house condition survey and keeps the Council on course to achieve the SHQS by 2015.

- 7.3 Over the life of the programme c£51m will be spent on improving and maintaining our existing council housing stock to the SHQS and c£37m 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 2014/15 to 2016/17 Housing Investment Programme in Appendix 1**

DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

Date 31 January 2014

Ref:

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

APPENDIX 1

2014/15 to 2016/17 HOUSING INVESTMENT PROGRAMME

PROPOSED EXPENDITURE PROFILE

	2014/15 £'000	2015/16 £'000	2016/17 £'000
SCOTTISH HOUSING QUALITY STANDARD (SHQS) WORKS			
Elemental Maintenance & Improvements			
External Fabric Improvements	6.700	7.700	7.700
Kitchen/Bathroom Renewal	1.700	1.700	1.700
Electrical Works	3.000	3.000	3.000
Sub-Total	11.400	12.400	12.400
Energy Efficiency Works			
Replacement Heating	4.900	2.200	2.200
Sub-Total	4.900	2.200	2.200
Estate Improvements			
Estate Landscaping Improvement Work	0.500	0.500	0.500
Sub-Total	0.500	0.500	0.500
Priority Areas			
High Rise Flats	2.500	0.000	0.000
Other Priority Areas	0.200	0.200	0.200
Sub-Total	2.700	0.200	0.200
Health & Safety	0.350	0.350	0.350
NON-SHQS WORKS			
New Build Housing			
Construction Works	9.024	2.800	1.920
Sub-Total	9.024	2.800	1.920
Property Buy-Backs	5.000	5.000	5.000
Mortgage to Rent	1.500	1.500	1.500
Other Works (LHS Initiatives)	0.700	0.700	0.700
Window Leasing Buy-Back	0.459	0.497	0.469
Sub-Total	7.659	7.697	7.669
Total Expenditure	36.533	26.147	25.239
Resources			
Prudential Borrowing	26.162	17.336	18.384
Mortgage to Rent Borrowing	1.050	1.050	1.050
Council House Sales & Other Receipts	1.600	1.600	1.600
Energy Section Income	0.300	0.300	0.300
CFCR	4.855	3.755	3.455
Scottish Government Mortgage to Rent Grant	0.450	0.450	0.450
Scottish Government New Build Grant	2.116	1.656	0.000
Total Income	36.533	26.147	25.239

FALKIRK COUNCIL
HRA PRUDENTIAL CODE INDICATORS

PRUDENTIAL INDICATOR		2014/15	2015/16	2016/17	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	13%	16%	18%	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	£5.60	£3.30	£5.70	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". The indicator takes into account increased revenue contributions to capital hence the impact on the weekly rent. This has been fully accounted for in the Revenue Budget
3.	Capital Expenditure	£36.5m	£26.1m	£25.2m	Simply the planned capital expenditure per the appended HRA Capital Programme
4.	Capital Financing Requirement	£123.5m	£137.4m	£151.7m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment

