

Housing  
Investment  
Programme  
2016/17 to  
2018/19

**FALKIRK COUNCIL**

**Subject: HOUSING INVESTMENT PROGRAMME 2016/17 to 2018/19**  
**Meeting: FALKIRK COUNCIL**  
**Date: 17 February 2016**  
**Author: DIRECTOR OF CORPORATE & HOUSING SERVICES**

**1. INTRODUCTION**

- 1.1 This report sets out the 3 year forward planning assumptions for the HRA Investment Programme for the years 2016/17 to 2018/19 (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). To enable this to be achieved and to ensure this standard is maintained, 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 the condition of our housing stock is maintained to specified standards.

**3. HOUSING STANDARD UPDATE**

- 3.1 In accordance with the interpretation of the SHQS criteria, as at 31 March 2015, c2,800 properties still require to meet the SHQS, due to either abeyances or exemptions. Work is progressing to improve these properties. The 3 year HRA Investment Programme, will fund the investment necessary to ensure all our stock not only meets the SHQS but also continues to be maintained to that standard in future years, in line with the Housing Asset Management Plan.
- 3.2 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 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.
- 3.3 As well as the continued requirement to maintain our stock to the Scottish Housing Quality Standard beyond 2015, the Scottish Government launched the new Energy Efficiency Standard for Social Housing (EESH) at the end of March 2014. This new standard is aimed at reducing carbon emissions and eradicating fuel poverty. The EESH sets a minimum Energy Efficiency rating for landlords to achieve that varies dependent 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 influence the Council's future investment decisions and priorities. It is estimated that to date c63% of our stock is fully EESH compliant.

- 3.4 The impact of EESSH has been considered as part of identifying priorities within the Housing Investment Programme and further detailed analysis is being carried out. The analysis will shape the future scope and location of works over the period of the Housing Investment Programme. The works involved include replacement heating and upgrading controls, installation of insulation measures and the use of renewable energy technology where applicable.

#### **4. HOUSING IMPROVEMENT WORK (£48.75m)**

- 4.1 As outlined above, there is a continued requirement for priority improvement works to ensure our housing stock is maintained to specified standards. A total of £48.75m has been provided over the next 3 years for housing improvement work.
- 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 Housing Improvement works for 2016/17 are detailed below, with proposed expenditure figures for 2016/17 shown in brackets:

##### **Elemental Improvements (£13.2m)**

- 4.4 In line with previous years Investment Programmes, additional funding has continued to be provided in order to undertake elemental improvement 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 £2.3m and £2.2m of kitchen and bathroom replacement also planned. It is anticipated that the £13.2m investment will allow the upgrade of c4,700 properties.

##### **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 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.

##### **Health & Safety (£0.35m)**

- 4.8 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 (£33.1m)**

- 5.1 A total of £33.1m 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 2016/17 are detailed below, with proposed expenditure figures for 2016/17 shown in brackets:

**New Build Council Housing (£3.44m)**

- 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 82 new homes, additional to the 338 already completed, increasing the Council's new build programme to c420 new houses.

- |                              |          |
|------------------------------|----------|
| • Main Street, Stenhousemuir | 18 units |
| • Duke Street, Denny         | 19 units |
| • Haugh Street, Falkirk      | 8 units  |
| • Woodend Farm, Hallglen     | 37 units |

- 5.4 The proposed Investment Programme included in Appendix 1 provides for the completion of the programme of 420 units by the end of 2018/19, with a total financial provision over the next three financial years of £12.56m.

- 5.5 The above projects form part of the Council's Strategic Local Programme (SLP), to enable Scottish Government funding contribution. A total of £3.222m in Scottish Government funding has been assumed in the programme in respect of these projects.

**Property Buy-Backs (£6m)**

- 5.6 The Investment Programme provides for the continuation of additional funding of £1m per annum. A total provision of £6m per annum over the next three financial years to fund the buy-back of ex-Council properties to help meet housing demand has been made. This will fund the acquisition of around 80-90 additional homes per annum, dependant on purchase price and works required. Over 200 additional homes have been purchased through the buy-back programme to date.

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

- 5.7 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 low-demand properties; acquisitions and the Tenants Incentive Scheme.

**Window Leasing Buy-Back (£0.47m)**

- 5.8 Provision of £0.47m in 2016/17 has been made to meet the costs of buying out window leases. This represents the final buy-out payment and will deliver longer-term financial benefits to the Housing Revenue Account.

**6. RESOURCES FOR 2016/17 (£27.06m)**

- 6.1 Within the context of the Prudential Regime it has been estimated that approximately £0.8m will be available from the sale of Council houses in 2016/17 only and no further receipts are anticipated in subsequent years, due to the termination of the right to buy from August 2016. It is however estimated that the abolition of the right to buy will be broadly cost neutral i.e.: the lost capital receipts and corresponding additional borrowing costs, will be offset by retaining the rental income which we'd otherwise expected to lose.

- 6.2 House sales receipts will be supplemented in 2016/17 by revenue resources of £5.36m, Scottish Government New Build Grant of £1.52m and total borrowing of £19.38m. Relevant Prudential indicators for the period are appended in Appendix 2.
- 6.3 In total, the above assumptions provide an estimated £27.06m for new investment in 2016/17. From a strategic planning perspective it is proposed that the Council make resources available of £28.28m in 2017/18 and £26.54m in 2018/19, to improve the condition of our stock and enable 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 2016/17 - 2018/19. The 3 year programme assumes a total investment of £81.88m, an average of c£27.3m 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 SHQS and EESSH, the outcomes of the house condition survey and continues a programme of improvements to our housing stock, in line with the Housing Asset Management Plan.
- 7.3 Over the life of the programme c£48.75m will be spent on improving and maintaining our existing council housing stock and c£33.13m 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 2016/17 to 2018/19 Housing Investment Programme in Appendix 1**

## **DIRECTOR OF CORPORATE & HOUSING SERVICES**

Date 27 January 2016

Ref: AAA170216 – HIP 2016/17 TO 2018/19

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## APPENDIX 1

### 2016/17 to 2018/19 HOUSING INVESTMENT PROGRAMME

#### PROPOSED EXPENDITURE PROFILE

	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>HOUSING IMPROVEMENT 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	2.300	2.000	2.000
<b>Sub-Total</b>	<b>13.200</b>	<b>12.900</b>	<b>12.900</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>			
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 IMPROVEMENT EXPENDITURE</b>			
<b>New Build Housing</b>			
Construction Works	3.441	5.430	3.688
<b>Sub-Total</b>	<b>3.441</b>	<b>5.430</b>	<b>3.688</b>
Property Buy-Backs	6.000	6.000	6.000
Other Works (LHS Initiatives)	0.700	0.700	0.700
Window Leasing Buy-Back	0.469	0.000	0.000
<b>Sub-Total</b>	<b>7.169</b>	<b>6.700</b>	<b>6.700</b>
<b>Total Expenditure</b>	<b>27.060</b>	<b>28.280</b>	<b>26.538</b>
<b>Resources</b>			
Prudential Borrowing	19.375	22.437	20.753
Council House Sales & Other Receipts	0.800	0.000	0.000
CFCR	5.365	4.923	5.003
New Build (SG Grant)	1.520	0.920	0.782
<b>Total Income</b>	<b>27.060</b>	<b>28.280</b>	<b>26.538</b>

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

PRUDENTIAL INDICATOR		2016/17	2017/18	2018/19	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	18%	21%	22%	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 2015 February 2016 Incremental Impact	£6.45 <del>£8.11</del> <u>£1.66</u>	£5.86 <del>£7.24</del> <u>£1.38</u>	N/A <del>£7.08</del> <u>£7.08</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	£27.06m	£28.28m	£26.54m	Simply the planned capital expenditure per the appended HRA Capital Programme
4.	Capital Financing Requirement	£147.1m	£163.7m	£177.8m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment