

The background of the slide features a large, light blue coat of arms of the City of Edinburgh. The coat of arms consists of a shield divided into four quarters. The top-left quarter shows a castle tower, the top-right shows a stag's head, the bottom-left shows a ship, and the bottom-right shows a lion. Above the shield is a crown with four fleurs-de-lis. Below the shield is a ribbon with the motto 'ANE FOR A'.

Agenda Item 6

Housing Investment Programme

2017/18 to 2019/20

Falkirk Council

Title: Housing Investment Programme 2017/18 to 2019/20
Meeting: Falkirk Council
Date: 22 February 2017
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 The purpose of this report is to approve the 3 year forward planning assumptions for the Housing Investment Programme for the years 2017/18 to 2019/20 (Appendix 1).

2. Recommendation

Council is asked to:-

- 2.1 **Approve the expenditure proposals outlined in the 2017/18 to 2019/20 Housing Investment Programme in Appendix 1.**

3. Background

- 3.1 The Council is required to ensure its housing stock meets the Scottish Housing Quality Standard (SHQS). To ensure this standard is maintained, comprehensive stock condition information is held in order to provide an overall position statement regarding the housing stock condition.
- 3.2 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.
- 3.3 In accordance with the interpretation of the SHQS criteria, as at 31 March 2016 91% of properties met the SHQS. The remaining 9% is due to either abeyances or exemptions. Work is progressing to improve these remaining properties. The 3 year Housing 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.
- 3.4 As well as the continued requirement to maintain our stock to the Scottish Housing Quality Standard, the Scottish Government has introduced a new Energy Efficiency Standard for Social Housing (EESH). 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 EESSH is 31 December 2020. It is estimated that to date 79% of our stock is fully EESSH compliant.

- 3.5 The impact of EESSH has been considered as part of identifying priority work within 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 (£51.45m)

- 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 £51.45m has been provided over the next 3 years for housing improvement work.
- 4.2 The key features of the Housing Improvement works for 2017/18, totalling £17.15m, are detailed below, with proposed expenditure figures for 2017/18 shown in brackets:

Elemental Improvements (£12.9m)

- 4.3 Proposed expenditure on fabric improvements e.g. re-roofing and roughcasting, has been set at £8.7m, with electrical works of £2m and £2.2m of kitchen and bathroom replacement also planned. It is anticipated that the £12.9m investment will allow the upgrade of c5,000 properties.

Energy Efficiency Works (£2.2m)

- 4.4 The heating replacement budget will enable an on-going programme of heating system upgrades and will improve the energy efficiency of these properties. It is estimated that c750 properties will benefit from having energy efficient heating/controls installed or replaced each year.

Estate Improvements (£1.5m)

- 4.5 The programme includes an additional provision of £1.0m to increase the rolling programme of estate improvement works to be undertaken to £1.5m.

Priority Areas (£0.2m)

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

Health & Safety (£0.35m)

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

5. Non-SHQS Investment (£52.5m)

- 5.1 A total of £52.5m 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 2017/18, totalling £14.9m are detailed below, with proposed expenditure figures for 2017/18 shown in brackets:

New Build Council Housing (£5.2m)

- 5.3 The Investment Programme provides resources for the continuation of the Council's new house building programme. Funding is included over the next 3 years to enable the delivery of the following projects, providing a further 158 new homes, additional to the 356 already completed, increasing the Council's new build programme to c514 new houses.

•	Haugh Street, Falkirk	8 units
•	Duke Street, Denny	19 units
•	Abbots Road, Grangemouth	13 units
•	Blinkbonny Road, Falkirk	40 units
•	Woodend Farm, Hallglen (Phase 1)	33 units
•	Woodend Farm, Hallglen (Phase 2)	35 units
•	MyDub, Denny	10 units

- 5.4 The proposed Investment Programme included in Appendix 1 provides for the completion of 123 units by the end of 2019/20, with a total financial provision over the next three financial years of £23.4m.

- 5.5 The above projects form part of the Council's Strategic Local Programme (SLP), to enable Scottish Government funding contribution. A total of £9m in Scottish Government funding over the next 3 years has been assumed in respect of these new build projects. A further £6.75m has also been provided in relation to anticipated Scottish Government funding relating to property buy-backs.

Property Buy-Backs (£6m)

- 5.6 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. An additional 300 homes have been purchased through the buy-back programme to date.

Other Works – LHS Initiatives (£3.7m)

- 5.7 An additional £3m per annum has been provided to undertake a programme of initiatives designed to better meet housing demand identified in the Local Housing Strategy and improve communities e.g.: through remodelling of low-demand properties.

6. Consultation

- 6.1 The Housing Investment Programme is based on delivering the priorities and objectives set out in the Housing Asset Management Plan; Local Housing Strategy and Strategic Housing Investment Plan. Consultation on these documents has taken place with tenants; residents; Scottish Government;

partner organisations e.g.: Registered Social Landlords and with other Council Services.

7. Implications

Financial

- 7.1 Within the context of the Prudential Regime it has been estimated that approximately £24.4m of revenue resources, £15.75m of Scottish Government Affordable Housing Grant and total borrowing of £63.78m, will be needed to fund the 3 year investment programme. Relevant Prudential indicators for the period are appended in Appendix 2.
- 7.2 In total, the above assumptions provide an estimated £32m for new investment in 2017/18. From a strategic planning perspective it is proposed that the Council make resources available of £38m in 2018/19 and £34m in 2019/20, to improve the condition of our stock and enable the continuation of projects to meet the increasing demand for affordable houses. The resource breakdown is detailed in Appendix 1.
- 7.3 The revenue costs associated with 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 have been accommodated within the recommended HRA budget.
- 7.4 Although the investment programme has been based on the next 3 years, consideration has also been given to future investment requirements outwith this timeframe. This includes the commencement of a programme of door and window replacement, estimated to cost c£5mpa. Therefore, 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 the future financial viability of the HRA budget.

Resources

- 7.4 The Housing Investment Programme will be managed by the Council's Property and Asset Division. In relation to design, procurement and contract management, this will be undertaken by the Council's Development Services 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.

Legal

- 7.5 There are no legal implications anticipated.

Risk

- 7.6 Unforeseen development constraints may restrict or delay the delivery of the proposed projects. This could impact adversely on meeting the SHQS and housing need.

Equalities

- 7.7 There are no equalities implications anticipated.

Sustainability/Environmental Impact

- 7.8 The delivery of the Housing Investment Programme will improve the energy efficiency of the Council's houses, reducing carbon emissions and fuel poverty.

8. Conclusions

- 8.1 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 2017/18 - 2019/20. The 3 year programme assumes a total investment of £104m, an average of c£35m per annum.
- 8.2 The proposed investment programme continues a programme of improvements to our housing stock, in order to meet SHQS and EESSH, in line with the Housing Asset Management Plan.
- 8.3 Over the life of the programme c£51.5m will be spent on improving and maintaining our existing council housing stock and c£52.5m 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.

Director of Corporate & Housing Services

Author – David McGhee, Head of Procurement & Housing Property 01324 590788,
david.mcghee@falkirk.gov.uk

Date: 9 February 2017

Appendices

1. Housing Investment Programme 2017/18 to 2019/20
2. HRA Prudential Code Indicators

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

None

APPENDIX 1

2017/18 to 2019/20 HOUSING INVESTMENT PROGRAMME

PROPOSED EXPENDITURE PROFILE

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
HOUSING IMPROVEMENT WORKS			
Elemental Maintenance & Improvements			
External Fabric Improvements	8.700	8.700	8.700
Kitchen/Bathroom Renewal	2.200	2.200	2.200
Electrical Works	2.000	2.000	2.000
Sub-Total	12.900	12.900	12.900
Energy Efficiency Works			
Replacement Heating	2.200	2.200	2.200
Sub-Total	2.200	2.200	2.200
Estate Improvements			
Estate Improvement Work	1.500	1.500	1.500
Sub-Total	1.500	1.500	1.500
Priority Areas			
Other Priority Areas	0.200	0.200	0.200
Sub-Total	0.200	0.200	0.200
Health & Safety	0.350	0.350	0.350
NON IMPROVEMENT EXPENDITURE			
New Build Housing			
Construction Works	5.195	11.154	7.082
Sub-Total	5.195	11.154	7.082
Property Buy-Backs	6.000	6.000	6.000
Other Works (LHS Initiatives)	3.700	3.700	3.700
Sub-Total	9.700	9.700	9.700
Total Expenditure	32.045	38.004	33.932
Resources			
Prudential Borrowing	19.543	23.486	20.753
CFCR	6.814	8.770	8.864
SG Grant - New Build	3.438	3.498	2.065
SG Grant – Buy-Backs	2.250	2.250	2.250
Total Income	32.045	38.004	33.932

FALKIRK COUNCIL
HRA PRUDENTIAL CODE INDICATORS

PRUDENTIAL INDICATOR		2017/18	2018/19	2019/20	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	19%	20%	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 2016 February 2017 Incremental Impact	£7.24 £9.75 £2.51	£7.08 £12.03 £4.95	N/A £11.92 £11.92	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	£32.0m	£38.0m	£33.9m	Simply the planned capital expenditure per the appended HRA Capital Programme
4.	Capital Financing Requirement	£146.8m	£164.1m	£178.4m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment