

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

## **Agenda Item 6**

**Housing Investment Programme  
2018/19 to 2020/21**

**Falkirk Council**

**Title:** Housing Investment Programme 2018/19 to 2020/21  
**Meeting:** Falkirk Council  
**Date:** 15 January 2018  
**Submitted By:** Director of Corporate & Housing Services

**1. Purpose of Report**

- 1.1 The purpose of this report is to provide Members with details of housing investment requirements over the next 3 years in order to consider setting a Housing Investment Programme for the years 2018/19 to 2020/21.
- 1.2 The report also sets out the resultant impacts on housing investment arising from different rent increase options. This will enable Members to consider the Housing Investment Programme within the context of the required housing rental impacts, as set out in the separate HRA and Council House Rents report.

**2. Recommendation**

**Council is asked to consider the housing investment requirements set out in Appendix 1 and:-**

- 2.1 Agree a Housing Investment Programme for 2018/19 to 2020/21, recognising the resultant impact on Council House rents.**

**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 2017, 93.1% of properties met the SHQS. The remaining 6.9% is due to either abeyances or exemptions. Work is progressing to improve these remaining properties.
- 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 EESH is 31 December 2020. To date 86.2% of our stock is fully EESH compliant.

- 3.5 Continued investment in improving our stock to meet SHQS and EESH requirements is necessary to ensure all our stock not only meets these standards but also continues to be maintained to these standards in future years.

#### **4. Housing Improvement Work (£69.98m)**

- 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 £69.98m has been estimated as being required over the next 3 years for priority housing improvement work.
- 4.2 The key features of the required housing improvement works for 2018/19, totalling £21m, are detailed below, with proposed expenditure figures for 2018/19 shown in brackets:

##### **Elemental Improvements (£13.5m)**

- 4.3 It is estimated that £8.7m on fabric improvements e.g. re-roofing and roughcasting is required, with electrical works of £2.15m and £2.7m of kitchen and bathroom replacement also necessary. It is anticipated that this level of investment will allow the upgrade of c5,000 properties.

##### **Energy Efficiency Works (£4.2m)**

- 4.4 An on-going programme of heating system upgrades is required to improve the energy efficiency of Council houses. It is estimated that c500 properties per annum will benefit from energy efficient heating/controls being installed or replaced.
- 4.5 Grant funding from the Scottish Government has also been secured to support the extension of the combined heat and power (CHP) system to another 3 high rise blocks. In addition, funding has also been secured to enable electric energy to be supplied from the CHP system to communal areas within high rise properties and other adjacent Council properties. Additional Council funding of c£3m is required to progress these projects.

##### **Estate Improvements (£1.5m)**

- 4.6 A rolling programme of estate improvement works is currently in place. £1.5m is required to maintain this programme of improvement works going forward.

##### **Priority Areas (£1.5m)**

- 4.7 A pilot PV solar project is underway and the impacts are being monitored to assess which type and location of properties would benefit most from this form of installation. It is estimated that c£1.5m is required to enable the continued

investigation and establishment of renewable energy efficiency projects across priority properties.

#### **Health & Safety (£0.35m)**

- 4.8 It is estimated that c£0.35m of expenditure is required to allow a range of health and safety type works to be undertaken e.g. asbestos water pipe replacement.

### **5. Non-SHQS Investment (£73.3m)**

- 5.1 A total of £73.3m has been assessed as being required for non SHQS investment.
- 5.2 The key features of the non SHQS expenditure requirements for 2018/19, totalling £19.1m are detailed below, with estimated expenditure figures for 2018/19 shown in brackets:

#### **New Build Council Housing (£10.4m)**

- 5.3 Executive approved the Strategic Housing Investment Plan (SHIP) in October 2017. This plan outlines the anticipated affordable new housing developments by both the Council and RSL's over the next 5 years.
- 5.4 In line with the SHIP, it is anticipated that the following Council projects will provide a further 340 new homes, additional to the 364 already completed. These developments would increase the Council's new build programme to 704 new houses.

<b>Project</b>	<b>Units</b>	<b>Est. Start Date</b>	<b>Est. Completion date</b>
Duke Street, Denny	19	July-17	Oct-18
Abbots Road, Grangemouth	14	June-18	Feb-19
Woodend Farm, Hallglen (Phase 1)	41	March-19	Sept-20
Blinkbonny Road, Falkirk	43	June-18	Jan-20
Broad Street, Denny	50	Nov-18	Mar-20
Woodend Farm, Hallglen (Phase 2)*	43	Nov-19	Aug-21
Woodend Farm, Hallglen (Phase 3)*	28	Dec-20	April-22
Seabegs Road, Bonnybridge	30	Jan-19	Aug-20
Old Torwood School, Torwood	18	Jan-19	March-20
Old Denny High School, Denny	31	June-19	Oct-20
Banknock South, Banknock*	23	April-20	July-21
<b>Total</b>	<b>340</b>		

\* Indicates projects that will be complete in 2021/22 which are outwith the next 3 years

- 5.5 It is anticipated that a total of £47.2m will be required over the next 3 years to enable the completion of 246 units by the end of 2020/21. The remaining 94 units are scheduled for completion in 2021/22.

- 5.6 The above projects form part of the Council's Strategic Local Programme (SLP), to enable Scottish Government funding contribution. A total of £17m in Scottish Government funding over the next 3 years has been assumed in respect of these new build projects.

**Property Buy-Backs (£6m)**

- 5.7 A programme of buying back ex-Council properties is in place to help meet housing demand. Around 80 additional homes per annum are currently acquired, with c400 additional homes acquired to date. Approximately £6m per annum is required to maintain this programme going forward. Scottish Government funding of c£6.75m over the next 3 years is also anticipated.

**Other Works – LHS Initiatives (£2.7m)**

- 5.8 The Council's Local Housing Strategy approved in August 2017 identified the need to undertake a programme of initiatives designed to better meet housing demand and improve communities. A review of all 3 bedroom flatted accommodation is underway to assess the financial and technical viability of remodelling these properties, to better align with demand. The outcomes of this review will be reported back to Members. It is estimated that c£2.7m per annum will be necessary to progress an improvement programme of this type.

**6. Consultation**

- 6.1 Housing investment is required to deliver 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 Appendix 1 sets out the above expenditure requirements for Member consideration. Based on these expenditure requirements it has been estimated that approximately £27.3 of revenue resources, £23.7m of Scottish Government Affordable Housing Grant and total borrowing of £92.3m, will be needed to fund the expenditure over the next 3 years. Relevant Prudential indicators for the period are also appended in Appendix 2 for Member consideration.
- 7.2 In summary, it is assessed that an estimated £40.1m for new investment in 2018/19 will be required to fund the various programmes outlined in Appendix 1. A further £50.6m in 2019/20 and £52.6m in 2020/21 is assessed as being required to improve the condition of our stock and enable the continuation of projects to meet the increasing demand for affordable houses.
- 7.3 Although the investment requirements have 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£12m per annum, over a ten year period. The replacement programme is planned to commence in 2020/21.

- 7.4 In considering an appropriate level of housing investment, Members are reminded that 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. It is therefore essential that housing investment is considered within the context of the HRA budget and associated rent levels.
- 7.5 The separate HRA budget report sets out 4 different options for rent levels, together with the associated financial implications arising from each option. The following table summarises the implications of each option in terms of capital investment.

	<b>Option 1 1.9%</b>	<b>Option 2 2.9%</b>	<b>Option 3 3.6%</b>	<b>Option 4 3.9%</b>
Average Weekly Rent Increase	£1.22	£1.86	£2.31	£2.50
Average Weekly Rent	£65.27	£65.91	£66.36	£66.55
<b>Capital Investment Impact</b>	<b>-£12m</b>	<b>-£5m</b>	<b>£0</b>	<b>+£2m</b>
<b>Revised Total Capital Exp. 2018/19</b>	<b>£28m</b>	<b>£35m</b>	<b>£40m</b>	<b>£42m</b>

- 7.6 In summary, a 3.6% rent increase will support the delivery of the programme of housing investment set out in Appendix 1. However, should Members be minded to agree a different level of rent increase, specific areas expenditure outlined in Appendix 1 will require to be adjusted in line with the above table.
- 7.7 The Administration propose acceptance of the 2018/19 – 2020/21 Housing Investment Programme as detailed in Appendix 1.

## **Resources**

- 7.8 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.
- 7.9 Given the increased scale of the programme going forward, particularly in relation to the programmes for door and window replacement and new build,

additional staffing resource will be required to support the delivery of the programme.

### **Legal**

- 7.10 There are no legal implications anticipated.

### **Risk**

- 7.11 Unforeseen development constraints may restrict or delay the delivery of the proposed projects. Project delays may adversely impact on meeting the SHQS and housing need, causing reputational damage and loss of grant income.

### **Equalities**

- 7.12 There are no equalities implications anticipated.

### **Sustainability/Environmental Impact**

- 7.13 The expenditure outlined in Appendix 1 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 housing investment are outlined in this report along with a proposed expenditure profile covering the next 3 financial years 2018/19 – 2020/21. It is estimated that a total of c£143m will be required over the next 3 years, an average of c£48m per annum.
- 8.2 This level of housing investment is considered necessary to maintain a programme of improvements to our housing stock, in order to meet SHQS and EESSH, in line with the Housing Asset Management Plan. Additionally, expenditure is required to deliver new and additional affordable homes and to expand the scope of housing options to help meet tenants housing needs.
- 8.3 In considering the level of housing investment to be approved, Members also require to consider the level of rent increase planned for 2018/19. A rent increase of 3.6% would fund the delivery of the investment outlined in Appendix 1. A reduced level of investment would be required, should Members be minded to consider a level of rent increase below 3.6%.

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## **Appendices**

1. Housing Investment Programme 2018/19 to 2020/21
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**

### **2018/19 to 2020/21 HOUSING INVESTMENT**

#### **PROPOSED EXPENDITURE PROFILE**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HOUSING IMPROVEMENT WORKS</b>			
<b>Elemental Maintenance &amp; Improvements</b>			
External Fabric Improvements	8.700	8.700	8.700
Window and Door Replacement	0.000	0.000	12.000
Kitchen/Bathroom Renewal	2.700	2.700	2.700
Electrical Works	2.150	2.150	2.150
<b>Sub-Total</b>	<b>13.550</b>	<b>13.550</b>	<b>25.550</b>
<b>Energy Efficiency Works</b>			
Replacement Heating	1.133	1.340	1.767
Combined Heat & Power Extension	2.140	0.000	0.000
Private Wire Installation	0.900	0.000	0.000
<b>Sub-Total</b>	<b>4.173</b>	<b>1.340</b>	<b>1.767</b>
<b>Estate Improvements</b>			
Estate Improvement Work	1.500	1.500	1.500
<b>Sub-Total</b>	<b>1.500</b>	<b>1.500</b>	<b>1.500</b>
<b>Priority Areas</b>			
Other Priority Areas	1.500	1.500	1.500
<b>Sub-Total</b>	<b>1.500</b>	<b>1.500</b>	<b>1.500</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	10.372	23.685	13.191
<b>Sub-Total</b>	<b>10.372</b>	<b>23.685</b>	<b>13.191</b>
Property Buy-Backs	6.000	6.000	6.000
Other Works (LHS Initiatives)	2.700	2.700	2.700
<b>Sub-Total</b>	<b>8.700</b>	<b>8.700</b>	<b>8.700</b>
<b>Total Expenditure</b>	<b>40.145</b>	<b>50.625</b>	<b>52.558</b>
<b>Resources</b>			
Prudential Borrowing	24.267	30.918	37.149
CFCR	8.288	9.309	9.659
SG Grant - New Build	5.340	8.148	3.500
SG Grant – Buy-Backs	2.250	2.250	2.250
<b>Total Income</b>	<b>40.145</b>	<b>50.625</b>	<b>52.558</b>

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

PRUDENTIAL INDICATOR		2018/19	2019/20	2020/21	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 2017 January 2018 Incremental Impact	£12.03 <u>£11.69</u> (£0.34)	£11.92 <u>£13.18</u> £1.26	N/A <u>£13.86</u> £13.86	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	£40.145m	£50.625m	£52.558m	Simply the planned capital expenditure per the appended HRA Capital Programme
4.	Capital Financing Requirement	£154.5m	£179.0m	£208.8m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment