

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown at the top with four maple leaves, a shield divided into four quadrants (top-left: a ship, top-right: a stag, bottom-left: a ship, bottom-right: a grizzly bear), and a banner at the bottom with the motto 'A NE FOR A'.

Agenda Item 6

Housing Investment Programme 2020/21 to 2024/25

Falkirk Council

Title: Housing Investment Programme 2020/21 to 2024/25
Meeting: Falkirk Council
Date: 22 January 2020
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 5 years, in order to consider setting a Housing Investment Programme for the years 2020/21 to 2024/25. The Programme covers 5 years in order to fully align with the Council's Medium Term Financial Plan (MTFP).
- 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. Recommendations

Council is asked to:

- 2.1 **Consider the housing investment requirements set out in Appendix 1 and agree a Housing Investment Programme for 2020/21 to 2024/25, 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 2019, 97.73% of properties met the SHQS. The remaining 2.27% is due to

either abeyances or exemptions. Work is progressing to improve those 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. As at 31 March 2019, 98.8% 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 (£186.4m)

- 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 £186.4m has been estimated as being required over the next 5 years for priority housing improvement work.
- 4.2 The key features of the required housing improvement works for 2020/21, totalling £52.45m, are detailed below, with proposed expenditure figures for 2020/21 shown in brackets:

Elemental Improvements (£29.4m)

- 4.3 It is estimated that £11.5m on fabric improvements e.g. re-roofing and roughcasting is required, with electrical works of £2m. Kitchen and bathroom replacement works have been increased to £3.9m, to reflect feedback from tenants. It is anticipated that this level of investment will allow the upgrade of c5,300 properties.
- 4.4 The replacement programme for doors and windows across all Council houses will commence in 2020/21. It is estimated that £12m will be required to enable c1,500 homes to benefit from new doors and windows.

Energy Efficiency Works (£11.3m)

- 4.5 An on-going programme of heating system upgrades estimated at £2m is required to improve the energy efficiency of Council houses. It is estimated that c1,100 properties per annum will benefit from energy efficient heating/controls being installed or replaced. Heating upgrades to c170 properties totalling £4.5m will also be undertaken within 3 high rise blocks.
- 4.6 Provision has also been made to replace the external cladding at Glenfuir Court £1.3m in 20/21 and a further £1.2m the following year. An additional sum of £1.5m has also been provided to provide Internal Wall Insulation

measures to c160 properties where their construction type does not allow for external wall insulation to be installed.

- 4.7 Additional provision has been made totalling £4m, £2m in 2020/21 and £2m the following year to provide more cost effective and efficient heating systems for tenants within off-gas areas. This provision is an indicative estimate pending more detailed option appraisal of different system options.

Estate Improvements (£3.5m)

- 4.8 A rolling programme of estate improvement works is currently in place e.g.: fencing; walls and path upgrades. A provision of £3.5m has been provided to support this programme of improvement works going forward.

Priority Areas (£4.4m)

- 4.9 Pilot PV solar projects are underway and the impacts are being assessed to determine which type and location of properties would benefit most from this form of installation. A total of £3.3m in 2020/21 has been provided to enable the establishment of renewable energy efficiency projects across priority properties. A further £1.1m has also been provided to continue the programme of improvement to the lifts within the Council's high rise properties.

Health & Safety (£3.85m)

- 4.10 It is estimated that a total of £3.85m of expenditure is required to enable health and safety type works to be undertaken, e.g.: installation of smoke and heat detectors to meet new legislative requirements (£3.5m) and asbestos water pipe replacement (£0.35m).

5. Non-SHQS Investment (£129.8m)

- 5.1 A total of £129.8m has been assessed as being required over the next 5 years for non SHQS investment.
- 5.2 The key features of the non SHQS expenditure requirements for 2020/21, totalling £24.8m are detailed below, with estimated expenditure figures for 2020/21 shown in brackets:

New Build Council Housing (£18.3m)

- 5.3 Executive approved the Strategic Housing Investment Plan (SHIP) in October 2019. 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 602 new homes. These developments will increase the total Council's new build programme to over 1,000 new houses.

Project	Units	Est. Start Date	Est. Completion date
Woodend Farm, Hallglen	111	Jul-20	Feb-23
Seabegs Road, Bonnybridge	24	June-21	Aug-22
Old Torwood School, Torwood	24	Feb-20	June-21

Old Denny High School, Denny (PH1)	139	Jan-21	Sep-23
Old Denny High School, Denny (PH2)	77	Nov-23	Sept-25
Banknock South, Banknock	99	Sept-20	Jan-23
Main Street, Bonnybridge	22	Aug-20	Nov-21
Oakbank Polmont	24	Nov-20	Mar-22
Bainsford Adult Day Centre	19	Jul-20	Sept-21
Haugh Gardens, Langlees	39	Jul-21	Nov-22
King Street, Stenhousemuir	24	Jan-23	Apr-24
Total	602		

5.5 It is anticipated that a total of £97.3m will be required over the next 5 years to enable the completion of 525 units by the end of 2024/25. A further 77 units are expected to be completed on phase 2 of the Old Denny High School site a year later in 2025/26.

5.6 The above projects form part of the Council's Strategic Local Programme (SLP), to enable Scottish Government funding contribution. A total of £31.9m in Scottish Government funding over the next 5 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 c550 additional homes acquired to date. A total of £30m is required to maintain this programme over the next 5 years. Scottish Government funding of c£10m over the next 5 years is also anticipated.

Other Works – LHS Initiatives (£0.5m)

5.8 The Council's Local Housing Strategy identified the need to undertake a programme of initiatives designed to better meet housing demand and improve communities. It is estimated that c£0.5m will be necessary in 2020/21 to progress improvements 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 £41.9m of Scottish Government Affordable Housing Grant and total borrowing of £274m, will be needed to fund the expenditure over the next 5 years. Relevant Prudential indicators for the period are also appended in Appendix 2 for Member consideration. These indicators reflect the significant increased level of planned investment going forward.

- 7.2 In summary, it is assessed that an estimated £77m for new investment in 2020/21 will be required to fund the various programmes outlined in Appendix 1. A further £239m over the next four years 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 5 years, consideration has also been given to future investment requirements outwith this timeframe. This includes a programme of door and window replacement, estimated to cost c£15m per annum, over an eight year period. The replacement programme is planned to commence in 2020/21. This programme reflects the feedback from tenants.
- 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 3 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.

	Option 1 2.0%	Option 2 3.0%	Option 3 4.0%
Average Weekly Rent Increase	£1.37	£2.05	£2.74
Average Weekly Rent	£69.78	£70.46	£71.15
Capital Investment Impact	-£8m	£0	£8m
Revised Total Capital Exp. 2020/21	£69m	£77m	£85m

- 7.6 A minimum 3.0% rent increase is considered necessary to 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 of expenditure outlined in Appendix 1 will require to be adjusted in line with the above table.

Resources

- 7.7 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.
- 7.8 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

- 7.9 There are no legal implications anticipated.

Risk

- 7.10 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

- 7.11 There are no equalities implications anticipated.

Sustainability/Environmental Impact

- 7.12 The expenditure outlined in Appendix 1 will improve the energy efficiency of the Council's houses, helping to reduce 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 5 financial years 2020/21 – 2024/25. It is estimated that a total of c£316m will be required over the next 5 years, an average of c£63m 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 2020/21. A minimum

rent increase of 3.0% is considered necessary to 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 3.0%.

Director of Corporate & Housing Services

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Date: 7 January 2020

Appendices

1. Housing Investment Programme 2020/21 to 2024/25
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**2020/21 to 2024/25 HOUSING INVESTMENT****PROPOSED EXPENDITURE PROFILE**

	2020/21	2021/22	2022/23	2023/24	2024/25
HOUSING IMPROVEMENT WORKS					
	£'000	£'000	£'000	£'000	£'000
Elemental Maintenance & Improvements					
External Fabric Improvements	11.500	6.000	6.000	5.500	5.500
Window and Door Replacement	12.000	15.500	15.500	15.500	15.500
Kitchen/Bathroom Renewal	3.900	3.900	3.900	3.900	3.900
Electrical Works	2.000	2.000	2.000	2.000	2.000
Sub-Total	29.400	27.400	27.400	26.900	26.900
Energy Efficiency Works					
Replacement Heating	4.000	4.000	2.000	2.000	2.000
Heating Upgrade (High Rise)	4.500	0.000	0.000	0.000	0.000
Glenfuir Court Cladding Replacement	1.300	1.200	0.000	0.000	0.000
Internal Wall Insulation	1.500	0.000	0.000	0.000	0.000
Sub-Total	11.300	5.200	2.000	2.000	2.000
Estate Improvements					
Estate Improvement Work	3.500	1.800	1.800	1.700	1.700
Sub-Total	3.500	1.800	1.800	1.700	1.700
Priority Areas					
Other Priority Areas	4.400	1.560	1.500	1.500	1.500
Sub-Total	4.400	1.560	1.500	1.500	1.500
Health & Safety	3.850	0.350	0.350	0.350	0.000
NON IMPROVEMENT EXPENDITURE					
New Build Housing					
Construction Works	18.300	38.400	23.900	8.600	8.100
Sub-Total	18.300	38.400	23.900	8.600	8.100
Property Buy-Backs	6.000	6.000	6.000	6.000	6.000
Other Works (LHS Initiatives)	0.500	0.500	0.500	0.500	0.500
Sub-Total	6.500	6.500	6.500	6.500	6.500
Total Expenditure	77.250	81.210	63.450	47.550	46.700
Resources					
Prudential Borrowing	62.825	65.662	60.615	42.563	42.563
SG Grant – New Build	12.425	13.548	0.835	2.987	2.137
SG Grant – Buy-Backs	2.000	2.000	2.000	2.000	2.000
Total Income	77.250	81.210	63.450	47.550	46.700

FALKIRK COUNCIL
HRA PRUDENTIAL CODE INDICATORS

PRUDENTIAL INDICATOR		2020/21	2021/22	2022/23	2023/24	2024/25	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	33	33	35	36	37	Shows how much of the Council's HRA income is committed to repaying debt arising from capital investment.
2.	Capital Expenditure	£77.25m	£81.21m	£63.45m	£47.55m	£46.70m	Simply the planned capital expenditure per the appended HRA Capital Programme
3.	Capital Financing Requirement	£214.57m	£266.34m	£313.68m	£343.60m	£373.58m	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment