

EAST AYRSHIRE COUNCIL

CABINET – 1 JUNE 2011

HOUSING INVESTMENT PROGRAMME 2011/12 – 2015/16

Report by the Depute Chief Executive/Executive Director of Neighbourhood Services and the Executive Director of Finance and Corporate Support

1. PURPOSE OF REPORT

- 1.1 To update the previously agreed Housing Investment Programme as presented to Cabinet on 16 June 2010 and propose a revised Housing Investment Programme Strategy for 2011/12 to 2015/16 that takes account of budgetary fluctuations to ensure continuing support for the Council's commitments in terms of the Standard Delivery Plan until April 2015 and ongoing maintenance of the housing stock thereafter.

2. BACKGROUND

- 2.1 In 2004, the then Minister for Communities introduced the new Scottish Housing Quality Standard (SHQS) and set a target date of April 2015 by which date all local authorities and registered social landlords are required to achieve compliance. In order to deliver on these aims the Council developed a Standard Delivery Plan which was submitted and accepted by the Scottish Executive in May 2005.
- 2.2 Works on the Housing Investment Programme until April 2015 require to be tailored towards achievement of the SHQS in any non-compliant housing and continued thereafter to ensure that currently compliant housing is maintained at a level that will avoid future failure.
- 2.3 Allocations to fund the works required in terms of the Housing Improvement Programme allow the reallocation of programme slippages between financial years. This approach has been agreed and adopted to provide some certainty for forward planning assumptions whilst maintaining the required flexibility to redress slippage or increased progress within elements of the programme. To inform Cabinet of progress, a revised and proposed 5 year rolling Housing Investment Programme will be submitted annually for approval.

3. PROPOSED HOUSING INVESTMENT PROGRAMMES 2011/12 – 2015/16

- 3.1 **Asbestos** - Significant progress continues to be made to identify and remove asbestos from the Council's housing stock to protect the occupants and any workers employed in repairs and improvements. However, the ongoing major improvement works of replacing heating systems and renewing kitchens and bathrooms involves gaining access to previously untested areas of our properties where asbestos products may still be encountered.

Prior to carrying out these major works, we are now undertaking location specific Refurbishment/Demolition Asbestos Surveys in addition to Asbestos Management Surveys that are carried out in each property. It is therefore proposed to continue to set aside a provisional sum of £1.250m over the period of the plan to deal with this identification, sampling and asbestos removal and to safely facilitate the ongoing works programmes whilst also removing any remaining contamination from earlier asbestos component removals.

- 3.2 **Energy Efficiency** - The replacement of doors and screens with UPVC double glazed units in recent years continues to reduce the need for demand repairs and improves the energy efficiency of our properties. The new units, as supplied, are largely maintenance free, are fitted with heat loss reducing “K” glazing units and have a whole lifespan of over 40 years. Provision of these improvements will also reduce the Council’s annual maintenance costs and will significantly extend the period before replacement is again required. It is, therefore, proposed to continue to install doors and screens to houses with existing double glazed windows, in addition to providing new windows, doors and screens to those dwellings where the National Home Energy Standard is compromised by deficient single glazed windows.
- 3.3 It is estimated that 1,712 doors and screens and 862 homes with single glazing will require replacement by 2015 to meet the SHQS. However, the Council has committed to an accelerated programme of both window and door replacement to enhance the thermal properties of its homes and to reduce condensation from single glazing. A total estimated provision of £10.893m over the period of the plan has therefore been set aside in the Housing Investment Programme to ensure the Council meets all outstanding SHQS commitments to 2015 whilst increasing the anticipated replacements to its homes in 2011/12 to 623 doors and screens and 1,135 window replacements.
- 3.4 **Efficient Heating** – To continue to address problems with obsolete and inefficient heating systems and to gradually standardise heating boiler types to reduce the very large variety of heating units currently in existence in our properties, it is crucial to continue to invest in new efficient central heating systems sourced from a chosen manufacturer that can provide a high level of support and comprehensive spares provision. The 5 Year Housing Investment Programme, therefore, allows for the renewal of heating systems with gas fuelled grade “A” condensing combi systems where a mains gas supply is available and an efficient wet electric system where there is no mains gas.
- 3.5 These works, when allied to a full energy audit and provision of comprehensive thermal insulation packages delivered by the Intermediate Labour Market provider, the Wise Group, will ensure that all homes where this work is undertaken will exceed the National Energy Rating required by the Standard and assist in the reduction of fuel poverty.

- 3.6 It is estimated that cyclic replacement of 890 units per annum is necessary to reach and maintain the necessary Standard by 2015 and a total estimated provision of £15.119m has been set aside in the 5 Year Housing Investment Programme.
- 3.7 **External Envelope Enhancement** – These works address the requirement to replace failing roof coverings, address failing roofs that require redesign to improve the longevity of the structure and works to the external walls of properties to deal with water ingress and poor energy efficiency.
- 3.8 Current information indicates that there are approximately 681 roofs requiring replacement due to serious structure or covering failure, and 38 roofs on point-block flats requiring redesign and renewal to meet the Standard by 2015.

There are also 650 properties with problems with external walls, as identified by the ongoing House Attributes and Condition Survey, with varying requirements ranging from roughcast renewal to full thermal over-cladding. A pilot programme is currently in inception to provide and assess available external wall covering systems to undertake a number of severely affected properties and will commence in this financial year to allow suitability criteria to be confirmed.

A total required provision of £4.849m has been estimated from previous costs of undertaking each of these elements and allowed for in the Housing Improvement Programme towards the Scottish Housing Quality Standard, although this will be kept under review to take account of any new issues identified by the Condition Survey.

- 3.9 **Modern Facilities and Services** - Modern facilities and services are a principal requirement of the Scottish Housing Quality Standard. The current co-ordinated renewal of all the major internal facilities and services through a single multi-work contract continues to provide economies of scale with regard to time and cost, whilst also ensuring that disruption to tenants is minimised and satisfaction enhanced. The current single multi-work contract includes electrical upgrading, kitchen and bathroom renewal and redesign, internal plumber work renewal and replacement of any encountered lead piping feeds. Works prior to 2005 did not include a bathroom upgrade and these addresses also require to be revisited for further improvement.
- 3.10 It is therefore proposed to carry out these necessary works at the continued level of approximately 1000 properties per year to address the remaining 3037 homes that await some or all elements of this work. A total estimated provision of £18.887m has been allowed for during the period of the plan to meet all outstanding obligations.

- 3.11 **Timber Clad Houses** - There are a number of timber clad properties within the Council area which require annual external decoration and timber preservation works as part of a cyclic maintenance programme to maintain the exterior envelope in sound condition. It is proposed to continue the painting programme cycle at an average of 45 properties per annum at a total estimated cost of £0.819m during the plan period to ensure their ongoing compliance with the Standard.
- 3.12 **Safe and Secure Neighbourhoods** - It is proposed to install first time Door Entry systems where no system presently exists and continue replacement of existing door entry systems that have either failed due to obsolescence or remain inoperative for protracted periods due to ongoing vandalism or the difficulties in sourcing replacement components. The works include the provision of metal or timber security doors and screens dependent on the condition of the current units and the history of damages from forced entry.
- 3.13 It is currently estimated that an average 47 houses will be addressed per annum, with a total estimated overall cost of £0.371m to 2016 and an annual ongoing cost of £0.071m thereafter.
- 3.14 **Intermediate Labour Market Project (ILM)** - This project is currently jointly funded by the Council and the Wise Group who obtain matched funding of the Council's provision through the Energy Savings Fund. For 2011/12, the Council's funding level remains as previously agreed at £0.490m.
- 3.15 **Sheltered Housing Safety and Improvement Initiative** – All works have now been completed to this element of the Programme and it is proposed to remove this element from the Programme until future upgrades are again proposed. The funding levels set against this element have now been assimilated into other aspects of the Programme.

4. KICK START COUNCIL HOUSE BUILDING

- 4.1 Cabinet on the 3 June 2009 and the 16 September 2009 approved bids to the Scottish Government for assistance in the provision of new Council housing at Macdonald Drive, Kilmarnock (10 houses) and Creelshaugh Road, Fenwick, Newlands Drive and Lammermuir Road, Kilmarnock (30 houses in total). On 21 April 2010 Cabinet agreed to submit a further bid to Scottish Ministers for funding support in respect of a Phase 3 building programme at Newlands Drive (for a further 10 houses).
- 4.2 All bids were fully successful and Phase 1 has now been completed to a high quality and within timescales as reported. Phases 2 and 3 are currently on site and are expected to progress within the set timescales and to a similarly high standard of build.
- 4.3 Following an approach by the Scottish Government to seek bids for further funding towards these initiatives, a separate report proposing a phase 4 development is included on the agenda for this Cabinet meeting.

5. FINANCIAL IMPLICATIONS

- 5.1 The physical and financial outturns for the 2010/11 Housing Investment Programme have now been finalised and are detailed in Appendix 1. Overall, the outturn for the Housing Investment Programme is approximately £0.713m higher than originally budgeted as a result of increased housing numbers being completed during 2010/11. These additional housing numbers were funded through additional Capital Financed from Current Revenue (CFCR) contributions from the Housing Revenue Account.
- 5.2 In total, CFCR was increased during 2010/11 by £2.948m, with the remainder used to offset a decrease in capital receipts from Council House sales of £0.629m, and also to reduce the borrowing requirement overall. As the overspend on the Housing Investment Programme in 2010/11 was planned for and fully funded this will not be rolled forward and offset against the budget allocation in 2011/12.
- 5.3 The CFCR contribution in respect of the Housing Investment Programme for 2011/12 has also been increased by £1.525m to allow additional housing numbers to be completed; the programme of works and associated budget attached at Appendix 1 has been amended to reflect this.
- 5.4 Phased allocations have also been provided for all further financial years to 2016, however, it should be noted that the contract figures given are based on known historic costs and should be regarded as provisional only at this time pending completion of the usual procurement and tendering exercises. Therefore where the work programme is under or over committed in any one year, there will be a compensatory increase or decrease in following years but still maintaining the programme to achieve the Scottish Housing Quality Standard by 2015, and an ongoing sustainable housing stock within the approved maximum allocation.
- 5.5 The impact of the rolling programme on the Housing Revenue Account will continue to be assessed on an annual basis to ensure that it takes account of any material change that would affect affordability and / or sustainability of the overall programme. The Prudential Code requires the Council to agree and monitor a number of mandatory prudential indicators which are required to be separately calculated for the Housing Revenue Account and General Service's capital investment strategies. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management.
- 5.6 It should be noted that the funding for the Housing Investment Programme remains exclusive of any requirements associated with the Kick Start Council House Building Programme, and also potential capital costs associated with the refurbishment / relocation of the existing Housing Asset Service depot facilities and office based staff within the Civic Centre North building. The funding required to meet the additional borrowing costs relating to any of these projects therefore need to be considered in isolation to the borrowing associated with the Housing Investment Programme alone.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising directly from this report.

7. COMMUNITY PLANNING IMPLICATIONS

7.1 The annual Housing Investment Programme improves the condition of the council housing stock towards achievement of the Scottish Housing Quality Standard by 2015 and supports the East Ayrshire Community Plan themes of “Delivering Community Regeneration” and “Improving Health and Wellbeing”.

8. ASSET MANAGEMENT IMPLICATIONS

8.1 The ongoing investment programme improves and maintains individual properties and supports the long term sustainability of the council housing stock in East Ayrshire.

9. RISK MANAGEMENT IMPLICATIONS

9.1 Due to the currently experienced and future predicted falls in receipts from house and land disposals, greater reliance on borrowing and support from the Housing Revenue Account is anticipated. Any further reduction in funding is likely to prejudice the achievement of the Standard by 2015 and affect future sustainability of the housing stock thereafter.

9.2 The Housing Investment Programme and Standard Delivery Plan is based on the present Scottish Housing Quality Standard in terms of affordability. Any future additions to the Standard would require the overall Standard Delivery Plan to be reappraised and a new Delivery Plan would require to be produced to address the requirements after the present 2015 deadline.

9.3 Any reduction in cyclic replacement based on the life expectancy of components, such as heating systems, would result in future increased costs for the Council through increased failures and obsolescence of parts. Tenant satisfaction levels would likely reduce as a result of increased waiting times for replacement, lower heating efficiency and increased fuel costs, in turn leading to increased fuel poverty.

9.4 Any significant slippage would result in a general extension of timescales over which improvements are delivered. Any significant extension of timescales would require the revision of the currently published 5 year plan and would mean that the 2015 target may not be achieved or, in later years, sustainability would be compromised.

10. RECOMMENDATIONS

10.1 It is recommended that the Cabinet:

- i) Approve the proposals for the 5 Year Housing Investment Programme for the period 2011/12 to 2015/16;

- ii) Note that regular reports on progress in delivering the programme will be submitted to members through the budget scrutiny arrangements throughout the year.
- iii) Otherwise note the contents of the report.

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CMCA/AMcP/AK/GC

LIST OF BACKGROUND PAPERS

Any person wishing further information should contact Gary Craig, Housing Improvement Manager, Housing Asset Services

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