

EAST AYRSHIRE COUNCIL

CABINET – 16 JUNE 2010

HOUSING INVESTMENT PROGRAMME 2010/11 – 2014/15

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 propose a Housing Investment Programme Strategy for 2010/11 to 2014/15 that will be capable of redressing annual budgetary fluctuations and fully support the Council's commitments in terms of the Standard Delivery Plan.

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 All works on the Housing Investment Programme are tailored towards achievement of the Standard in any non-compliant housing, and to ensure that currently compliant housing continues to be maintained at a level that will avoid future failure.
- 2.3 Currently, allocations to fund the works required in terms of the Housing Improvement Programme are fixed each financial year with no flexibility to reallocate programme slippages between financial years. Whilst it is accepted that this approach provides some certainty for forward planning assumptions, the lack of flexibility does present difficulties where investment levels are not uniform each financial year. In order to overcome these difficulties, and to allow greater flexibility within the capital programme, it is proposed that in the future any slippages in financial years will be carried forward and added to the next financial year's capital allocation.

3. PROPOSED HOUSING INVESTMENT PROGRAMMES 2010/11 - 2014/15

- 3.1 **Asbestos** - Significant progress has been made to identify and remove asbestos from the Council's housing stock to protect the occupants and any workers employed in 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, it is necessary to carry out a "type 2" investigative

survey and it is anticipated that this will remain a problem in future years and until these major works have completed their initial cycle in the remaining 3240 homes to be undertaken by 2015. It is therefore proposed to continue to set aside a provisional sum of £1.250M over the period of the plan, as indicated as required by previous average annual costs, 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 also significantly extend the period of required replacement. 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 considered that 1,811 doors and screens and 1,720 homes with single glazing will require replacement by 2015, equating to an average replacement level of 362 doors and screens with 344 homes to receive double glazing per annum. A total estimated provision of £6.921M over the period of the plan has been set aside in the Housing Investment Programme to ensure the Council meets all outstanding commitments to 2015.
- 3.4 **Efficient Heating** – To continue to address problems with obsolete and inefficient heating systems and to gradually standardise heating boiler type 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 a highly 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 considered that cyclic replacement of 824 units per annum is necessary to reach and maintain the necessary Standard by 2015 and a total estimated provision of £14.355M 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 from the ongoing Housing Attributes and Condition Survey indicates that there are approximately 600 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 540 properties with work need to external walls, as identified so far by the ongoing House Attributes and Condition Survey, with varying requirements ranging from roughcast renewal to full thermal over-cladding. A total required provision of £4.667M 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 some 2560 addresses will also require to be revisited to offer further improvement and after all initial kitchens refurbishments have been completed.
- 3.10 It is therefore proposed to carry out these necessary works at the continued level of approximately 760 properties per year to address the remaining 3,800 homes that await some or all elements of this work. A total estimated provision of £22.056M 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 54 properties per annum at a total estimated cost of £0.702M 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 2015.
- 3.14 **Intermediate Labour Market Project (ILM)** - This project is jointly funded by the Council and the Wise Group who obtain matched funding of the Council's provision of £5.080M and have obtained in excess of £5.530M to date through funding submissions to the Energy Savings Fund, Scottish Enterprise, Jobcentre Plus, Warm Deal and the utility companies among others. The project provides an Energy Auditing, Draught proofing and Loft Insulation Service with the works also extending to cavity fill and personal homes security initiatives in the form of door overview cameras and alarms.
- 3.15 This joint project continues to benefit many workers transferring from this intermediate labour market initiative to full time employment as a result of the training opportunity provided and since its inception in 1998 has provided temporary employment for a total of 873 trainees and secured ongoing permanent employment for 351 local employees. Nonetheless, it is proposed to carry out a review of the existing project to establish its prospects for ongoing sustainability and its value for money for the Council with a report on the outcomes of the review to be submitted to a future Cabinet Meeting for elected member's consideration.
- 3.16 In the meantime, and subject to the outcome of that review, it is proposed to continue to set aside a budget of £0.490M per annum to meet the costs associated with the provision of safety surveys and security initiatives to improve community safety and the energy efficiency works set out in paragraph 3.14 above which complement the Efficiency Heating Programme.
- 3.17 **Sheltered Housing Safety and Improvement Initiative** - Works commenced in 2009/10 to refurbish and upgrade St Maurs Gardens at an anticipated total cost of £0.670M for these works which will extend into the 2010/11 contract year .The works comprise the full re-roofing of the complex, provision of new gas central heating systems, full re-wiring, an automatic fire fighting sprinkler system to domestic and communal areas, improved fire detection and warden call systems and redecoration and refurbishment of communal arrears and access corridors. Full redecoration and renewal of kitchens and bathrooms is also undertaken within the individual homes.
- 3.18 These works to the remaining 10 house complex at St. Maurs Gardens, Kilmaurs are complementary to the achievement of both the Disabled Discrimination Act's requirements and the Scottish Housing Quality Standard and will complete and ensure the compliance of all our sheltered accommodation until 2023/24.

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, and London Road, Kilmarnock (for a further 10 houses). It is currently anticipated that a Ministerial announcement regarding the bid will be made mid-July; if approved Phase 3 works would start on site March 2011.
- 4.2 In terms of resources to fund the proposed new houses, it is anticipated that each house with regard to the Phase 1 and 2 proposals will cost in the region of £0.100M, with a maximum subsidy from the Scottish Government of no more than £0.025M per house. The Phase 3 proposals, if successful, are based on an anticipated cost per house of £0.105M, which will attract a maximum subsidy of £0.030M per house.
- 4.3 Based on the approved programme to date, the total borrowing requirement in relation to the agreed Phase 1 and 2 proposals is estimated to be £3.000M, subject to the completion of the costing exercise with the framework contractor in relation to each phase. Attached at Appendix 1 are details of the anticipated phased expenditure in relation to the Council House Building Programme.

5. FINANCIAL IMPLICATIONS

- 5.1 The Housing Improvement Programme is a long-term programme of refurbishment to meet the Scottish Housing Quality Standards by 2015, and therefore investment levels may not be uniform each year. In order to maximise flexibility and to ensure the Council delivers on the Standard it is proposed that the Housing Investment Programme adopts a rolling programme approach to be contained within a maximum expenditure level of £53.442M over the period to 2015 as indicated in Appendix 1.
- 5.2 The physical and financial outturn for the 2009/10 Housing Investment Programme have also now been finalised, and will therefore be re-profiled into future financial years to allow the overall Standard to be met, again as detailed in Appendix 1.
- 5.3 Phased allocations have also been provided for in each financial year to 2015 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 within the approved maximum allocation.

- 5.4 In adopting this approach it is imperative that the impact of the rolling programme on the Housing Revenue Account is 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.
- 5.5 It should also be noted that the funding for the Housing Investment Programme remains exclusive of any requirements associated with the Kick Start Council House Building Programme. Therefore the funding required to meet the additional borrowing costs have to be considered in isolation to the borrowing associated with the Housing Investment Programme.

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.
- 9.2 The Housing Investment Programme and Standard Delivery Plan is based on the present Scottish Housing Quality Standard in terms of affordability. Any additions to the Standard would require the overall Standard Delivery Plan to be reappraised.
- 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.

10. RECOMMENDATIONS

10.1 It is recommended that the Cabinet:

- i) Approve the proposals for the 5 Year Housing Investment Programme for the period 2010/11 to 2014/15;
- ii) Note that regular reports on progress in delivering the programme will form part of Finance and Service Strategy reports submitted to Cabinet and Governance and Scrutiny Committee;
- iii) Otherwise note the contents of the report.

Elizabeth Morton
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7 June 2010

CMCA/AMcP/AK/JC

LIST OF BACKGROUND PAPERS

Any person wishing further information should contact Jim Clark, Housing Programme Co-ordinator, Neighbourhood Services on (01563-555509), e-mail: jim.clark@east-ayrshire.gov.uk

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HOUSING INVESTMENT PROGRAMME - 2010/11 TO 2014/15

	Budget £m	2009/10 Actual £m	c/f £m	2010/11 House No.s	2010/11 Cost £m	2011/12 House No.s	2011/12 Cost £m	2012/13 House No.s	2012/13 Cost £m	2013/14 House No.s	2013/14 Cost £m	2014/15 House No.s	2014/15 Cost £m	Total Cost £m
Asbestos														
Asbestos Testing and Removal	0.250	0.126	-0.124	n/a	0.250	n/a	0.250	n/a	0.250	n/a	0.250	n/a	0.250	1.250
Energy Efficiency														
Replacement Doors and Screens	3.194	3.110	-0.084	100	0.060	300	0.180	300	0.180	500	0.301	611	0.368	1.089
Window Renewals (initially of single glazed)				170	0.576	250	0.848	250	0.848	250	0.848	800	2.712	5.832
Efficient Heating														
Efficient Central Heating	2.922	2.548	-0.374	780	2.382	770	2.620	770	2.620	770	2.620	770	2.893	13.135
Heating to NHER level				10	0.047	62	0.291	62	0.291	62	0.291	64	0.300	1.220
External Envelope Enhancement														
External envelope enhancement	1.409	0.981	-0.428	50	0.099	166	0.329	108	0.214	108	0.214	108	0.214	1.070
Re-roofing (inc. chimneys/gutters etc)				100	0.523	100	0.523	100	0.523	150	0.784	150	0.784	3.137
Specialist re-roofing (inc. " ")				16	0.194	11	0.133	11	0.133	0	0.000	0	0.000	0.460
Modern Facilities and Services														
Modern Facilities and Services	6.384	5.809	-0.575	920	5.340	853	4.951	853	4.951	800	4.643	374	2.171	22.056
Neighbourhood Improvements														
Timber House Preservation	0.386	0.662	0.276	45	0.117	45	0.117	45	0.117	45	0.117	90	0.234	0.702
Safe and Secure Neighbourhoods														
Door Entry Systems	0.381	0.242	-0.139	45	0.071	55	0.087	45	0.071	45	0.071	45	0.071	0.371
ILM initiatives (energy efficiency)				n/a	0.490	n/a	0.490	n/a	0.490	n/a	0.490	n/a	0.490	2.450
Safe and Secure Neighbourhoods														
Sheltered Housing Refurbishment	0.690	0.602	-0.088	10	0.670	0	0.000	0	0.000	0	0.000	0	0.000	0.670
Totals	£15.616	£14.080	-£1.536	2246	£10.819	2612	£10.819	2544	£10.688	2730	£10.629	3012	£10.487	£53.442

KICK START COUNCIL HOUSE BUILDING

	2010/11 Cost £m	2011/12 Cost £m	Total Cost £m
Phase 1 - MacDonald Drive, Kilmarnock (10 Houses)	1.000		1.000
Phase 2 - Various Addresses	0.900	2.100	3.000