

The Highland Council

Community Services

21 August 2014

Agenda Item	14
Report No	COM/22/14

Scottish Housing Quality Standard Delivery Plan

Report by Director of Community Services

Summary

This report provides an update on the Council's Standard Delivery Plan, setting out progress to 31 March 2014 and the projected investment required to achieve compliance with the Scottish Housing Quality Standard.

1. Background

- 1.1 The Scottish Housing Quality Standard (SHQS) was announced in 2004 by the Scottish Government. As a result of participation in the Community Ownership Programme, the Council's first Standard Delivery Plan was not required until 2007. This Plan was approved by the Housing and Social Work Committee in September 2007.
- 1.2 The SHQS sets a minimum standard for all social rented housing. To meet the standard all houses should be:
 - Compliant with the tolerable standard
 - Free from serious disrepair
 - Energy efficient
 - Provided with modern facilities and services
 - Healthy, safe and secure.
- 1.3 Work has been on-going since 2007 to update information about the housing stock, to reassess the work that is required to achieve the SHQS, and to update the financial assumptions relating to future investment. As of 31 March 2014, over 85% of our stock had been surveyed by our in-house team with other information being obtained from inspection visits. It was agreed to end the surveys in July 2013 as increasingly surveyor time was unproductive due to non-access. We are currently considering other survey approaches for the future.
- 1.4 The 2013 Standard Delivery Plan was approved by the Finance, Housing and Resources Committee on 9 October 2013. The Plan set out an HRA Capital Programme for 2013-2015 which targeted all remaining properties that failed the SHQS. It estimated required investment at £58.848m, an increase from the previous estimate of £35.1m. This reflected the costs of installing new

renewable heating technology in rural areas. It also incorporated revisions to projects and procurement arrangements to ensure that we fit the heating system best suited to both the property type and tenant needs but which still allows us to meet SHQS compliance.

1.5 The updated Standard Delivery Plan is attached at **Appendix 1** of this report.

2. Progress on the Scottish Housing Quality Standard

2.1 The table below shows the number of dwellings failing each SHQS category as at 31 March 2014. As a benchmark, the table also shows the number of dwellings failing each category in 2007:

SHQS Categories	No. of failures 2007	No. of failures 2014	No. of dwellings failing 2007	No. of dwellings failing 2014
Tolerable standard	0	0	0	0
Serious disrepair	142	0	56	0
Energy efficiency	16,589	2,573	11,841	2,501
Modern facilities & services	5,102	688	4,411	554
Healthy, safe & secure	12,262	0	9,369	0
Total failing SHQS	34,095	3,261	13,634	2,902

2.2 It should be noted that each category contains a number of different elements and individual properties can fail on more than one element. Currently 2756 properties fail the SHQS on one element, with a further 146 failing on two or more elements. There are also 236 properties across these categories of work where tenants have declined to have work carried out or not provided access to complete work. This work will be undertaken when properties are re-let.

2.3 The table shows that no houses fail the SHQS in relation to the “Tolerable Standard” category. There are also no failures relating to “Serious Disrepair” of the building fabric or the “Healthy, Safe and Secure” category. Where individual failures are identified in these categories they are addressed as quickly as possible through revenue repairs or planned maintenance programmes. This has included a number of re-roofing projects which have been reported to Committee and have an impact on the overall cost of the HRA Capital Programme.

2.4 Most failures continue to relate to “Energy Efficiency”, although there has been a significant reduction in the number of properties failing over the last year. Since the 2013 Delivery Plan we have reviewed our heating options approach to ensure we are fitting the most appropriate heating systems to reach the SHQS-specified energy ratings. We continue to install gas heating where mains gas is available. In off-gas areas, we install a mix of heating systems including external biomass wood pellet boilers; wood-burning and multi-fuel stoves; air source heat pumps and fan-assisted storage heaters.

2.5 Progress has also been made in reducing the number of properties failing in the “Modern Facilities and Services” category.

3. Current Estimates for Delivery

3.1 The Standard Delivery Plan sets out an investment programme that focuses on SHQS works but also allows funding to carry out major component replacement works and exceptional repairs when required. The investment programme also contains funding for equipment and adaptations.

3.2 The 2014-15 HRA mainstream capital programme targets all remaining properties which fail the Scottish Housing Quality Standard. Completion of the programme will allow for full stock compliance with the Standard. A comprehensive list of all HRA mainstream capital projects is available in the HRA Capital Monitoring report to this Committee.

3.3 As indicated previously at Committee, there has been an element of uncertainty with the specific costs and suitability of the renewable heating technology which forms the majority of the current programme. Issues with projected cost of the programme were reported to the Finance Housing and Resources Committee in August 2013, and resulted in a review of the programme options and costs. The Standard Delivery Plan presented in October 2013 proposed alternative renewable heating systems better suited to tenants needs. Unfortunately implementing these amendments to the programme has caused delays with a number of heating projects. The table below identifies the heating projects where there has been slippage. These predominantly relate to areas where there is no mains gas supply and where there are limited options for providing compliant heating systems:

Project	Title	No. of SHQS failures projected at April 2015
HCA0333	Electric/solid fuel heating replacements Wester Ross	30
HCA0334	Electric/solid fuel heating replacements Skye & Lochalsh	20
HCA0335/336	Solid fuel & electric heating replacements Sutherland	88
HCA0337	Electric/solid fuel heating replacements	75
HCA0338	Electric/solid fuel heating replacements Easter Ross	88
HCA0340	Electric/solid fuel heating replacements Skye & Lochalsh/Caithness/Sutherland	60
HCC0462	Electric heating replacements Lochaber	110
HCC0459	Electric heating replacements Badenoch & Strathspey/Nairn	10
HCC0461	Electric heating replacements Inverness-shire	15
HCC0463	Solid fuel heating replacements South Highland	100
HCC0497	Inverness installation of gas heating	82
	Total:	678

- 3.4 We now have all the procurement arrangements complete for the programme and considerable work has been carried out to ensure that we install the most appropriate and cost effective heating systems for our tenants, particularly for hard-to-treat properties. We have also reviewed and adopted new approaches to procurement in an effort to ensure that we receive the best standard of performance from the heating installation industry.
- 3.5 Based on current project profiles, it is therefore now estimated that 678 properties currently failing the energy efficiency element of the SHQS will not be complete by April 2015. These works have an estimated cost of £10.530m. The work required will be complete on-site during the calendar year 2015. It should be noted that a number of other Local Authorities are also likely to experience delays in completing work.
- 3.6 In terms of funding the required investment, the Standard Delivery Plan assumes the following resources:

Year	Capital receipts £m	Capital from current revenue £m	New borrowing £m	Total SHQS Programme £m
2014-15	1.279	4.325	26.936	32.540
2015-16 (carry-forward from heating projects)	1.279	4.000	5.251	10.530
Total	2.558	8.325	32.185	43.07

The following table shows the projected progress toward the Standard based on the investment assumptions above:

Criteria	2014	April 2015	December 2015
Tolerable Standard	0	0	0
Free from Serious Disrepair	0	0	0
Energy Efficient failures	2,501	678	0
Modern Facilities and Services	554	0	0
Healthy, Safe and Secure	0	0	0
Total dwellings failing SHQS:	2,902	678	0

- 3.7 Domestic Renewable Heat Incentive (RHI) payments became available in April 2014 following legislation brought forward by the Department of Energy & Climate Change. This means the Council will receive income over 7 years based on the amount of heat produced by renewable heating systems we have installed. The income will vary based on the property type, level of insulation and energy use in each house. Estimates on the potential income will be presented to a future meeting of the Committee.
- 3.8 The plan is currently based on a number of HRA capital and revenue projections, and changes in projections will require the resource assumptions to be updated. It should be noted that HRA revenue estimates will continue to be

reported to Committee annually in January each year.

4. Conclusions

- 4.1 There has been considerable progress in working towards the SHQS since 2007. Stock compliance with the SHQS as at March 2014 was 78.6% compared to 3.4% in 2007. It is estimated that 678 properties will not be brought up to Standard by April 2015.
- 4.2 A 2015-16 HRA capital programme will be presented to Members at the November Committee. It is likely that this programme will include a number of new projects which will focus on planned works that have not been prioritised due to our commitment to reach the SHQS.
- 4.3 The Scottish Government has recently introduced an Energy Efficiency Standard for Social Housing which sets targets for energy efficiency compliance by 2020. Committee will be updated in November as to the likely impact this new Standard will have on the HRA capital programme after 2015.

5. Implications

- 5.1 **Resources:** this report confirms that the Standard Delivery Plan can be delivered within current estimates.
- 5.2 **Legal:** meeting the SHQS is a regulatory rather than a legal requirement and there are no legal implications arising from this report.
- 5.3 **Equalities:** there are no equalities implications.
- 5.4 **Climate Change/Carbon Clever:** the investment outlined in this report will help the Council achieve its Climate Change/Carbon Clever commitments.
- 5.5 **Risk:** a detailed risk matrix has been developed in relation to delivery of the SHQS.
- 5.6 **Gaelic & Rural:** achieving the Energy Efficiency category of the SHQS is much harder in rural areas than in urban areas, largely a result of the lack of mains gas; rural areas are also more likely to experience fuel poverty than urban areas.

Recommendation

Committee is asked to:

- (i) approve the annual update of the Standard Delivery Plan attached as **Appendix 1** of the report; and
- (ii) Note that plans are in place to achieve full compliance with the SHQS by the end of 2015.

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Date: 4th August 2014

The Highland Council Annual Update to the Scottish Housing Quality Standard Delivery Plan August 2014

1. BACKGROUND

1.1 Introduction

This document is intended as an update on the progress made by the Highland Council since the Standard Delivery Plan 2013 to ensure that its housing stock meets the Scottish Housing Quality Standard (SHQS) by 2015.

1.2 Scottish Housing Quality Standard

The (then) Scottish Executive defined the quality criteria for meeting the SHQS in 2004. This sets a minimum standard for all Council and Housing Association housing. To meet the standard all houses should be:

- Compliant with the tolerable standard
- Free from serious disrepair
- Energy efficient
- Provided with modern facilities and services
- Healthy, safe and secure

1.3 As a result of the Council's participation in the Community Ownership Programme, the first Standard Delivery Plan was approved in 2007 resulting in a delay in implementing SHQS-targeted works.

2. HIGHLAND COUNCIL HOUSING STOCK

2.1 Stock as at 31 March 2014

At the end of March 2014, the Council housing stock comprised 13,566 properties. In comparison, at the end of March 2013 the Council housing stock comprised 13,542 properties.

3. STOCK CONDITION ANALYSIS

3.1 Stock Condition Survey

The Council commissioned David Adamson and Partners Ltd to undertake a Stock Condition survey in 2006. The study involved a comprehensive house condition survey with a completed sample of houses representing approximately 30% of the housing stock at that time. The survey questionnaire was specifically designed to collect information on performance against the SHQS and to assess the need for future major component replacement over a 30 year period.

3.2 Housing Stock Database

Using the survey programme as a foundation together with the full address and attribute data for all council stock, David Adamson and Partners Ltd undertook a "data cloning" exercise to provide the Council with a 100% housing stock conditions database. Since 2006 stock condition data has been updated to take account of:

- Changes in housing stock numbers though right to buy sales and more recently through new Council house building;

- Specific investment undertaken since the survey was undertaken;
- Updating energy ratings using the Council's energy assessment modelling tool and taking into account energy efficiency measures e.g. heating systems which have been installed since 2006;
- Local data verification.

3.3 In August 2009 the Council initiated an in-house stock survey to further build up our database information. It was agreed to end the surveys in July 2013 as increasingly surveyor time was unproductive due to non-access which has prevented all our properties being surveyed. Approximately 85% of our properties had been surveyed by this time. The internal stock survey was based on assessment against the Standard and has reduced our reliance on "cloned" information.

3.4 The Council has also reviewed the investment costs to take account of the most up to date contract prices for capital projects.

4. Current Performance against SHQS

4.1 The following table gives a detailed breakdown of the failure rate against the five criteria of the SHQS. The first column shows properties that were reported as failing in 2007 when we produced our first Standard Delivery Plan. The second column shows the current number of failures taking into account the updating described at 3.2 above. It should be noted that each category contains a number of different elements and individual properties can fail on more than one element. The total number of failures against the Standard can therefore be greater than the number of Council houses.

Criterion	Number of failures 2007	Number of failures 2014
Tolerable standard	0	0
Serious disrepair – primary elements		
Wall structure	0	0
Internal floor structures	0	0
Foundations	27	0
Roof structure	0	0
Serious disrepair – secondary elements		
Roof covering	3	0
Chimney disrepair	15	0
Flashings	1	0
Gutters disrepair	27	0
External wall finishes	34	0
Access decks/balustrades	0	0
Common access stairs/landings, pathways within the curtilage of the dwelling	32	0
Individual dwelling balconies/verandas	0	0
Individual dwelling attached garages, internal stairs	0	0
Damp proof course	0	0
Windows	3	0
Doors	0	0
Common windows/roof lights	0	0

Underground drainage	0	0
Total serious disrepair failures	142	0
Total dwellings	56	0
Energy Efficiency		
Cavity insulation	4,170	12
Loft insulation	1,133	60
Hot water pipes and tank insulation	0	0
Efficient heating (central heating system/boiler etc)	2,257	0
SAP failures (previously NHER failures)	9,029	2501
Total energy efficiency failures	16,589	2573
Total dwellings	11,841	2501
Modern facilities and services		
Bathroom condition	128	298
Kitchen condition	441	128
Kitchen storage	451	27
Safe working arrangements	155	35
Power outlets	3,927	200
Total modern facilities and services failures	5,102	688
Total dwellings	4,411	554
Healthy, safe and secure		
Internal pipe work lead free	82	0
Mechanical ventilation	0	0
Noise insulation (via windows)	236	0
Smoke detector	30	0
Safe electrical systems	0	0
Safe gas and oil systems	0	0
Common areas – good and safe order	0	0
Common external and internal lights	6,417	0
Front and rear doors	5,091	0
Front door entry system	406	0
Total healthy safe and secure failures	12,262	0
Total dwellings	9,369	0
Overall totals:		
Total failures =	34,095	3261
Total dwellings failing =	13,634	2902

4.2 Currently 2756 properties fail the standard against one criterion with a further 146 failing on two or more criteria.

4.3 Tolerable standard

All of our housing stock is assessed as being above the tolerable standard.

4.4 Serious disrepair

All of our housing stock is assessed as passing the serious disrepair category. Through the ongoing stock surveys it was reported that identified repairs were localised/minor in nature and more suited to action within ongoing revenue maintenance programmes.

4.5 Energy Efficiency

To achieve compliance with the energy efficiency requirements of the SHQS, properties must be effectively insulated, efficiently heated and achieve a minimum energy rating. The table below shows the various ratings required to achieve the SHQS energy rating and the difference between heating systems.

Fuel source for central heating systems	Standard Assessment Procedure (SAP) 2005
Gas	50
Oil	54
Liquid Petroleum Gas	54
Electric	58
Solid fuel	59
Biomass (e.g. external wood pellet boiler)	59

- 4.6 Significant progress has been made since 2007 in providing insulation measures and new heating systems in our stock. Investment in multiple measures has been required to tackle the properties with the lowest energy ratings and this may involve high costs for some 'hard-to-treat' properties.
- 4.7 The Energy and Sustainability Team has re-profiled stock currently failing the energy efficiency standard and we have developed a set of specific measures to address these failures. These form part of a revised costed programme of energy efficiency improvements as part of the HRA Capital Programme to 2015. This reflects the costs of installing new renewable heating technology in rural areas. It also incorporates revisions to projects to ensure that we fit the heating system best suited to both the property type and tenant needs but which still allows us to meet SHQS compliance. As part of this approach we have also reviewed and adopted new approaches to the procurement and delivery of heating projects to ensure the best standard of performance from heating contractors.
- 4.8 **Facilities and Services**
To meet the SHQS, all properties must have modern facilities and services. Bathroom and kitchen fittings must be in good and useable condition, while kitchens must additionally be provided with adequate storage, safe working arrangements and sufficient power outlets.
- 4.9 In 2007 there were 4,411 properties which failed against this criterion. As outlined in previous Standard Delivery Plans the number of failures in some elements of this category then increased as a result of properties that were predicted to fall below the standard based on the stock condition information available at the time. As a result of updating the stock condition information and work carried out in the financial years 2007-2014 there has been a reduction in the overall number of failures in this category. It should be noted that the estimated number of bathroom and kitchen failures in 2007 was subsequently increased following identification of additional failures by our in-house surveyors.
- 4.10 **Healthy Safe and Secure**
To comply with the SHQS, dwellings must be healthy, safe and secure. In 2007, 9369 properties failed the Standard but the position in 2014 is that no properties fail.
- 4.11 As with the Serious Disrepair category, any individual failures identified by surveys or reported by tenants are currently tackled through day-to-day repairs or planned

maintenance programmes. This may involve electrical failures which are included in the cyclical electrical inspection programme and in future re-wiring programmes if necessary.

4.12 Major component replacement

In addition to the work required to achieve the Standard, investment will be required to replace property elements that have come to the end of their recommended life cycle and prevent property deterioration below the Standard in the period up to 2015. These are identified by Area Maintenance teams following inspection.

5. INVESTMENT PROGRAMME: 2014-15

5.1 Meeting the SHQS

As indicated previously at Committee, there has been an element of uncertainty with the specific costs of the renewable heating technology which forms the majority of the current programme. Much of the pre-project work has been identifying through site visits the most appropriate and cost effective heating systems, particularly for hard-to-treat properties. Unfortunately this has caused some delays and it is therefore now estimated that 678 properties currently failing the energy efficiency element of the SHQS will not be complete by April 2015. These properties are on a number of projects across Highland and this slippage is identified in the comments field on the HRA Capital Programme monitoring sheet. The work required will be complete on-site during the calendar year 2015. It should be noted that a number of other local authorities are also likely to experience delays in completing works.

5.2 Investment to reach SHQS

The estimated cost of achieving SHQS is currently £41.495m.

SHQS Element		Properties failing SHQS	Cost £m
1	Tolerable standard	0	0
2	Free from serious disrepair	0	0
3	Energy Efficiency	3450	38.329
4	Modern facilities and services	1161	3.166
5	Healthy safe and secure	0	0
Total investment			£41.495m

5.3 Other investment

In addition to work required to meet the Standard, future major component improvement programmes are required to maintain the properties at the SHQS. There are also exceptional repairs that arise from time to time largely relating to health and safety issues. It is estimated that £0.544m is required for this type of investment between 2014 and 2015, which largely relates to roof works and window and door replacement.

5.4 The need for equipment and adaptations to enable tenants to stay in their own homes will continue throughout the period of the plan and a budget of £0.984m has been set aside for equipment and adaptations in 2014/15.

5.5 Required investment

To reach SHQS the estimated total HRA capital investment required is summarised below:

Category	Total £m
SHQS	
Energy efficiency	38.329
Modern facilities and services	3.166
Total SHQS	41.495
Other	
Major component replacement/exceptional repairs	0.544
Equipment and Adaptations	0.984
Stock survey/tenant liaison	0.047
Total Other	1.575
Total expenditure	£43.07m

6. FUNDING THE INVESTMENT PROGRAMME

- 6.1 For the period 2014-2015 projected capital expenditure amounts to £32.540m. As noted at point 5.1 above there will be slippage into the 2015-16 capital programme:

Year	Capital receipts £m	Capital from current revenue £m	New borrowing £m	Total Capital programme £m
2014/15	1.279	4.325	26.936	32.540
2015/16 (carry forward from heating projects)	1.279	4.00	5.251	10.530
Total	£2.558m	£8.325m	£32.185m	£43.07m

- 6.2 The following table shows the projected progress toward the standard based on the investment assumptions above:

Criteria	2014	April 2015	2015
Tolerable Standard	0	0	0
Free from Serious Disrepair	0	0	0
Energy Efficient failures	2501	678	0
Modern Facilities and Services	544	0	0
Healthy, Safe and Secure	0	0	0
Total dwellings failing SHQS:	2902	678	0

6.3 Renewable Heat Incentive

In April 2014 the Department of Energy & Climate Change opened up registrations for Domestic Renewable Heat Incentive (RHI) payments. The Council will be able to make claims for all renewable heating installations that we have installed since August 2009. This means that we will receive a fixed income over 7 years on the amount of heat produced by the renewable systems. The income will vary based on the property type, level of insulation and energy use in each house. Estimates on income will be presented to Committee in future monitoring reports. The Council will also continue to access external funding for energy efficiency works.

7. OPERATIONAL PLAN AND MONITORING FRAMEWORK

7.1 **Monitoring HRA Capital Programme**

Monitoring reports will continue to be presented to each meeting of Community Services Committee. Monitoring progress against the Standard Delivery Plan is part of the capital programme monitoring arrangements. The Council produces an annual Standard Delivery Plan monitoring report to the Community Services Committee.